

Northern Ireland Local Government Officers' Superannuation Committee

Minutes of the meeting of the Management Committee held at The Mount Conference Centre on 23 November 2021 at 10.00 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 (Head of Finance)
Louise Hickland (Head of Investment Services)
Helen McEvoy (Investment Services Manager)
Racquel Turtle (Corporate Support Officer)
Patricia Managh (Legal Officer)
Emma Lynch (Department of Communities) (via Teleconference)
Fiona Furlong (PIMCO) (via Teleconference)
Michael Burns (PIMCO) (via Teleconference)
Eve Tournier (PIMCO) (via Teleconference)

Apologies:

Anthony Carleton (Department of Communities)

1. Declaration of Member's Interests

No declaration of interests were declared.

2. Chairperson's Business and Apologies

Apologies were received from Anthony Carleton. In the absence of Anthony Carleton, Emma Lynch was in attendance as Department of Communities Representative.

The Committee noted the correspondence from the Minister on the Department's Climate Change Action Plan.

3. Minutes of the meeting held on 28 September 2021

The minutes of the meeting held on 28 September 2021, having been circulated, were agreed and signed by the Chair.

4. Matters Arising

The Secretary confirmed that further information on the performance of passive and active mandates had been circulated to members following the last meeting.

The Secretary advised the Committee that the minutes of 24 August 2021 incorrectly recorded that Derek McCallan, Heather McKinstry, Peter Moore, Shane McCurdy and Joan McCaffery had been appointed to the Internal Dispute Resolution Committee and recommended the Committee agree the minutes be amended to record that Derek McCallan, Heather McKinstry, Peter Moore, Ken Clayton and Joan McCaffrey were appointed to sit on the Committee.

The Committee agreed the amendment to the minutes.

5. Statement of Investment Principles

The Head of Investment Services presented the revised Statement of Investment Principles which reflected the changes agreed by the Committee in August and September 2021 in relation to the new fund target and investment strategy.

The Committee discussed the link between the investment strategy and the funding strategy and it was agreed that information on NILGOSC's responsible investment strategy would be included as part of the funding strategy statement consultation and valuation roadshows planned for 2022.

The Head of Investment Services advised the Committee that, in accordance with the Regulations, written advice had been obtained from NILGOSC's Investment Advisor, Aon, who confirmed they were content with the revised Statement.

The Committee approved the Statement of Investment Principles.

6. Climate Related Disclosures Report

The Investment Services Manager presented her Climate-related Disclosures Report informing the Committee that it had been produced in alignment with recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) of which NILGOSC had been an official supporter since June 2020.

The Investment Services Manager provided the Committee with the context to the report, together with the disclosures therein, including climate risk exposure metrics relative to the broad market index. She noted the continually evolving nature of carbon data and drew attention to the limitations of the data included in the report.

The Committee noted the further areas outlined by the Investment Services Manager which aimed to improve the quality and coverage of the Fund's disclosures going forward.

The Committee noted the Climate-related Disclosures Report and congratulated the Investment Services Manager on the new and informative report.

7. Manager Briefing Note - PIMCO

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

The Committee noted the Manager Briefing report.

8. Presentation by PIMCO

The Chairperson welcomed PIMCO to the meeting and invited them to present their report on the performance and future prospects for the Multi Asset Credit portfolio.

Michael Burns introduced himself, Fiona Furlong and Eve Tournier.

Michael Burns commenced the presentation with a summary of the mandate, and performance objective.

Eve Tournier presented an overview of the market at 30 September 2021 outlining the change in yields within developed markets; change in spread in credit markets; currency returns and the change in spread within emerging markets. She advised the Committee that credit spreads had largely returned to pre-covid levels and outlined the overall performance of the multi asset credit mandate at 30 September 2021 and also since inception. Eve Tournier further informed the Committee of PIMCO's economic outlook and strategy highlighting trends that will drive secular transformations.

The Committee raised a number of questions with PIMCO on Chinese real estate; corporate credit positions and how climate risk factors are taken into account. The Committee further questioned PIMCO on how ESG factors are integrated into investment decision making.

The Chairperson thanked PIMCO for their presentation and the Committee noted the update.

(PIMCO left the meeting. Louise Hickland and Helen McEvoy left the meeting. The Chairperson suggested a 5 minute comfort break.)

9. Local Government Pension Scheme (Amendment) Regulations 2022

The Secretary presented an overview of the draft amendments and NILGOSC's proposed response following the Department of Communities consultation on the draft Local Government Pension Scheme (Amendment) Regulations (NI) 2022.

He highlighted to the Committee the change in survivor benefits, the extension to the time limit in which an internal dispute resolution decision must be made and the proposed amendment which gives the Department power to issue Statutory Guidance on the administration and management of the scheme.

The Secretary advised whereas NILGOSC welcomed the amendments, clarity would be sought with regards to the power given to the Department to issue statutory guidance to ensure it does not interfere with investment policy or decision making.

The Committee noted the amendments and approved the policy level response to the Department's consultation.

10. Public Sector Pensions Report Update

The Secretary presented an update on Public Sector Pensions. He informed the Committee that the LGPS (NI) Scheme Advisory Board had met in September 2021 and had received a report from GAD indicating that the revised Cost Cap valuation had not given rise to a breach of the cap and therefore the Department did not intend to change scheme benefits.

The Secretary drew attention to the Treasury's Consultation on Cost Control mechanism for the Public Service Pension Schemes and its intention to proceed with a change to the new liabilities in scope for the mechanism, a widening of the corridor from 2% to 3% and a new 'economic' check to try to avoid perverse outcomes. The Secretary informed the Committee that NILGOSC was not supportive of the changes proposed but agreed that the mechanism needed adjusted for the funded pension schemes.

The Secretary further outlined to the Committee the Government's intention, commencing in 2025/26, to provide top-ups to pension scheme members, who, because they earn less than the single person allowance, receive no tax relief on their pension scheme contribution.

The Committee noted that in September CPI was 3.1% which was the amount likely to be used for pension increases and revaluations from April 2022.

The Committee noted the Public Sector Pensions Update.

11. Secretary's Report and Seal Log

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

He provided details on 'Project ████████', a new co-investment opportunity with Lothian Pension Fund which related to the acquisition of a stake in a global port container terminal operator.

The Committee noted from the report that the Secretary had presented virtually to the Assembly's All Party Group on Climate Change on 24 September 2021 on the theme of Fossil Fuel Divestment.

The Secretary drew attention to the increasing levels of staff turnover currently being experienced by NILGOSC and the disappointing performances of recent recruitment exercises. He further advised the Committee of the steps taken by NILGOSC to address these challenges which were showing early signs of improvement in recruitment.

(Alan Law and Heather McKinstry left the meeting).

12. Corporate Plan 2021/22

The Deputy Secretary presented a summary of performance in respect of the delivery of the Corporate Plan 2021/22 during the six months ended 30 September 2021.

She advised the Committee that at 30 September 2021, 13 actions had been achieved, 77 actions were on target to be achieved, one operational action had been given a caution flag and three flagged as Behind Target or Not Achievable.

The Committee noted that at the halfway point in the corporate planning year, 95.7% of the corporate plan remained on target to be achieved or substantially achieved by 31 March 2022.

The Committee noted the progress update on the Corporate Plan 2021/22.

13. Annual Budget – Expenditure to 30 September 2021

The Committee noted the comparison of Actual Expenditure to Budget for the six months to 30 September 2021.

14. Summary of Invested Funds at 31 October 2021

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

(Maria Bowers and Derek McCallan left the meeting. Patricia Managh joined the meeting.)

15. Stage II Reviews

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The Legal Officer presented an application from a member for a review of the decision taken by the Secretary that the member is not permanently incapable of discharging efficiently the duties of his employment therefore ill-health benefits are not payable.

The Committee examined and discussed the report and the Legal Officer's summary. The Committee decided that the opinion of a Specialist Dermatologist should be sought and a decision deferred until such time it was received and put forward for review again at a future date.

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The Legal Officer presented an application from a member for a review of the decision taken by the Secretary at the Stage I that NILGOSC completed all the necessary due diligence required in 2013 to transfer the members benefits from the LGPS (NI) and was not negligent in doing so.

The Committee examined and discussed the report and the Legal Officer's summary and agreed that it would have been unreasonable to have expected NILGOSC to have implemented TPR guidance which was effective one day before the transfer was finalised. The Committee unanimously decided to not uphold the Member's appeal.

16. Any Other Business

Following the Executive's re-iteration of its existing guidance towards working at home where possible, the Committee agreed that Committee meetings planned for December and January should be held virtually.

17. Date of Next Meeting

The next Management Committee will be held virtually on Tuesday, 14 December 2021 at 10.00 am.

There being no further business, the meeting was closed.

CHAIRPERSON (signature):

DATE: