

Northern Ireland Local Government Officer's Superannuation Committee

Minutes of the meeting of the Management Committee held at The Mount Conference Centre on 28 September 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) (via Teleconference)
Nicola Todd (Deputy Secretary)
Maria Bowers (Finance Manager)
Louise Hickland (Head of Investment Services)
Helen McEvoy (Investment Services Manager) (via Teleconference)
Racquel Turtle (Corporate Support Officer)
Emma Lynch (Department of Communities) (via Teleconference)
Emma Perrin (Aon Hewitt) (via Teleconference)
Pratik Patel (Aon Hewitt) (via Teleconference)
Arif Husain (T Rowe Price) (via Teleconference)
Stephane Fertat (T Rowe Price) (via Teleconference)
Andrew Skeat (T Rowe Price) (via Teleconference)
Paul Gallagher (T Rowe Price) (via Teleconference)
Amanda Stitt (T Rowe Price) (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.

3. Minutes of the meeting held on 24 August 2021

The minutes of the meeting held on 24 August 2021, having been circulated, were agreed and signed by the Chair.

4. Matters Arising

The Secretary confirmed that after circulating the identification of the Mallusk premises landlord to all Committee Members, no conflicts of interest were received.

5. Internal Dispute Resolution Committee

The Secretary presented for approval the Terms of Reference for the Internal Dispute Resolution sub-committee which the Management Committee had resolved to establish at the previous meeting on 24 August 2021.

The Committee discussed the expectations of the Chair's reporting responsibilities and the implications of delegating power to a smaller sub-committee.

The Committee requested some minor wording amendments, including an explicit reference that the NILGOSC Legal team would provide written advice as part of its secretarial function. The Secretary noted the amendments and advised that a revised Terms of Reference would be circulated for decision by email.

Subsequent to the meeting, the Management Committee approved the Terms of Reference for the Internal Dispute Resolution Committee by email.

6. Performance Assessment of Investment Advisors

The Head of Investment Services presented her assessment and Scorecard for review on the performance of the investment advisors during the year ended 31 March 2021.

She advised the Committee of the requirements under the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 which requires NILGOSC to assess the performance of its investment consultants against predetermined Strategic Objectives and to submit a Statement of Compliance to the CMA. The Committee noted the services provided by Lothian Pension Fund, through its FCA regulated entity LPFI Limited, fell within the scope of the Order.

The Head of Investment Services confirmed that the strategic objectives for both Aon and LPFI agreed by the Committee in November 2019, were used as the basis for the Balanced Scorecard assessment of NILGOSC's investment advisory service partners.

She further advised that the Officers were satisfied with the service provided by Aon, with an overall score of 3.0 out of a possible total of 4 and very satisfied with the service provided by LPFI, with an overall score of 3.5.

The Committee reviewed and agreed the Balanced Scorecard assessments of the performance of NILGOSC's investment advisory services partners, Aon and LPFI.

The Chair of the Committee certified the Compliance Statement for onward submission to the CMA.

(Pratik Patel and Emma Perrin joined the meeting).

7. Implementation of the Investment Strategy

The Secretary advised the Committee that following its approval of NILGOSC's Investment Strategy on 24 August 2021, the current allocation was not in line with the target and therefore further steps were required in order to reach the strategic allocation.

The Secretary then presented his report which outlined the further steps requiring decision by the Committee. He noted Aon's recommendation that the UK equity allocation be absorbed into a Global equity allocation. He further advised that the balance between active and passively managed equities had shifted and that it needed to be brought back into balance. He highlighted that with an increase in fund size and a shift out of UK equities to global, Aon had recommended the appointment of an additional active global equity manager.

The Committee noted the recommendation of a partial shift from UK property to Global property and the appointment of an additional global property manager, together with the sourcing of an additional Private Residential Property fund.

The Committee reviewed and discussed further details of the report with the Secretary and Pratik Patel. The Chair requested that further information be brought to the next meeting which showed the past performance of active mandates vis-à-vis passive management.

The Committee agreed to take the following steps in order to achieve the strategic allocation:

- an equity allocation consisting of Global equities of 31.5% and Emerging market equities of 2.5%.
- to manage the Global Equity Portfolio on an active and passive basis with a 50:50 split, and the Emerging Markets portfolio on a wholly active basis
- to seek to appoint a further active global equity manager
- to seek to appoint a further global property manager
- to seek to identify a suitable Private Residential fund.

8. Low Carbon Passive Equity Portfolio

The Secretary reminded the Committee of its Climate Risk Statement and the belief that climate change presents a material financial risk to the Fund. He presented his paper setting out the rationale for reducing climate risk within the passive holdings.

The Committee noted that NILGOSC only appoints active fund managers who can take climate risks into account when making investment decisions. The Secretary informed the Committee that the current passive funds could not take climate factors into account as stocks within an index are held at a proportion based on the companies' market capitalisation.

The Secretary informed the Committee of the higher management fees associated with alternative indexing and confirmed that L&G's Low Carbon Transition Fund had been identified as a suitable opportunity. He advised that Aon did not believe that a switch to a low carbon index will materially alter the risk/return profile for the equity portfolio. He further advised that Aon had yet to rate the Low Carbon Transition

Fund but that this was underway and would form part of the due diligence that the switch would be dependant upon.

The Committee discussed the proposal and noted the LGIM presentation on the proposed fund.

The Committee agreed the transition from passive equity funds into the All World Low Carbon Transition Fund managed by LGIM subject to satisfactory due diligence.

(The Chairperson proposed a short comfort break. Derek McCallan left the meeting).

9. Manager Performance Briefing Note – T. Rowe Price

The Head of Investment Services provided a report which summarised the T. Rowe Price Absolute Return Bond portfolio performance for the year to 30 June 2021.

The Committee noted the Manager Briefing report.

10. Presentation by T. Rowe Price

The Chairperson welcomed T. Rowe Price and invited them to present their report on the performance of Absolute Return Bond portfolio.

Andrew Skeat introduced Stephane Fertat, Arif Husain, Paul Gallagher and Amanda Stitt.

Arif Husain presented their report highlighting the portfolio's focus on risk mitigation and diversification, which led to an ability to perform during periods of market volatility. He drew attention to T. Rowe Price's portfolio construction approach of having positions sized to reflect conviction, liquidity, risk/return expectation and outlined the positioning and performance of the portfolio at 30 June 2021.

He advised the Committee of T. Rowe Price's approach to responsible investing which embeds ESG considerations into fundamental research and investment decision making.

The Committee raised a number of questions with T. Rowe Price on key performance drivers over the last 18 months; the impact of the low yield environment on potential future returns; T. Rowe Price's views and positioning on credit and ESG.

The Chair thanked T. Rowe Price for their presentation and the Committee noted the update.

(T. Rowe Price left the meeting. Mark McBride left the meeting)

11. Presentation by Aon

Emma Perrin presented Aon's quarterly report on the performance of the fund to 30 June 2021.

She provided an overview of the current funding position, asset allocation and market and mandate performance.

Emma informed the Committee that the fund had exceeded its CPI+3.5% target over all timeframes.

The Committee noted the investment outlook and manager updates included in the report.

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

12. Investment Monitoring Scorecard Report

The Head of Investment Services presented to the Committee the Investment Monitoring Scorecard for the quarter ended 30 June 2021.

The Committee noted and agreed the Investment Monitoring Scorecard Report.

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

13. Finance System Provider

The Finance Manager presented her report summarising the outcome of the evaluation of the tender for the provision of a new integrated finance, procurement and contract management solution and sought approval for appointment of the preferred provider.

She informed the Committee that the procurement exercise, administered by CPD, attracted just one tender submission from Sherwood Systems Limited. She advised that the evaluation confirmed that the tender scored significantly above the minimum required for each qualitative award criteria however the price of the overall solution

exceeded the original business case estimate approved by the Management Committee in January 2021.

The Finance Manager advised that expenditure variance was due to the withdrawal of the procurement option to purchase perpetual licences which would have represented savings of approximately £100k over the life of the contract, noting that the bid was still considered to offer value for money.

The Committee requested that supplementary information on the revised costings be provided to one interested member.

The Committee approved the appointment of the provider of the integrated finance, procurement and contract management solution to NILGOSC for a 5.5 year contract period, commencing 1 October 2021 until 31 March 2027, with an option to extend for a further three plus two years and further approved the budget addendum for the maximum excess expenditure of £150k over the whole of life contract term.

(Maria Bowers left the meeting).

14. Strategic Review 2021 – Summary of Consultation

The Deputy Secretary presented the final NILGOSC Vision, Mission, Values, Strategic Aims and Objectives following the stakeholder consultation exercise.

She informed the Committee that all scheme employers, staff and other representative groups and organisations were directly invited to take part, noting that only two responses were received.

The Committee noted the summary of the consultation exercise and discussed the comments made in the two responses received. The Committee noted that the respondents who made suggestions would receive a response.

The Committee agreed its Vision, Mission, Values, Strategic Aims and Objectives.

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 provided an update on the recent TPR consultation and highlighted additional CPD procurement costs incurred as a result

of the requirement to undertake a tender exercise when there was only one possible supplier.

He notified the Committee that the KPMG audit of the Annual Report and Accounts had concluded and that the document had been laid at the Assembly.

The Committee noted that 98.55% of Pension Benefit Statements had been issued ahead of the statutory deadline of 31 August 2021. The Chair expressed his congratulations to those staff involved.

The Secretary informed the Committee that following the “Life Certificates” exercise in April 2021, six pensions had been suspended.

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

16. Summary of Invested Funds at 31 August 2021

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

17. Any Other Business

The Secretary informed the Committee that the Bournemouth morning flight on 20 January 2022 had since been cancelled and advised if attending the LGPS Governance Conference, they would need to book the evening flight on 19 January 2022. He advised that he would contact LGA with regards to accommodation for 19 January 2022 and that the Corporate Support Officer would circulate further details.

18. Date of Next Meeting

The date of the next Management Committee will be Tuesday, 23 November 2021 at 10.00 am.

There being no further business, the meeting was closed.

CHAIRPERSON (signature):

DATE: