

Northern Ireland Local Government Officer's Superannuation Committee

Minutes of the meeting of the Management Committee held via teleconference on 21 February 2022 at 10.15 am.

Members Present

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

In Attendance

David Murphy (Secretary)
Nicola Todd (Deputy Secretary)
Helen McEvoy (Investment Services Manager)
Maria Bowers (Head of Finance)
Caoimhe Fitzpatrick (Governance Manager)
Racquel Turtle (Corporate Support Officer)
Anthony Carleton (Department of Communities)
Chris Lyons (Legal and General)
David Barron (Legal and General)
Laura Caudwell (Aon)
Alison Murray (Aon)

Apologies

Louise Hickland

1 Declaration of Member Interests

1.1 No interests were declared.

2 Chairperson's Business and Apologies

- 2.1 Louise Hickland was unable to attend. Helen McEvoy would be presenting in her absence.
- 2.2 The Committee noted the letter from "Make My Money Matter" and NILGOSC's response.

3 Minutes of the meeting held on 24 January 2022

- 3.1 The minutes of the meeting held on 24 January 2022, having been circulated, were agreed.

4 Matters arising

- 4.1 The Secretary informed the Committee that he would bring an options paper on the format of future meetings to the March Committee meeting.

5 Audit and Risk Assurance Committee

5.1 Report of the meeting held on 8 February 2022

- 5.1.1 The Committee noted the verbal report, presented by the ARAC Chair, of the meeting held on 8 February 2022.

5.2 Review of the Risk Register as at 31 December 2021

- 5.2.1 The Governance Manager presented the review of the Risk Register as at 31 December 2021.
- 5.2.2 The Committee noted the review and approved the changes to the risk register.

5.3 Internal Audit Report on Procurement and Contract Management

- 5.3.1 The ARAC Chair discussed the findings from the recent review of Procurement and Contract Management with the Committee highlighting the satisfactory outcome and the comments made by Internal Audit on the business impact experienced as a result of the direction to use CPD.
- 5.3.2 The Committee discussed the findings in relation to the impact of the Department's direction to NILGOSC to use CPD to carry out its procurement activities and noted that this direction had incurred unnecessary additional costs and time delays in relation to the awarding of contracts, resulting in operational difficulties and value for money concerns.
- 5.3.3 The Chair of the Management Committee invited Anthony Carleton to comment. Anthony Carleton advised that since the comments on the Internal Audit report with regards to the service provided by CPD were

“management led”, further independent analysis by Internal Audit would assist him to bring this matter to the attention of the DFC Board.

- 5.3.4 It was questioned by the Committee whether it was a legal requirement to use CPD. The Deputy Secretary confirmed there was a requirement under NI Public Procurement Policy for NILGOSC to use a CoPE however there was no legal requirement to use CPD. She advised that the requirement came from a direction from the Permanent Secretary who had decided all DFC ALB’s must use CPD. The Committee then further discussed the possibility of using an alternative CoPE. The Secretary advised that DFC has been made aware that NILGOSC previously efficiently used the services of the Education Authority as a CoPE however the instruction remains to use CPD.
- 5.3.5 The Committee requested that Internal Audit undertake further analysis with a view to providing evidence of the delays and value for money concerns raised in the report and agreed that this would be shared with DFC.
- 5.3.6 The Chair raised the time-limited derogation to use LGPS National Frameworks with Anthony Carleton and highlighted the uncertainty this created for NILGOSC post December 2022. Anthony Carleton agreed that a permanent solution should be found.

(Caoimhe Fitzpatrick left the meeting).

6 Delegations of Authority

- 6.1 The Deputy Secretary presented the revised Delegations of Authority and provided background information advising of its essential function to NILGOSC in providing authority to the Secretary and other officers to undertake functions on its behalf.
- 6.2 She further outlined to the Committee the four proposed changes and their rationale.
- 6.3 The Committee discussed the proposed increase in the threshold for Committee approval for certain procurements to £500,000, noting that the increase was reflective of the value and long-term nature of many of NILGOSC’s contracts, which tend to last for 5 years plus.
- 6.4 It was agreed that the Delegation be reworded to reflect that Committee approval would be required for contracts exceeding an annual spend of £100,000 net of VAT. The Committee agreed that further consideration was required in respect to the thresholds for capital and IT projects.
- 6.5 The Chair requested that the officers consider the comments made and that a revised paper be brought to the next meeting.

7 Corporate Plan

- 7.1 The Deputy Secretary presented the draft Corporate Plan for 2022/23 – 2024/25 and provided an overview of its contents.
- 7.2 The Deputy Secretary brought the Committee's attention to the continued uncertainty around the funding and administration implications of the McCloud judgement, noting that additional resources may be required to aid the administration of the scheme changes. She gave an update on proposed and existing activities with a focus on staffing, system developments, the implementation of the investment strategy and the upcoming triennial valuation.
- 7.3 The Deputy Secretary advised that the draft Corporate Plan had been reviewed by DFC officials and, once approved by the Committee, would be forwarded for submission to the Minister of Communities for final approval.
- 7.4 The Committee approved the Corporate Plan and praised the Deputy Secretary for an excellent paper.

8 Annual Budget

- 8.1 The Head of Finance presented the Annual Budget for the administration of the scheme for 2022/23 of £5,900,000.
- 8.2 The Head of Finance explained the variance between the forecasted expenditure for 2021/22 and the actual spend before highlighting key elements of the upcoming budget and providing an overview of the key expenditure items.
- 8.3 The Committee noted the increase of £673k on the 2021/22 budget and the explanations provided. It noted that more than half of the increase arose from staff costs which included an annual cost of living increase, an uplift in employers NIC and the increase in staff numbers to ensure delivery of a number of pension administration projects.
- 8.4 The Committee also noted the expectation of an uplift in ill-health retirement applications and associated charges and an increase in actuarial fees due to the 2022 Triennial Actuarial valuation taking place in 2022/23.
- 8.5 The Committee approved the annual budget for 2022/23.

9 Manager Performance Briefing Note – Legal and General

- 9.1 The Investment Services Manager provided a report which summarised the portfolio performance for the year to 31 December 2021. She also provided information on the transfer of assets to the LGIM Low Carbon Transition Developed Equity Index Fund that took place on 1 February 2022.

9.2 The Committee noted the Manager Briefing Report.

(The Chair suggested a comfort break of 10 minutes. Chris Lyons and David Barron joined the meeting).

10 Presentation by Legal and General

10.1 The Chairperson welcomed Legal and General to the meeting and invited them to present their report on the performance and future prospects for the portfolio.

10.2 Chris Lyons commenced the presentation by giving an overview on the mandate, strategy, investment stewardship and also provided a summary of portfolio activity to 31 December 2021.

10.3 David Barron outlined Legal and General's performance against the index across the range of funds under management and provided a profile of the recent transfer into the Low Carbon Transition funds.

10.4 The Committee raised a number of questions with Legal and General on its net zero commitments; challenges to the implementation of currency hedging; the supply of index-linked gilts; and the performance of Index Linked Gilts in light of the proposed changes of PIR to CPIH.

10.5 The Chairperson thanked Legal and General for their presentation.

(Chris Lyons and David Barron left the meeting).

11 IFM Global Infrastructure Fund

11.1 The Investment Services Manager presented her report recommending a £100m investment in IFMs Global Infrastructure Fund which had been identified as a suitable open-ended infrastructure fund for NILGOSC. She provided the Committee with the background to the manager and strategy and confirmed that Aon had undertaken an assessment against NILGOSC's appraisal framework, the outcome of which was positive.

11.2 The Committee noted the report and approved an initial commitment to invest £100m in IFM Global Infrastructure Fund.

(Helen McEvoy left the meeting. Laura Caudwell and Alison Murray joined the meeting).

12 Funding Strategy Statement

12.1 The Head of Finance introduced Laura Caudwell and Alison Murray from Aon who had assisted with Funding Strategy Statement review.

12.2 The Head of Finance presented the draft Funding Strategy Statement to the Committee advising that upon approval it would be sent out for

stakeholder consultation. She confirmed that a number of alternative low risk approaches to funding were considered as part of this review.

- 12.3 The Committee discussed NILGOSC's existing low risk approach noting the impact on employer rates and specifically employers outside the main group and those of limited duration in the Fund.
- 12.4 The Head of Finance confirmed that approval was being sought at this stage for the Statement in its draft form and that it would be brought back to the Committee post-consultation for full consideration of any responses received.
- 12.5 Alison Murray provided further information on the rationale behind the current prudent funding approach.
- 12.6 The Committee approved the draft Funding Strategy Statement.

(Maria Bowers, Laura Caudwell and Alison Murray left the meeting).

13 Public Sector Pensions Update

- 13.1 The Secretary presented an update on Public Sector Pensions. He informed the Committee that on 31 January 2022 the Department for Work and Pensions had launched a consultation on the Pensions Dashboards Regulations 2022 and advised it was expected Northern Ireland would make similar regulations. The Committee noted that the LGPS would be required to provide information to the online service by April 2024.
- 13.2 The Secretary informed the Committee that the Department for Work and Pensions had laid regulations coming into force on 1 June 2022 making pension schemes "nudge" members who held AVCs to get pension advice when taking or transferring their pensions.
- 13.3 The Committee noted the Public Sector Pension update.

14 Secretary's Report and Seal Log

- 14.1 The Secretary presented his report outlining important operational issues that had arisen since the last Committee Meeting.
- 14.2 The Committee noted correspondence received from Mid Ulster District Council calling upon NILGOSC to divest from fossil fuel companies within 2 years. The Secretary informed the Committee that he would be presenting to Armagh City, Banbridge and Craigavon Councillors on 28 February 2022 on fossil fuel divestment and that a similar request had been received from Lisburn and Castlereagh City Council.
- 14.3 The Committee noted the Secretary's Report and Seal Log.

15 Summary of Invested Funds at 31 January 2022

15.1 The Committee noted the summary of Invested Funds at 31 January 2022.

16 Any Other Business

16.1 The Secretary confirmed that the next meeting would be held in person and would be followed by an actuarial workshop provided by the Scheme Actuary, Aon.

17 Date of next meeting

17.1 The next Management Committee will be held on Monday, 21 March 2022 with the venue to be confirmed.

There being no further business, the meeting was closed.

Chairperson (Signature).

Date