

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

Minutes of the meeting of the Management Committee held via Teleconference on 24 March 2020 at 10:15am.

MEMBERS PRESENT: Lindsay Todd (Chairperson), David Jackson, Peter Caldwell, Mark McBride, Peter McMurray, Linda Neilan, Sharon McQuillan

OBSERVERS: Tom Irvine
Joan McCaffrey

IN ATTENDANCE: David Murphy (Secretary)
Nicola Todd (Deputy Secretary)
Ciara Keenan (Head of Governance and Support Services)
Louise Hickland (Investment Services Manager)
Catherine Whyte (Corporate Support Officer)
Katharine Dryer (Jupiter)
James Moir (Jupiter)
Emily McGuire (Aon)

APOLOGIES: Paddy Mackel

1 DECLARATION OF MEMBERS' INTERESTS

1.1 No interests were declared.

2 CHAIRPERSON'S BUSINESS AND APOLOGIES

- 2.1 The Secretary set out proposed protocol for the teleconference and this was agreed by the Chairperson.
- 2.2 The Chairperson informed the Committee that there had been no update from the Department in relation to the appointment of Committee Members. He therefore advised that Tom Irvine and Joan McCaffrey were attending the meeting as Observers and would not be permitted to participate in any vote.
- 2.3 The Committee raised concerns about the potential for it to no longer be quorate with effect from 1 April 2020 if confirmation on extensions remained outstanding. The Secretary advised that in such circumstances the Committee decisions will fall to the Secretary after consultation with the Chair in accordance with the emergency decision making powers set out in the Delegation of Authority.
- 2.4 The Chairperson queried the impact if the Pension Board was unable to meet as its composition mirrors that of the Management Committee. The Secretary noted that that would be a reportable breach to the Regulator and confirmed that he would notify the Department of the implications.

3 MINUTES OF THE MEETING HELD ON 25 FEBRUARY 2020

3.1 The minutes of the meeting held on 25 February 2020, having been circulated were agreed. The minutes will be signed at the next suitable opportunity.

4 MATTERS ARISING

4.1 The Committee queried if there had been a response from Anthony Carleton in relation to the request for clarification around the procurement of investment services and National LGPS Frameworks. The Secretary advised he had not yet received a response.

5 CORONAVIRUS

- 5.1 The Secretary presented a briefing paper, summarising the potential implications and mitigating actions that NILGOSC has undertaken to deal with the Coronavirus crisis.
- 5.2 The Secretary outlined the need for NILGOSC to continue to deliver its key public services, together with the steps that NILGOSC has taken to ensure the safety of their staff and members.
- 5.3 The Committee sought clarification around the contingency measures in place to ensure that that benefit payments will continue to be paid. The Secretary confirmed this and gave an outline of the recent BCP testing which has taken place.
- 5.4 The Chairperson thanked the Secretary and his team for their work, planning and effort in recent weeks.
- 5.5 The Committee acknowledged the key service that NILGOSC provides and queried whether NILGOSC had received any official confirmation that it was an essential service. The Secretary advised that the Department for Communities has confirmed that the payment of pensions is essential and understands that the Department of Finance are in contact with the Cabinet Office to ensure NILGOSC is added to any list of essential public services, should this be issued.
- 5.6 The Secretary advised that the Risk Register would be reviewed at the end of March to reflect the impact of Coronavirus.
- 5.7 The Management Committee considered the Governance, Administration, Investment and Communications aspects of the NILGOSC response to the outbreak in line with TPR guidance.
- 5.8 The Committee noted the report and the risks and actions set out therein.

6 REPORT OF THE STAFFING COMMITTEE HELD ON 10 MARCH 2020

6.1 Verbal report

- 6.1.1 The Chairperson of the Staffing Committee presented a verbal report on the meeting held on 10 March 2020. The Management Committee noted the verbal report.

6.2 To approve the establishment of a Systems Support Engineer post

- 6.2.1 The Head of Governance and Support Services presented a Briefing note outlining the business need to establish a new Systems Support Engineer post within the IT team.
- 6.2.2 The Committee queried the employer cost relative to the salary specified.
- 6.2.3 The Management Committee approved the budget for the establishment of a Systems Support Engineer Post subject to clarity on the query surrounding employer costs.

(The Head of Governance and Support Services left the call and Emily McGuire joined the call)

7 MANAGER PERFORMANCE BRIEFING NOTE – LEGAL & GENERAL

- 7.1 The Investment Services Manager provided a summary of Jupiter's performance in the period since inception to 31 December 2019.
- 7.2 Emily McGuire gave some background to the blended UK equity strategy implemented by

NILGOSC which utilised both Jupiter's UK Value Strategy and UK Growth Strategy.

7.3 The Committee noted the briefing.

(Katharine Dryer and James Moir joined the call)

8 PRESENTATION BY JUPITER

8.1 The Chairman welcomed Katharine Dryer and James Moir to the call and invited them to present on the recent performance and future prospects for the Jupiter Blended Portfolio.

8.2 Katharine Dryer gave an overview of the role of the Chief Investment Officer including Investment performance, Talent Management, Client Connectivity, Risk and Control and Innovation and Development.

8.3 Katharine Dryer gave an update on the change in the UK Growth Strategy Portfolio Manager, notifying the Committee that Chris Smith would be taking on the role in June. Katharine provided a summary of his experience and details of his style of investing, explaining how this fitted in with the wider Jupiter team and investment philosophy.

8.4 James Moir presented the UK growth performance as at 29 February 2020 but cautioned that recent global events will have impacted on the results reported. He discussed how the Coronavirus has impacted on Global markets and the strategy and outlined how the portfolio was positioned for the recovery.

8.5 Katharine gave a brief update on the UK Value strategy and recent portfolio positioning.

8.6 The Committee raised a number of questions with Jupiter, including the impact of their acquisition of Merian Global Investors, the investment impact and any associated transaction costs of personnel changes in the growth strategy and the recruitment process for new portfolio manager.

8.7 The Committee noted the presentation.

8.8 The Chairperson thanked Katharine Dryer and James Moir.

(Katharine Dryer and James Moir left the meeting)

9 EMERGING MARKETS EQUITY MANAGER APPOINTMENT

9.1 The Investment Services Manager presented a paper summarising the outcome of the recent selection exercise and recommending the appointment of an Emerging Markets Equity Manager.

9.2 The Investment Services Manager confirmed that William Blair had been identified the top ranked manager following completion of all stages of the selection process.

9.3 The Chairperson queried the appropriateness of the 3% outperformance target proposed. Emily McGuire explained the rationale behind this noting that it was a typical target for the style of mandate sought by NILGOSC.

9.4 The Investment Services Manager advised that the NILGOSC Investment Team and Investment Advisor were content to recommend William Blair for appointment.

9.5 The Committee accepted the recommendation to appoint William Blair as an Emerging Markets Equity Manager, subject to a satisfactory due diligence assessment and the agreement of a satisfactory Investment Management Agreement.

10 REVISED STATEMENT OF INVESTMENT PRINCIPLES

- 10.1 The Investment Services Manager presented a paper outlining amendments to the Statement of Investment Principles as a result of a recent review.
- 10.2 The Investment Services Manager highlighted a minor amendment required at point 4.4.
- 10.3 It was agreed that the Statement be updated to make clear that the average real returns shown are per annum and applicable as at the date shown.
- 10.4 The Committee approved the revised Statement of Investment Principles.

11 PRESENTATION BY AON HEWITT

- 11.1 Emily McGuire presented Aon Hewitt's quarterly report on the performance of the Fund for the quarter ended 31 December 2019, confirming a return of 1.1% in Q4 2019, noting there had been modest returns on assets compared to previous quarters.
- 11.2 Emily McGuire discussed the recent implications of Coronavirus and the impact it has had on global markets. Emily McGuire highlighted the current liquidity challenges within markets and the recent reduction in rates from the Bank of England.
- 11.3 Emily McGuire discussed what effect recent market movements has had on the Fund and highlighted some of the downside protection measures NILGOSC's managers have in place.
- 11.4 Emily McGuire explained how the current Social Distancing protocol has affected the value of the UK property market as valuers cannot gain access to properties to carry out accurate valuations. This is causing some UK property funds to suspend trading.
- 11.5 The Committee noted that the decisions taken at the last investment strategy review has ensured that the NILGOSC fund has not suffered as big an impact as it otherwise would.
- 11.6 Tom Irvine raised his concerns with LaSalle's UK core mandate's performance. Emily McGuire informed the Committee that Aon are in discussion with LaSalle on an appropriate performance target going forward. Emily McGuire confirmed that LaSalle remained a highly rated manager and advised that she would not recommend any changes to the management of the portfolio at the current time.
- 11.7 Emily McGuire informed the Committee about the likely implications, including the impact on NILGOSC, of the acquisition of Willis Towers Watson. This is subject to regulatory approvals, and is expected to close in about one years' time.
- 11.8 Emily McGuire discussed the equity markets estimated recovery time, suggesting this may be a 'U' shaped recovery but that any timeframe was impossible to determine.
- 11.9 The Chairperson thanked Emily McGuire and the Committee noted the report.
(Emily McGuire left the call)
- 11.10 The Secretary informed the Committee of the requirement for NILGOSC to provide its Employers with a copy of the actuarial valuation report by the end of March, noting that this would include the caveat that previously agreed contribution rates may need to be reviewed for 2021/22 and 2022/23.

- 11.11 David Jackson highlighted the risk of employer cash flows becoming challenged due to restrictions relating to Covid-19.

(Mark McBride left the call)

12 APPOINTMENT OF INVESTMENT ADVISORS

- 12.1 The Investment Services Manager presented a paper setting out the proposed tender process and criteria for selection for the appointment of an Investment Advisory Service Provider.
- 12.2 The Committee queried the use of the Framework in the absence of any response from DfC. It was agreed that the Secretary would notify the Department for Communities of NILGOSC's intention to utilise the Framework, noting the need for NILGOSC to proceed with the procurement.
- 12.3 The Committee approved the business case the selection criteria and the service specification.
- 12.4 The Committee agreed to select the provider of Investment Advisory Services by way of an Invitation to Participate in Further Competition (ITPFC) to those on the National LGPS Framework for Investment Management Consultancy Services.

(Mark McBride rejoined the call)

- 12.5 The Committee queried how written communication would be assessed alongside verbal communication criteria. The Deputy Secretary advised that the criteria for selection at call-off should be in accordance with that used at the Framework award stage and that questions and scoring mechanisms had to be able to be objectively assessed and fully transparent. Consideration will be given to this in the finalisation of the ITPFC.
- 12.6 The Committee queried the suitability of certain providers listed on the Framework, given recent commercial changes potentially impacting on some of those named. The Secretary confirmed that the competition would be open to all named providers who wished to submit a proposal. The Committee also requested that where the term 'he' was used in relation to Investment Advisors, it should be amended to be gender neutral.
- 12.7 The Committee agreed that the recommended selection panel is used for the tender evaluation and selection process. This consists of the Chairman, Secretary, Deputy Secretary and Investment Services Manager. The Committee noted that they would ordinarily prefer to include more Committee members on the selection panel, however due to current circumstances regarding Committee appointments this was not possible.

13 INVESTMENT MONITORING SCORECARD

- 13.1 The Investment Services Manager summarised the Investment Monitoring Scorecard for the quarter ended 31 December 2019.
- 13.2 The Committee noted the Investment Monitoring Scorecard and agreed the overall manager ratings for the quarter ended 31 December 2019.

14 PUBLIC SECTOR PENSIONS REPORT

- 14.1 The Secretary gave a verbal update on Public Sector Pensions.

14.2 The Secretary provided detail on a recent meeting of the NI Scheme Advisory Board including an update on the McCloud proposals and the potential impact this will have on the administration of the Scheme.

15 SECRETARY'S REPORT AND SEAL LOG

15.1 The Secretary presented a report outlining important operational issues arising since the last meeting.

15.2 The Secretary informed the Committee of his attendance at the inaugural meeting of the Pensions Management Institute NI Region.

15.3 The Secretary also informed the Committee of his attendance at a meeting with Scottish asset owners where he had the chance to discuss COP26 with the Government appointed High-Level champion Nigel Topping.

15.4 The Secretary informed the Committee that all Employer Seminars, the NI Public Service Pensions Conference and NILGOSC Staff training day had all been postponed due to Covid-19.

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

(David Jackson and Peter McMurray left the call)

16 INVESTMENTS

16.1 The Committee noted the Summary of Invested Funds at 29 February 2020.

17 ANY OTHER BUSINESS

17.1 The Committee requested that the Secretary explore suitable options for video-conferencing ahead of the next meeting .

16 DATE OF NEXT MEETING

16.1 The date of the next meeting is Tuesday, 26 May 2020 at 10.15am with arrangements to be circulated nearer the time.

There being no further business, the meeting was closed.

CHAIRPERSON

DATE