

## **Northern Ireland Local Government Officer's Superannuation Committee**

Minutes of the meeting of the Management Committee held at The Mount Conference Centre on 24 August 2021 at 9.30 am.

### **Members Present:**

Lindsay Todd (Chairperson), Ken Clayton, Paul Francey, Alan Law, Mark McBride, Joan McCaffrey, Shane McCurdy, Antoinette McMillen, Peter Moore, Michael Rafferty, JJ Tohill, Heather McKinstry, Derek McCallan.

### **In Attendance:**

David Murphy (Secretary)  
Nicola Todd (Deputy Secretary)  
Maria Bowers (Finance Manager)  
Helen McEvoy (Investment Services Manager)  
Ciara Keenan (Head of Governance and Support Services)  
Ryan McClenaghan (IT Manager)  
Patricia Managh (Legal Officer)  
Racquel Turtle (Corporate Support Officer)  
Anthony Carleton (Department of Communities) (via Teleconference)  
Moritz Valeriano (CBRE) (via Teleconference)  
Achal Gandhi (CBRE) (via Teleconference)  
Nandika Sharma (CBRE) (via Teleconference)  
Jasper Holst (CBRE) (via Teleconference)

### **1. Declaration of Member's Interests**

Alan Law declared an interest in an item in the Secretary's Report referring to Thornhill College. Subsequent to the meeting, Antionette McMillen declared an interest in the report of the [REDACTED] legal case.

## **2. Chairperson's Business and Apologies**

The Chairperson welcomed everyone to the first face to face meeting since the implementation of Covid restrictions and advised the Committee that a photographer would be in attendance after the meeting to take photographs for publication in the Annual Report and Accounts.

## **3. Minutes of the meeting held on 22 June 2021**

The minutes of the meeting held on 22 June 2021, having been circulated, were agreed and signed by the Chair.

## **4. Matters Arising**

There were no matters arising.

## **5. Audit and Risk Assurance Committee (ARAC)**

### Report of the Meeting held on 9 August 2021

The Committee noted the verbal report, presented by the ARAC Chair, of the meeting held on 9 August 2021.

### Review of Risk Register for the Quarter Ended 30 June 2021

The Head of Governance and Support Services presented the review of the risk register for the quarter ended 30 June 2021.

The Committee noted the Review of the Risk Register.

### Report to Those Charged with Governance (RTTCWG) and Annual Report and Accounts 2020/21

The ARAC Chair and Finance Manager presented the RTTCWG and Annual Report and Accounts. The Committee were advised that there were no significant changes to the FReM, accounting standards or other guidance for 2020/21 that would impact on NILGOSC's financial statements.

They provided an overview of the key results, noting the Fund's positive performance with a record high just short of £9.8bn and a growth in membership during the year.

The Committee were advised that the NIAO has stated its intention to issue an unqualified opinion in relation to the 2020/21 financial statements and an unqualified opinion on regularity and on the Statement about contributions payable.

The Finance Manger informed the Committee that the auditors had noted two uncorrected misstatements of the RTTCWG relating to trivial price differences and advised she was not proposing to make any adjustment for these in the accounts.

She advised the Committee that Management had its custodian undertake an exercise to investigate methodology differences resulting in pricing differences between the custodian and the individual investment managers during 2020 and further advised that despite the increase in assets under custody in the period (circa £720m), the level of misstatements as recorded by the auditor were greatly reduced from that reported in 2019/20 (£1.87m).

The Finance Manager drew attention to the two priority two recommendations and one priority three recommendation made by the auditor and outlined Management's responses to each. The Committee accepted Management's response and requested that, in respect to the point on related parties, future Committee reports seeking procurement approval explicitly ask members to declare any conflict of interest.

The Committee acknowledged the volume of work that went into the Annual Report and Accounts and congratulated the Finance Manager and staff involved in the preparation.

The Committee noted the RTTCWG and endorsed the decision of Management not to correct the unadjusted misstatements and approved the Annual Report and Accounts for 2020/21.

## **6. Review of Internal Dispute Resolution Procedure**

The Secretary presented a report on the establishment of a sub-committee with delegated powers to make stage two review decisions and advised that the LGPS Regulations allows the Committee to delegate any of its functions to a sub-committee.

He outlined how in practice this sub-committee could work and its proposed composition.

The Committee discussed the merits of establishing such a sub-committee, together with its expectations for onward reporting to the Management Committee. It also discussed alternative methods for reviewing disputes including those adopted by other LGPS Funds. The Committee discussed the governance benefits that delegation to a sub-committee would offer, including the freeing up of the Committee's agenda to focus on strategic issues.

The Management Committee agreed to establish a Stage Two Review sub-committee and delegate the power to make Stage Two Review decisions to that sub-committee from 1 December 2021, subject to an effectiveness review after 12 months.

The Committee agreed that the membership of the sub-committee consisted of 5 members, with a quorum of 3 to allow for absences or conflicts of interest. The Chair proposed that the composition should consist of two employer representatives, two employee representatives and one independent member. Derek McCallan, Heather McKinstry, Peter Moore, Ken Clayton and Joan McCaffrey were appointed to sit on the sub-committee. It was agreed that a Terms of Reference for the IDRPs sub-committee would be brought to the next meeting for consideration and approval.

## **7. Disaster Recovery Site Lease Renewal**

The IT Manager presented his paper seeking approval of the extension of the lease at the Mallusk Disaster Recovery Site.

He advised the Committee of the business need for the extension and provided a comparison of costs against the alternative of outsourcing to a hosted solution.

The Committee asked a series of questions around existing disaster recovery arrangements and cyber security, which were answered by the IT Manager.

The Committee sought clarity over the identity of the landlord to ensure that no Committee member had a conflict of interest. The Officers noted to enquire into this and report back to the members.

The Committee approved the extension and costs of the lease at Mallusk for three years with the option to extend for a further two years if considered necessary.

(Ryan McClenaghan and Ciara Keenan left the meeting. Helen McEvoy joined the meeting).

## **8. Investment Legal Advice Tender**

The Investment Services Manager presented the proposal to procure a specialist investment legal advisor via the LGPS Framework to replace the current provision of procuring ad hoc advice as required.

She summarised to the Committee the context, objectives and estimated cost for the procurement of a specialist investment legal advisor for a five-year period, plus a two-year optional extension.

The Committee approved the procurement of a specialist investment legal advisor.

## **9. Investment Strategy 2021**

The Secretary presented a paper summarising the outcome of the Investment Strategy workshop held in June and sought agreement for a revised investment return objective of CPI+3.0% and approval to continue implementing the target strategy set in 2017.

The Committee noted the content of the report and appended advice from its Investment Advisor, Aon.

The Committee discussed the proposed change in objective, noting Aon's conclusion that the existing objective of CPI+3.5% was not achievable over the long term due to a change in outlook for the various asset classes and that the expected return for the existing strategic asset allocation was CPI+3%.

The Committee discussed its risk appetite in the context of maintaining the current surplus, noting Aon's advice not to introduce any additional risk at this time to preserve the surplus and provide stability to employer contribution rates. The Committee discussed the rationale for not introducing private credit as an asset class at this time.

The Committee agreed a revised investment return objective of CPI+3.0%, as measured over a three- and five-year rolling period and agreed to continue implementing the changed required to meet the current target strategy set in 2017.

#### **10. Manager Performance Briefing Note - CBRE**

The Investment Services Manager provided a report which summarised the CBRE Global Property portfolio performance for the year to 30 June 2021.

The Committee noted the Manager Briefing report.

(The Chairperson proposed a 10-minute comfort break from 11.15 am to 11.25 am).

#### **11. Presentation by CBRE**

The Chairperson welcomed and introduced CBRE and invited them to present their report on the performance of the global property portfolio over the last year.

Moritz Valeriano provided a summary of the portfolio noting that at the end of July 2021 capital deployed was £125.3m, which was 50.1% of the target portfolio size.

Achal Gandhi provided an update on CBRE and the portfolio management team. He provided an overview of current market conditions, including the impact of the pandemic on economic activity. He provided an outlook for key sectors, drawing attention to the portfolio's exposure to some of the more resilient sectors such as industrial, residential and healthcare, and noting the challenges currently faced by the office and retail sectors.

Moritz Valeriano provided an overview of the mandate's performance over the year and since inception.

Jasper Holst gave an update on recent and planned investment activity, together with the anticipated commitment and deployment schedule.

Nandika Sharma provided a summary of CBRE's sustainability initiatives, including a commitment to address climate-related risks, to champion diversity and to engage with and positively influence stakeholders. An assessment of the physical risks of climate change to the portfolio was also discussed.

The Committee raised a number of questions with CBRE on the allocation to inhouse funds; exposure to emerging markets; retail assets; climate risk; resilience to any new Covid waves and the impact of higher inflation on real estate.

The Chair thanked CBRE for their presentation and the Committee noted the update.

(CBRE left the meeting).

## **12. Alternative Investments Briefing Note**

The Deputy Secretary presented the Alternative Investments Briefing Note.

She provided a summary and update on the £426m alternative investments within the Fund's portfolio which are not reported through the quarterly investment monitoring scorecard process.

The Committee noted the report summarising the Alternative Investments.

## **13. Investment Costs Report**

The Investment Services Manager presented the Investment Costs Report for the year ended 31 March 2021.

The Committee noted the Investment Costs Report.

(Helen McEvoy left the meeting).

## **14. Public Sector Pensions Update**

The Secretary provided the Committee with an update on Public Sector Pensions, noting that HM Treasury had launched a consultation on 24 June 2021 on proposed changes to the cost control mechanism.

The Secretary drew attention to the recent HM Treasury response to its consultation on the implementation of an increase to the normal minimum pension age from 55 to 57 which will take place on 6 April 2028.

The Secretary informed the Committee of the recent establishment of the Occupational Pensions Stewardship Council by the Department for Work and Pensions, which aims

to promote and facilitate high standards of stewardship of pension assets. He further advised the Committee that NILGOSC had signed up to the Stewardship Council.

The Secretary provided a verbal update of various personnel changes within the other NI public sector schemes.

The Committee noted the Public Sector Pensions Update.

## **15. Secretary's Report and Seal Log**

The Secretary presented his report outlining important operational issues that had arisen since the last Committee Meeting.

He notified the Committee that the Northern Ireland Public Sector Ombudsman had issued a consultation on complaints standards in June 2021 which sets out in detail the steps public bodies must comply with when dealing with complaints. He further advised that NILGOSC would submit a response in advance of the closing date.

The Secretary advised that NILGOSC along with 456 other global investors had released a joint statement in June 2021 to all world governments to raise their climate ambition and implement meaningful policies or risk missing out on a wave of investment in tackling the climate crisis.

The Secretary informed the Committee of NILGOSC's concern of the Department of Finance's intention to make the Financial Reporting (Departments and Public Bodies) Bill. He advised that this gives new powers to the Department to direct how designated bodies prepare their estimates and accounts advised, NILGOSC was seeking clarification as to whether this designation is appropriate for NILGOSC as it is not in receipt of any central government money.

The Committee noted a letter received from Belfast City Council passing a motion to call upon NILGOSC to divest from Israeli companies and other companies operating in the Occupied Palestinian Territory and noted the Secretary's response.

The Secretary confirmed NILGOSC's formal commitment to TPR's pledge to combat pension scams.

The Secretary informed the Committee of the recent notification from the Department for Communities that it was extending the derogation to allow NILGOSC to continue to utilise LGPS procurement frameworks by a further year. He noted that this derogation now included the provision that it can be withdrawn at any time, which remained a risk to the efficient and effective conduct of NILGOSC business.

The Committee noted the Secretary's Report and Seal Log.

#### **16. Annual Report Supplement 2020/21**

The Deputy Secretary presented a report which provided information supplementary to the annual report, including comparative LGPS data on administrative and investment performance and costs; administration performance standards; outreach activities and a summary of on-going legal actions and complaint handling.

The Committee noted the Annual Report Supplement 2020/21.

#### **17. Summary of Invested Funds at 31 July 2021**

The Committee noted the summary of Invested Funds at 31 July 2021.

#### **18. Committee Meeting Dates 2022**

The Committee noted the Chairperson's request to change the traditional meeting schedule of the fourth Tuesday each month to the outlined proposed new dates.

The Committee agreed the meeting dates for 2022.

(Patricia Managh joined the meeting).

#### **19. Stage II Review - Member [REDACTED]**

The Legal Officer presented an application from a member for a review of the decision taken by the Secretary not to allow a Stage I Review to proceed, as the request was outside the time frame permitted.

The Committee examined and discussed the report and the Legal Officer's summary. Following a vote, the Committee agreed, with a majority of 9 to 3 and one abstention, to

uphold the Secretary's original decision. The Committee decided that the request was outside the six month time frame as stated in Regulation 84 of the 2014 Regulations and further decided it was not reasonable in the circumstances to extend time to the date of the request for a stage one review, particularly as the member had not taken steps promptly following the date upon which, according to her representatives, a reasonable person would have had enough information to identify that there might be something wrong with the transfer and that there was a reasonable basis to pursue a complaint.

## **20. Any Other Business**

The Committee agreed to extend its scheduled training event to be held on 12 October to the previous day.

The Secretary informed the Committee of two further training opportunities: the LGPS Governance Conference in Bournemouth in January 2022 and the LGC Investment Seminar in Edinburgh in October 2021; advising them to inform the Corporate Support Officer should they wish to attend.

## **21. Date of Next Meeting**

The date of the next Management Committee will be Tuesday, 28 September 2021 at 10.15 am.

There being no further business, the meeting was closed.

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CHAIRPERSON (signature):

DATE: