

Northern Ireland Local Government Officers' Superannuation Committee

Minutes of the meeting of the Management Committee held via videoconference on 15 December 2020 at 10.15.

Members Present:

Lindsay Todd (Chairperson), Ken Clayton, Paul Francey, Alan Law, Mark McBride, Joan McCaffrey, Shane McCurdy, Antoinette McMillen, Sharon McQuillan, Peter Moore, Linda Neilan, Michael Rafferty and JJ Tohill.

In Attendance:

David Murphy (Secretary)
Nicola Todd (Deputy Secretary)
Helen McEvoy (Investment Services Manager)
Ciara Keenan (Head of Governance and Support Services)
Joanne Ferris (Corporate Support Officer)
Jeff Glass (Department for Communities)
Alexei Jourovksi (Unigestion)
Lloyd Reynolds (Unigestion)
Pratik Patel (Aon)

1. Declaration of Member's Interests

1.1. No interests were declared.

2. Chairperson's Business and Apologies

- 2.1. The Chair informed the Committee that the Department for Communities had begun the recruitment process for new Committee members by initiating a planning meeting in January 2021 with interviews planned for March. The Chair will be a member of the interviewing panel.
- 2.2. The Chair noted that NILGOSC had won a prestigious award for Investment Strategy of the Year at the LAPF Investments Awards 2020.
- 2.3. The Chair advised the Committee that they may be contacted by the Department for Communities in the new year regarding a complaint raised by a previous Committee

member.

3. Minutes of the meeting held on 24 November 2020

- 3.1. The minutes of the meeting held on 24 November, having been circulated, were agreed. The minutes will be signed at the next available opportunity.

4. Matters Arising

- 4.1. No matters arose for discussion.

5. Audit and Risk Assurance Committee

5.1. Verbal Report on the Meeting

- 5.1.1. The Chair of the Audit and Risk Assurance Committee (ARAC) provided a verbal update of items covered at the ARAC meeting on 16 November 2020.
- 5.1.2. The Chair of ARAC reported that two internal audit reports were presented: one on the IT Systems and Security and one on the Covid Business response. He noted the satisfactory rating given for both audits, highlighting the conclusion that NILGOSC's overall business response to the pandemic had been well managed as evidenced by the continuity of key business areas throughout the crisis.
- 5.1.3. It was reported that John Poole had reached the end of his five-year tenure as Audit Partner for NILGOSC and will be replaced by Dominic Mudge.
- 5.1.4. The Management Committee noted the verbal report from the Chair of the ARAC.

5.2. 2020/21 Risk Register Review – Quarter Ended 30 September 2020

- 5.2.1. The Head of Governance and Support Services presented a review of the risk register for the quarter ended 30 September undertaken by the Senior Management Team (SMT) on 23 October 2020. It was noted that ARAC had reviewed the operation of the risk management process for the quarter and had agreed the recommended changes to the Covid-19 Risk Register.

5.2.2. The Management Committee noted the outcome of the Risk Register review, approving two changes to the Covid-19 Risk Register.

5.3. **Departmental Assurance Statement- 6 months ended 30 September 2020**

5.3.1. The Secretary presented a completed Departmental Assurance Statement to the Committee for the six months ended 30 September 2020. He explained the purpose of the statement for the benefit of new members on the Committee and provided explanatory comments for the exceptions noted therein.

5.3.2. The Management Committee noted the Departmental Assurance Statement and the Chair agreed to sign the statement confirming it had been noted.

5.4. **Raising Concerns Policy**

5.4.1. The Head of Governance and Support Services presented the Committee with a revised Whistleblowing policy, last approved by the Committee on 21 June 2017 but updated now in line with the NIAO's new guidance published in June 2020.

5.4.2. The Committee noted that the Whistleblowing policy has been retitled as the 'Raising Concerns Policy' and the Governance Manager has been nominated as the 'Raising Concerns Champion'.

5.4.3. The Committee noted the updated NIAO guidance and agreed the proposed changes to the updated Raising Concerns policy.

(Ciara Keenan left the meeting)

6. Investment Monitoring Scorecard

6.1. The Investment Services Manager presented the Investment Monitoring Scorecard for the quarter ended 30 September 2020 but noted that the Scorecard assessment of Jupiter had been deferred until the end of January to allow Aon to complete its research team's review and rating of the Growth Strategy. An update was also provided on the LaSalle UK Core Property mandate, which is a separate agenda item later in the meeting.

- 6.2. It was noted that all mandates received a green rating for the quarter ending 30 September apart from the LaSalle Core Property mandate, which remains on the Watchlist.
- 6.3. The Committee noted the overall ratings for the quarter ended 30 September 2020 and approved the recommendation for the LaSalle Core mandate to remain on the Watchlist.

(Pratik Patel from Aon joined the meeting)

7. Manager Briefing Note – Unigestion

- 7.1. The Investment Services Manager provided a summary of Unigestion's performance during the 12 months to 30 September 2020 to provide the basis for discussion with this fund manager during their presentation.
- 7.2. The report identified performance drivers during the period under review and highlighted any notable concerns surrounding the manager and areas to monitor.
- 7.3. The Committee noted the report.

(The Agenda was revised due to timing and Aon offered the first part of their presentation ahead of schedule)

8. Presentation by Aon: Part 1

- 8.1. Pratik Patel updated the Committee on discussions between Aon and LaSalle around the UK Core property portfolio following the managers placement on the Watchlist at the June meeting.
- 8.2. Pratik Patel provided newer members with the background to the role of property within the investment strategy, together with a summary of the key characteristics of the asset class and an overview of LaSalle's historic performance.
- 8.3. Pratik outlined Aon's proposals to address underperformance going forward, with a view to removing LaSalle from the Watchlist should these be satisfactorily addressed.

- 8.4. The Committee then engaged Aon in a brief discussion around the nature of property assets in the portfolio including the changing market preferences in retail, office space, industrial warehouses, and the private rental sector.
- 8.5. The Committee agreed the proposal to commence discussions with LaSalle on the composition and performance objective of the UK Core Property Portfolio.

(The Chair proposed a break from 11.25-11.35)

(Alexei Jourovski and Lloyd Reynolds joined the meeting)

9. Presentation by Unigestion

- 9.1. The Chair welcomed the representatives from Unigestion to the meeting and invited Alexei and Lloyd to present on the Unigestion portfolio.
- 9.2. Lloyd gave an operational overview of the business, together with a summary of the investment process and performance of the mandate over the last twelve months.
- 9.3. Alexei explained Unigestion's underperformance versus the benchmark in the context of the strategy and its expected performance during different market cycles. The dominant role of large cap, higher-risk technology stocks in global equity markets was explained, together with the rationale for not holding such stocks within the portfolio.
- 9.4. It was noted that Unigestion's downside protection strategy had protected capital when equity markets fell in February/March 2020 as Covid-19 first took hold.
- 9.5. Unigestion responded to a series of questions from the Committee on their underperformance against the index and the performance objective, the cyclical nature of low volatility performance, the role of growth stocks and team stability.
- 9.6. The Committee noted the presentation by Unigestion, and the Chair thanked them for their time.

(Alexei Jourovski, Lloyd Reynolds, and JJ Tohill left the meeting)

10. Presentation by Aon: Part 2

- 10.1. Pratik Patel presented Aon's report on the performance of the fund for the quarter ended 30 September 2020, noting that the funding level remained relatively steady with a surplus of £1,126million.
- 10.2. He provided commentary on global markets noting that equities had continued to rebound in Q2 due to supportive monetary and fiscal policies and the optimism caused by the arrival of a vaccine for Covid-19.
- 10.3. The Committee noted the upcoming investment strategy review in 2021 and Pratik Patel provided an overview of key objectives around diversification and capital protection.
- 10.4. The Chair thanked Pratik for his presentation and the Committee noted the quarterly report.

(Pratik Patek and Helen McEvoy left the meeting)

11. Public Sector Pensions Report

- 11.1. The Secretary presented an update on Public Sector Pensions.
- 11.2. The Secretary presented details for noting, of the LGPS(NI) Scheme Advisory Board meeting due week to discuss the McCloud Consultation, the Cost Cap and the Goodwin Case.
- 11.3. The Secretary summarised the implications of the recent Government announcement that the Retail Price Index (RPI) will be aligned to the Consumer Price Index – including housing- (CPIH) from 2030.
- 11.4. The Secretary referred to the recent High Court ruling on the equalisation of GMPs for historic transfers out of the three largest Lloyds Banking Group pension schemes, noting that the implication for other pension schemes is still being determined.
- 11.5. The Committee noted the update.

12. The Secretary's Report and Seal Log

- 12.1. The Secretary presented a report outlining important operational issues arising since the last meeting.
- 12.2. The Secretary noted NILGOSC's success at the LAPF Investments Awards 2020, where it won Investment Strategy of the Year, thanking those involved in the formation and implementation of the strategy.
- 12.3. The Secretary highlighted continued complications and delays which NILGOSC continued to experience following new procurement procedures involving DfC and CPD. He confirmed that NILGOSC was currently keeping a record of issues experienced and will be approaching the Department in the New Year. The Committee expressed its frustration at the delays being experienced and the potential impact on NILGOSC's service delivery,
- 12.4. The Committee noted the Secretary's Report and Seal Log.

13. Investments

- 13.1. The Committee noted the Summary of Invested Funds as at 30 November 2020.

There being no further business, the meeting was closed.

CHAIRPERSON (signature):

DATE: