

Northern Ireland Local Government Officers' Superannuation Committee

Minutes of the meeting of the Management Committee held via teleconference on 24 January 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, JJ Tohill, Heather McKinstry, Derek McCallan, Antoinette McMillen.

In Attendance:

David Murphy (Secretary)
Nicola Todd (Deputy Secretary)
Ciara Keenan (Head of Governance and Support Services)
Louise Hickland (Head of Investment Services)
Maria Bowers (Head of Finance)
Racquel Turtle (Corporate Support Officer)
Lloyd Butcher (BlueBay)
Blair Reid (BlueBay)
Franziska Laepple (William Blair)
Romina Graiver (William Blair)
Tom Ross (William Blair)

Apologies:

Anthony Carleton

1. Declaration of Member's Interests

No interests were declared.

2. Chairperson's Business and Apologies

Apologies were received from Anthony Carleton, no other Department Representative was available to attend the meeting. The Chair advised the Committee of a meeting he attended for ALB Chairs with the new Head of the Civil Service and provided a summary of the meeting.

3. Minutes of the meeting held on 14 December 2021

The minutes of the meeting held on 14 December 2021, having been circulated, were agreed.

4. Matters Arising

The Secretary advised the Committee, that after the last meeting, the Permanent Secretary issued NILGOSC with a further derogation to allow the procurement for the provision of investment tax advice by way of quotations until a CPD contract/framework was in place

The Secretary confirmed that the additional information requested from Unigestion had been circulated in advance of the meeting.

5. Staffing Committee

The Committee noted the verbal report, presented by the Chair of the Staffing Committee, of the meeting held on 18 January 2022.

(Ciara Keenan left the meeting. Michael Rafferty joined the meeting).

6. Investment Tax Advice – Business Case

The Head of Finance presented to the Committee the Business Case for expenditure of an estimated £1.5 million over a contract term of up to 5 years to secure expert tax advisory services to permit NILGOSC to deliver its investment strategy.

She informed the Committee that business case approval would be a pre-requisite to progress a procurement via CPD to provide two distinct aspects of taxation advice; advisory and compliance.

The Committee questioned the rationale behind the need for a tax advisory service. The Head of Finance advised that investment opportunities across multiple jurisdictions required expert advice around the appropriate investment

vehicle and the tax treatment of global investment income. Due to the complexity and global nature of the investment strategy, NILGOSC had been advised by its legal advisors to seek expertise tax services prior to investing. The Committee further discussed the framework and criteria that would be used to progress the procurement via CPD to secure provision of expert tax advice.

The Committee approved the business case to permit formal engagement with CPD to procure tax advisory services

(Maria Bowers left the meeting).

7. Selection of Global Equity Fund

The Head of Investment Services provided a report setting out the proposed course of action for selecting a Global Value Equity Manager.

The Committee noted the Select List of credible and suitable managers, the proposed process and the criteria for selection provided by Aon. The Committee further noted that the administration of the selection process would be delegated to Aon and the Investment Team. The Secretary advised that once the selection exercise was complete, final approval of the manager would be sought from the Committee.

The Committee agreed the approach adopted by Aon in compiling its Select List of Global Value Equity Managers. The Committee approved the use of the selection criteria and agreed to the delegation of the administration of the process to Aon and the Investment Team.

8. Introduction to William Blair

The Chairperson welcomed the representatives of William Blair to the meeting and invited them to present their introductory report on William Blair's "Emerging Market Leaders" strategy.

Franziska Laepple introduced herself (Relationship Manager), Romina Gravier (Global Equity Specialist) and Tom Ross (Head of International Development) and outlined their respective roles. She then commenced the presentation with an overview of the Investment Management team highlighting that William Blair was 100% employee owned. She further emphasised their commitment to investment-led integration of ESG factors.

Tom Ross outlined the core team involved in the management of the portfolio advising that Jack Murphy, Co- Portfolio Manager, had resigned and would be leaving at the end of the quarter. Tom assured the Committee that his departure would not have a detrimental impact on the portfolio and that Ken McAtamney, Head of the Global Equity Team, and Hugo Scott-Gall, Co-Director of Research will take up the Co-Portfolio Manager role alongside Todd McClone.

Romina Gravier presented an overview of William Blair's investment philosophy, investment process and portfolio attributes, noting its high quality, growth focus. She drew attention to recent market performance, notably the impact of recent Chinese policy/regulatory actions, and summarised the portfolio positioning at 30 September 2021.

The Chairperson thanked William Blair for their presentation and the Committee noted the introductory update.

(The William Blair representatives left the meeting. The Chair suggested a comfort break of 10 minutes).

9. Manager Performance Briefing Note - BlueBay

The Head of Investment Services provided a report which summarised the portfolio performance for the year to 30 September 2021.

The Committee noted the Manager Briefing Report.

(Lloyd Butcher and Blair Reid joined the meeting).

10. Presentation by BlueBay

Chairperson welcomed BlueBay to the meeting and invited them to present their report on the performance and future prospects for the BlueBay portfolio.

Blair Reid introduced himself and Lloyd Butcher, outlining their respective roles.

Lloyd Butcher presented an overview of the mandate.

Blair Reid provided an overview of the investment process, which targets a return of cash +5.0% per annum over a five year rolling period, and outlined the performance at 30 September 2021. Blair highlighted the recent change in benchmark following the phasing out of LIBOR.

He further provided a summary on active decisions taken by BlueBay which had added value to the portfolio since inception; their approach to ESG and market outlook.

The Committee raised a number of questions with BlueBay on the exposure to Chinese property within the portfolio and their expectations for credit markets moving forward.

The Chairperson thanked BlueBay for their presentation.

(BlueBay left the meeting).

11. Public Sector Pensions Update

The Secretary presented an update on Public Sector Pensions. He informed the Committee that in December 2021 the Department for Work and Pensions launched a review of the State Pension Age advising that most public service pension schemes, including the LGPS, used the State Pension Age as their normal retirement date, which in turn, if any increase was made, would result in LGPS members having to work longer before being able to retire on a full pension. The Secretary further advised the outcome of the review was due to be published on or before 7 May 2023.

The Committee noted the Public Sector Pensions Update.

12. Secretary's Report and Seal Log

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

The Secretary advised the Committee that service providers had been appointed to carry out legal and tax reviews for two potential infrastructure investments and that, subject to satisfactory due diligence, the Committee would be asked to approve these investments later in the year.

The Secretary updated the Committee that after reporting previously on recruitment difficulties, steps taken to improve applicant responses had proved successful resulting in 9 applicants accepting posts in the pension administration team.

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

13. Summary of Invested Funds 31 December 2021

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

14. Any other Business

The Secretary advised the Committee that it could release the date of 23 March 2022 being held for the Public Sector Conference.

The Secretary further advised that the Department of Communities had reviewed the Delegation of Authority and Terms of Reference for the Management Committee and had suggested amendments. The Secretary informed the Committee that these would be revised and presented to the Committee in due course.

The Committee discussed the format in which future meetings would be held, highlighting the advantages and disadvantages of both face to face and virtual meetings. It was agreed that the February meeting would be virtual and the Committee asked the Secretary to prepare an options paper for further discussion at a suitable opportunity.

15. Date of Next Meeting

The next Management Committee will be held virtually on Monday, 21 February 2022 at 10.15 am.

There being no further business, the Chair the meeting was closed.

CHAIRPERSON (signature):

DATE: