

Northern Ireland Local Government Officers' Superannuation Committee

Minutes of the meeting of the Management Committee held at the Stormont Hotel on 12 December 2022 at 9.30am.

Members Present

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

In Attendance

David Murphy (Secretary)
Nicola Todd (Deputy Secretary)
Louise Hickland (Head of Investment Services)
Maria Bowers (Head of Finance)
Helen McEvoy (Investment Service Manager)
Caoimhe Fitzpatrick (Governance Manager)
Catherine Whyte (Corporate Support Officer)
Anthony Carleton (Department for Communities)
Colin Cartwright (Aon) (Via MS Teams)
Louis-Paul Hill (Aon)
Rob English (PIMCO) (Via MS Teams)
Anna Dragesic (PIMCO) (Via MS Teams)
Fiona Furlong (PIMCO)
Sonali Pier (PIMCO) (Via MS Teams)
Lorenzo Bruneli (PIMCO) (Via MS Teams)
Alexei Jourovski (Unigestion)
Michael Sun (Unigestion)
Ken Harvie (Unigestion) (Via MS Teams).

1 Declaration of Member Interests

- 1.1 Antoinette McMillen and Alan Law declared an interest in item 6(ii) of the agenda, and section 4.4 of the Secretary's Report.

Anthony Carleton joined the meeting.

2 Chairperson's Business and Apologies

- 2.1 The Chair explained that due to the current adverse weather conditions, some attendees would be joining the meeting virtually.
- 2.2 The Chair also advised that Peter Moore would be late in joining the meeting due to another engagement.

3 Minutes of the Previous Meeting held on 26 September 2022

- 3.1 The minutes of the meeting held on 26 September 2022, having been circulated, were agreed.

4 Matters Arising

- 4.1 The Secretary updated the Committee on the situation with the Conflicts of Interest advice which remained outstanding from the Department for Communities.
- 4.2 The Departmental Representative apologised for the delay in receiving this advice but advised the advice should be received before Christmas.
- 4.3 The Secretary also advised that a written response had been received from Aon, relating to the 2021/22 Investment Advisor balanced scorecard, and was appended to the Secretary's Report.

5 Audit and Risk Assurance Committee

5.1 Report of Meeting

- 5.1.1 The Chair of the ARAC presented a verbal report of the ARAC meeting held on 21 November 2022.

5.2 Audit and Risk Assurance Committee Terms of Reference

- 5.2.1 The Governance Manager presented a paper noting the review of the ARAC Terms of Reference (ToR). She advised that the ToR is reviewed every three years and confirmed the review was completed in line with relevant guidance and best practice.
- 5.2.2 The Management Committee agreed the ARAC ToR.

Shane McCurdy joined the meeting.

5.3 2022/23 Risk Register Review – Quarter Ended 30 September 2022

- 5.3.1 The Governance Manager presented a report documenting the review of the risk register for the quarter ended 30 September 2022.
- 5.3.2 The Committee discussed the rationale for the proposed changes to risks O2 and O6 which were related to staff recruitment and retention.
- 5.3.3 The Committee highlighted that NILGOSC were limited in their ability to take action to address these risks as DfC approval would be required for any pay related proposals.
- 5.3.4 The Committee noted the outcome of the review of the risk register for the quarter ended 30 September 2022 and approved the proposed changes to risks O2 and O6.

Peter Moore joined the meeting.

5.4 Departmental Assurance Statement – 6 Months Ended 30 September 2022

- 5.4.1 The Secretary presented the Departmental Assurance Statement for the period ending 30 September 2022. He advised that no significant issues were reported on the Statement but, as with the previous period, an issue was highlighted in relation to procurement.
- 5.4.2 The Management Committee noted the Departmental Assurance Statement for the period ending 30 September 2022 and the Chair agreed to complete the Statement from the Chair.

5.5 Internal Audit Service – Contract Extension

- 5.5.1 The Governance Manager presented a summary report recommending the extension of the current contract for the provision of internal audit services with ASM by a further two years until 31 March 2025.
- 5.5.2 The Committee approved the extension of the contract with ASM for the provision of internal audit services until 31 March 2025.

6 Salaries Budget Addendum for NJC Settlement

- 6.1 The Secretary presented a paper seeking approval for the 2022/23 salaries cost of living increase in excess of that approved by the Management Committee in February 2022.
- 6.2 The Secretary referenced a recent offer from the National Employers for Local Government Services of £1,925 increase on staff pay scales which had been accepted by employee representatives on 1 November 2022 and is to be backdated to 1 April 2022.

The Head of Finance joined the meeting.

- 6.3 The Secretary highlighted that despite Committee approval and the fact that the increase to the NJC pay scale was a contractual right, this would still need Departmental approval prior to payment. The Committee queried whether a derogation could be sought, similar to the Education Authority. The Secretary confirmed that this would form part of the ongoing dialogue with the Department on the Partnership Agreement.
- 6.4 The Committee approved the increase in the salaries budget to cover the NJC Cost of living award for 2022/23, noting that this would be subject to Departmental approval before payment could be made.

7 Staffing Committee

The Chair was content for Antoinette McMillen and Alan Law to remain in the meeting during the discussion on the establishment of a Temporary Legal Assistant post but not to contribute to the discussions.

7.1 Report of Meeting

7.1.1 The Chair of the Staffing Committee presented a verbal report of the Staffing Committee meeting which took place on 21 November 2022.

7.2 Establishment of a Temporary Legal Assistant Post

7.2.1 The Secretary presented a paper detailing how NILGOSC has been named as the fourth respondent in a series of Employment Tribunal cases lodged by NIPSA on behalf of its members.

7.2.2 The Secretary detailed how the current resource within the Legal Team is not sufficient to deal with the cases received and expected to be dealt with within the Tribunal Office's timescales.

7.2.3 The Committee approved the budget to fund the post on a fixed term basis for 3 years.

7.3 Pay Scale Adjustment and use of Market Adjustment Premia

7.3.1 The Secretary presented a paper which outlined the recent recruitment and retention problems which have been faced in NILGOSC.

7.3.2 He outlined that the underlying cause was the salary levels offered and provided comparator salary data within both the private and public sector. He referenced the recent actions taken by a number of local councils and proposed that, to remain in line with the local government sector, all salaries should be increased by 2 pay points.

7.3.3 He also sought endorsement to establish in principle the use of Market Adjustment Premiums for those posts which are difficult to recruit and retain due to market rates which NILGOSC cannot compete with.

7.3.4 The Committee approved an increase in the salaries budget to facilitate an increase in all salaries (with the exception of the Secretary) by 2 pay points, noting that Departmental pay remit approval would be required prior to implementation.

7.3.5 The Departmental Representative indicated that Department of Finance approval would be required in addition to the Department for Communities. The Chair requested that staff be informed that the Committee was supportive of the proposals and that Departmental approval was being sought.

7.3.6 The Committee also agreed to approve, in principle, the use of Market Adjustment Premiums in accordance with a defined policy. The Committee requested that the draft policy, once established, be brought before it in due course.

7.4 Proposal to undertake a job evaluation exercise

7.4.1 The Deputy Secretary presented a paper seeking budgetary approval, prior to the commencement of the job evaluation exercise. She noted that the action to undertake a job evaluation was included in the Corporate Plan 2022/23-2024/25 and that provision for the cost of the exercise itself was included in the current year's budget. She also confirmed that a job

evaluation procedure and service specification would be developed and a procurement exercise undertaken to ensure value for money.

- 7.4.2 The Committee noted that despite their approval, the ultimate approval of any salary increases would lie with the Department of Communities. The Committee noted the risk that approval was not ultimately obtained and the consequential impact on staff trust, retention and morale, and requested that staff be informed that approval had been granted.
- 7.4.3 The Committee approved in principle any additional expenditure on salary costs which may arise as a result of the job evaluation exercise, noting also that it approved the salary budget on an annual basis.

JJ Tohill left the meeting

8 Annual Budget 2022/23 – Expenditure to half year ended 30 September 2022.

- 8.1 The Head of Finance presented the paper comparing Actual Expenditure to Budget for the six months to 30 September 2022 and highlighted key variances to date.
- 8.2 The Committee noted the comparison of Actual Expenditure to Budget for the six months to 30 September 2022.

Aon representatives joined the meeting. Louise Hickland and Helen McEvoy joined the meeting, Maria Bowers left the meeting.

9 Climate Related Disclosure Report

- 9.1 The Investment Services Manager presented NILGOSC's Climate-related Disclosures Report for the year ended 31 March 2022, highlighting key metrics and disclosures.
- 9.2 The Chair thanked the Investment Services Manager for the comprehensive report and the Committee noted the report.

Helen McEvoy left the meeting.

10 Manager Briefing Note – PIMCO Multi Asset Credit Portfolio

- 10.1 The Head of Investment Services provided a report which gave an overview of the PIMCO Multi Asset Credit Portfolio performance for the year to 30 September 2022.
- 10.2 The Committee noted the Manager Briefing Note.

The PIMCO representatives joined the meeting.

11 Presentation by PIMCO

- 11.1 The Chair welcomed Fiona Furlong in person, and the others virtually, to the meeting. He invited them to present their report on the Multi Asset Credit Portfolio.
- 11.2 Fiona Furlong introduced the team, advising that Eve Tournier, NILGOSC's lead portfolio manager, had recently resigned from PIMCO and introduced the new portfolio management team. Sonali Pier, Managing Director and Portfolio Manager, was introduced to the Committee. Sonali provided an overview of the strategy and management team, emphasising the strategy's team approach to portfolio management.
- 11.3 Sonali provided an overview of credit markets, portfolio composition, performance and outlook for 2023.
- 11.4 The Committee raised a number of questions with PIMCO on UK political and gilt volatility, current liquidity in global credit markets, credit spreads, ESG, rising yields and the average quality of the holdings in the portfolio.
- 11.5 The Chair thanked PIMCO for their presentation and the Committee noted the presentation.

The PIMCO representatives and Paul Francey left the meeting.

12 Manager Briefing Note – Unigestion Global Equities Portfolio

- 12.1 The Head of Investment Services presented a report which gave an overview of the Unigestion Global Equities portfolio performance for the year to 30 September 2022.
- 12.2 The Committee noted the Manager Briefing Note.

The Unigestion representatives joined the meeting.

13 Unigestion Portfolio Presentation

- 13.1 The Chairperson welcomed the Unigestion representatives to the meeting and thanked Michael Sun and Alexei Jourovski for attending in person. He invited them to present their report on the Global Equities Portfolio.
- 13.2 Ken Harvie introduced the portfolio outlining the objective of the strategy, which was to provide resilient performance in volatile market cycles.
- 13.3 Alexei Jourovski provided an overview of the investment process including how ESG is integrated into the stock selection process.
- 13.4 Michael Sun provided an overview of performance, portfolio positioning and outlook.

- 13.5 The Committee raised a number of questions including ESG, engagement, portfolio positioning and the current interest rate environment.
- 13.6 The Chair noted the recent improved performance and thanked Unigestion for their presentation. The Committee noted the presentation.

The Unigestion representatives left the meeting. The meeting paused briefly for a lunch break.

14 Global Property Manager

- 14.1 The Secretary presented a paper recommending the appointment of Group as a Global Property Manager. He summarised the selection exercise undertaken and provided key details on the manager recommended for appointment, noting that this was the reserve candidate from the 2019 exercise.
- 14.2 The Committee approved appointment of Partners Group as a Global Property Manager, subject to a satisfactory due diligence assessment and the agreement of a satisfactory Investment Management Agreement.

15 Global Equity Manager

- 15.1 The Secretary presented a paper recommending the appointment of Harris Associates as a Global Value Equity Manager.
- 15.2 He provided an overview of the selection exercise undertaken and key details on Harris Associates.
- 15.3 The Committee approved the appointment of Harris Associates as a Global Value Equity Manager, subject to a satisfactory due diligence assessment and the agreement of a satisfactory Investment Management Agreement.

16 Aon Quarterly Report to 30 September 2022

- 16.1 The Chair invited Aon to present their Quarterly Investment report to the Committee and welcomed Louis-Paul Hill to his first meeting.
- 16.2 Louis-Paul Hill provided an overview of the fund's performance for the quarter ended 30 September 2022.
- 16.3 He provided an overview of the current market backdrop and the impact this has had on the value of assets, liabilities and the overall funding level.
- 16.4 The Committee noted the report.

Derek McCallan and Antoinette McMillen left the meeting.

17 Investment Monitoring Scorecard

- 17.1 The Head of Investment Services presented the outcome of the Investment Manager Review for the quarter ended 30 September 2022.
- 17.2 She informed the Committee that all mandates had been awarded an overall green rating and that no managers were currently on the Watchlist.
- 17.3 The Committee agreed the Investment Monitoring Scorecard for the quarter ended 30 September 2022.

The Aon Representatives and Louise Hickland left the meeting.

18 Secretary's Report and Seal Log

- 18.1 The Secretary presented his report outlining important operational issues that had arisen since the last Committee meeting.
- 18.2 He advised that NILGOSC had received a longer term derogation from the Department to continue to use the National LGPS Frameworks which is a very welcome decision.
- 18.3 He confirmed that employer valuation seminars had been held in October and all employers advised of contribution rates for the following three years.
- 18.4 The Secretary advised that the NIAO had released a Good Practice Guide on Board Effectiveness and this would be used to inform the next review of Committee Effectiveness.
- 18.5 The Secretary notified the Committee that the Investment team had supported a DEARA working group on Climate Change Reporting by Public Bodies.
- 18.6 The Secretary advised that he had received a response from Aon in relation to the matters raised in the Investment Advisor Scorecard and that this was enclosed in the pack.
- 18.7 The Committee noted the Secretary's Report and Seal Log.

19 Corporate Plan 2022/23 Review of Progress

- 19.1 The Deputy Secretary presented a summary of performance in respect of the delivery of the Corporate Plan 2022/23 during the six months ended 30 September 2022.
- 19.2 She advised the Committee that at 30 September 2022, 12 actions had been achieved, 78 were on target, 5 operational actions have been given a caution flag and 4 flagged as behind target or not achievable.
- 19.3 The Committee noted that at the halfway point in the corporate planning year, 91% of the corporate plan remained on target to be achieved or substantially achieved by 31 March 2023.

19.4 The Committee noted the progress update on the Corporate Plan 2022/23.

20 Any Other Business

20.1 The Committee agreed to the Chair's request to move the June meeting to 12 June 2023.

20.2 The Chair advised the Committee that he would be meeting with the DfC Permanent Secretary in January and also that the Department of Finance had requested a meeting with the Chair and Secretary to discuss the potential for opportunities to invest alongside the Northern Ireland Investment Fund. For the latter, he advised that his potential conflict of interest would appropriately managed.

20.3 The Chair wished those present a very Happy Christmas.

There being no further business, the meeting was closed.

Chairperson (Signature).

Date