

Northern Ireland Local Government Officers' Superannuation Committee

Minutes of the meeting of the Management Committee held at the Stormont Hotel on 26 September 2022 at 9.30am.

Members Present

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

In Attendance

David Murphy (Secretary)
Nicola Todd (Deputy Secretary)
Louise Hickland (Head of Investment Services)
Zena Kee (Head of Pension Policy)
Catherine Whyte (Corporate Support Officer)
Colin Cartwright (Aon)
Louis-Paul Hill (Aon)
Andrew Skeat (T Rowe Price)
Amanda Stitt (T Rowe Price)
Alison Murray (Aon)
Laura Caudwell (Aon)

Apologies

Shane McCurdy, Mark McBride and Anthony Carleton (Department for Communities).

1 Declaration of Member Interests

1.1 Antoinette McMillen and Alan Law declared an interest regarding item 4.8 and 4.9 of the Secretary's Report.

2 Chairperson's Business and Apologies

2.1 The Chairperson reported that he had met with the Department of Finance to discuss the role of pension funds in local development. For any future meetings he would be accompanied by NILGOSC officers.

Heather McKinstry joined the meeting.

3 Minutes of the Previous Meeting held on 22 August 2022

- 3.1 The minutes of the meeting held on 22 August 2022, having been circulated, were agreed pending some amendments.

4 Matters Arising

- 4.1 The Committee discussed the next steps regarding seeking legal advice in relation to Conflicts of Interest. The Chair informed the Committee that he had discussed the matter with the Department for Communities, who had referred the matter to its Governance team for consideration.
- 4.2 The Committee agreed to defer agreement on the Terms of Reference for the legal advice pending a response from the Department.
- 4.3 The Secretary advised the Committee that he has requested an indicative timescale from the Department.

5 Internal Dispute Resolution Committee

- 5.1 The Chairperson of the Internal Dispute Resolution Committee (IDRC), Ken Clayton, presented a report on the outcome of the IDRC meeting held on 12 September 2022.
- 5.2 The Committee noted the report, and agreed that future reports would set out a list of attendees and the name of the Chair.

6 Selection of a Global Custodian

- 6.1 The Deputy Secretary presented a paper, in the absence of the Head of Finance, setting out the proposed course of action for selecting and appointing NILGOSC's global custody services provider.
- 6.2 The Committee discussed the proposed process and evaluation criteria.
- 6.3 The Committee agreed to select its Global Custodian by way of an invitation to tender to those suppliers on the National LGPS Framework for Global Custody Services.
- 6.4 The Committee agreed to delegate the tender evaluation and selection process to a Selection Panel consisting of the Head of Finance, Head of Investment Services and the Investment Accountant.

Louise Hickland, Colin Cartwright and Louis-Paul Hill joined the meeting.

7 Manager Performance Briefing Note

- 7.1 The Head of Investment Services provided a report which gave an overview of the T Rowe Price Absolute Return Bond portfolio performance for the year to 30 June 2022.
- 7.2 The Committee noted the Manager Briefing Note.

The T Rowe Price representatives joined the meeting.

8 Presentation by T Rowe Price

- 8.1 The Chairperson welcomed T Rowe Price and thanked them for attending the meeting in person. He invited them to present their report on the Dynamic Global Bond Portfolio.
- 8.2 Andrew Skeat provided a brief overview of the mandate together with recent team changes.
- 8.3 Amanda Stitt provided a summary of portfolio construction, performance and future outlook, noting current market volatility.
- 8.4 The Committee raised a number of questions with T Rowe Price on ESG, inflation and portfolio positioning in current market conditions.
- 8.5 The Chair thanked T Rowe Price for their presentation and the Committee noted the update.

The Aon and T Rowe Price representatives left the meeting. The Committee had a short break.

9 Performance Assessment of Investment Advisors

- 9.1 The Secretary informed the Committee that Louis-Paul Hill would be joining the NILGOSC client team at Aon and would be joining the meeting via MS Teams.
- 9.2 The Head of Investment Services gave a report presenting the draft Scorecard for discussion and giving opportunity to consider the preliminary assessment of the performance of the investment advisors during the year ended 31 March 2022.
- 9.3 The Committee reviewed and agreed the Balanced Scorecard assessments of the performance of NILGOSC's investment advisory services partners, Aon and LPFI, against agreed Strategic Objectives for the year ended 31 March 2022.
- 9.4 The Committee noted that a number of areas for improvement had been identified and requested that a formal response be sought from Aon on the matters raised in the Scorecard.
- 9.5 The Chair certified the Compliance Statement for onward submission to the Competition and Markets Authority.

The Aon representatives joined the meeting.

10 Presentation by Aon

- 10.1 The Chair invited Colin Cartwright to present Aon's quarterly investment report to the Committee.
- 10.2 Colin provided an overview of the fund's performance for the quarter ended 30 June 2022 noting it had been a very volatile year.
- 10.3 Colin Cartwright gave an update on the NILGOSC client team, noting Pratik Patel's longer-term absence. He introduced the Committee to Louis-Paul Hill, who gave an overview of his role and past experience within the LGPS and wider pensions sector.
- 10.4 The Committee asked Aon to pass on their best wishes to Pratik.
- 10.5 The Chair requested that a written response be provided to the Committee in respect of the annual review of the investment advisor, feedback on which would shortly be provided by the Investment team.
- 10.6 The Committee noted the report.

11 Investment Monitoring Scorecard

- 11.1 The Head of Investment Services presented the outcome of the Investment Manager review for the quarter ended 30 June 2022.
- 11.2 She informed the Committee that all mandates had been awarded an overall green rating.
- 11.3 The Committee agreed the Investment Monitoring Scorecard for the quarter ended 30 June 2022.

The Aon representatives and Louise Hickland left the meeting.

12 Public Sector Pensions update

- 12.1 The Secretary provided the Committee with an update on Public Sector Pensions, noting that the Department for Levelling-up, Housing and Communities had launched a consultation regarding governance and reporting of climate change risks. This is in line with the recommendations of the Taskforce on Climate-related Financial Disclosures, of which the Secretary advised that NILGOSC is currently a voluntary supporter.
- 12.2 The Committee noted the Public Sector Pensions Update.

13 Secretary's Report and Seal Log

- 13.1 The Secretary presented his report outlining important operational issues that had arisen since the last Committee Meeting.
- 13.2 He drew the Committee's attention to the €75m of investment committed to a successor fund of existing manager, Antin Infrastructure Partners.
- 13.3 The Secretary advised that NILGOSC has met the standard for the Financial Reporting Council's Stewardship Code 2020, and was now listed as a signatory to the Code.
- 13.4 The Secretary notified the Committee that following the unsatisfactory completion of due diligence on the proposed new Global Equity Value manager, the selection panel would revert to the ranked appointable list of managers to recommence initial due diligence.
- 13.5 The Secretary advised that the Investment Tax Services tender was unsuccessful, and that CPD has requested that a new work request is submitted to start the process over again.
- 13.6 The Secretary informed the Committee of recent staffing concerns within NILGOSC. He advised that a number of management and supervisory positions would soon be vacant, and recruitment was challenging from both a procurement and wider labour market perspective. He advised that action was required to attract and retain staff and advised that he would be bringing proposals to the Staffing Committee in the coming months. The Committee acknowledged the concerns and wider recruitment challenges in the local government sector.

Antoinette McMillen and Alan Law left the meeting.

- 13.7 The Secretary advised the Committee that NILGOSC had started to receive Industrial Tribunal claims issued by NIPSA and that additional resources would be needed to deal with the matter.

Antoinette McMillen rejoined the meeting.

14 Any other business

- 14.1 There was no further business

Laura Caudwell and Alison Murray from Aon and Zena Kee joined the meeting.

15 Actuarial Valuation 2022

- 15.1 The Scheme Actuary presented the initial valuation results and sought agreement from the Committee on the assumptions and risk appetite to be adopted for the 2022 Actuarial Valuation. The Fund Actuary provided a recap of the valuation process and key assumptions, together with provisional results at a total Fund and Main Group level. The Fund Actuary outlined her recommendations in respect of the Probability of

Funding Success, together with various actions the Committee could consider to address uncertainties with the current inflationary environment. The Committee considered the impact the various options would have on the funding level and affordability for employers inside and outside of the main group.

- 15.2 The Committee agreed to maintain the Probability of Funding Success at 75%, retain a surplus target of 105% and make a 10% allowance for inflation. It agreed the assumptions to be adopted for the 2022 valuation as follows:-

CPI	2.3%
Pension Increases	CPI
Pay Increases	3.8%
Discount rate (Grouped Employers)	4.2%
Discount rate(Intermediate employers)	In Service 4.2%, Left Service 3.2%
Discount rate (Orphan employers)	In Service 4.2%, Left Service 0.8%
Life Expectancy age 65 Men/Women	22.1/24.9

- 15.3 The Committee agreed that a reduction in contribution rate would not be 'stepped' and that it was content that the Actuary showed flexibility, where possible, when setting rates for the orphan employers due to gilt yield rises post the year-end.

There being no further business, the meeting was closed.

Chairperson (Signature).

Date