



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency**

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 2.00PM ON 21 NOVEMBER 2017 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

PRESENT: Willie Walsh, Chairperson
Maeve Carton
Gerardine Jones
Derek Moran (Items 1 to 8 only)
Martin Murphy
Conor O'Kelly
Mary Walsh
Susan Webb

APOLOGIES: Robert Watt

IN ATTENDANCE: Adrian O'Donovan, Secretary
Ian Black, Chief Financial and Operating Officer (CFOO)
Andrew O'Flanagan, Chief Legal Officer (CLO)
Eugene O'Callaghan, Director, ISIF (Items 4.3 and 5 only)
Frank O'Connor, Director, Funding and Debt Management (Items 6, 7 and 8 only)
Rossa White, Chief Economist (Items 6 and 7 only)
Dave McEvoy, Deputy Director, Funding and Debt Management (Item 8 only)
Susan O'Halloran, Senior Legal Advisor (Item 8 only)
Jim Deery, Senior Manager, Corporate Strategy and Development (Item 9 only)

1. NOTICE AND QUORUM

The Chairperson noted that notice of the meeting and of the nature of the business to be conducted had been given to all members entitled to attend the meeting and a quorum was present. The meeting then proceeded to business.

2. DISCLOSURES OF INTEREST

For the purposes of Section 13A of the National Treasury Management Agency Act 1990 (as amended) and Section 17 of the Ethics in Public Office Act 1995, there were no material interests declared by members in the business to be transacted at the meeting.

3. MINUTES AND MATTERS ARISING

The Chairperson noted that draft minutes of the meeting of 19 September had been circulated to the members in advance of the meeting. **IT WAS RESOLVED** that the minutes be approved and that they be signed by the Chairperson.

The Secretary updated the Agency on the status of items arising from the minutes.

4. COMMITTEE REPORTS

4.1 Audit and Risk Committee

THIS ITEM HAS BEEN REDACTED IN PART.

The Audit and Risk Committee Chairperson, Martin Murphy, presented and summarised the report of the Committee meeting held on 14 November.

The Committee Chairperson said that the Committee had reviewed the Preliminary Findings and Recommendations of the Risk Function Review and had a discussion on next steps with the Chief Executive. He proposed to discuss the matter further with the Chief Executive before the next Committee meeting.

The Committee Chairperson noted that the Committee had also reviewed the Strategic Risk Assessment (which had been circulated with the meeting papers), and had received a briefing on procurement, with particular reference to the specific requirements set out in the Code of Practice for the Governance of State Bodies.

4.2 Remuneration Committee

THIS ITEM HAS BEEN REDACTED IN PART.

The Remuneration Committee Chairperson, Maeve Carton, reported on the Remuneration Committee meeting held earlier that day, 21 November.

4.3. Investment Committee

The Investment Committee Chairperson, Susan Webb, reported on the Committee meetings held on 23 October and 20 November. She briefed the Committee on the investment proposals reviewed at the November meeting and noted a summary of the investment proposals approved in October was set out in the Chief Executive's Report. She advised that the Committee had reviewed the currency hedging approach to the Irish portfolio and agreed that all non-euro denominated exposures should be 100% hedged (the ISIF Unit had adopted a similar approach to the Global Portfolio). She briefed the Agency on the Committee's quarterly reviews of the Irish Portfolio, the Global Portfolio and the Portfolio Diversification Framework (to end Q3 2017). She noted that the Committee had reviewed the ISIF Unit's high level approach to making investments in the residential housing sector and briefed the Agency on the main points of the strategy.

The Agency discussed how it was planned to progress the Investment Strategy Review, taking into account the ISIF related measures announced by the Minister for Finance in the Budget (the Rainy Day Fund and HBFi) and subject to finalisation of the consultation process with the Department of

Finance. The Director, ISIF briefed the Agency on the cash-flow modelling the ISIF Unit had done in view of the proposed reduction in Fund size in light of the Budget announcements. The Agency discussed the planned establishment of HBFI and the differences between its likely mandate and the role being played by the ISIF in the housing sector. It was noted that HBFI's relationship with the NTMA would need to be clarified during the drafting of the HBFI legislation.

The Secretary noted that, at its October meeting, the Investment Committee had reviewed its terms of reference and was recommending limited amendment to Sections 10.2 and 10.3 to clarify that the Committee should only refer an investment proposal to the Agency (where the amount concerned was greater than €150m or the proposal was not consistent with the investment strategy) where it was supportive of the investment proposal concerned.

IT WAS RESOLVED that the terms of reference of the Investment Committee be amended as presented to the Agency.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his Report. He noted that the ISIF Investment Strategy Review had been discussed under the previous Agenda Item and the position regarding the Apple Escrow Fund Recovery would be discussed later on the agenda. He briefed the Agency on the recent bond syndication and bond auctions and on the yields and cover rates achieved – noting the extent to which current yield levels were dependent on Central Bank activity in the market. He updated the Committee on the position regarding the upcoming recruitment of a Director, NDFA and on recent stakeholder engagement activity.

Arising from the report the Agency discussed the potential IMF and bilateral loan repayments and how the Funding Plan might be varied, should those repayments not be made in 2017. In response to a query, the Chief Executive noted that there continued to be issues around the financial position of Carillion, one of the members of the consortium responsible for PPP Schools Bundle 5.

The Agency noted the Report on Delegated Matters Notifiable to the Agency.

6. BREXIT AND MARKET UPDATE

The Chief Economist briefed the Agency on recent euro/Sterling exchange rate movements, Bank of England interest rate movements and UK savings rates and on their implications for UK domestic demand and, by extension, Irish exports, which had to date held up well as Sterling depreciated. The Director, Funding and Debt Management said that he would cover the Market Update under the next Agenda Item – Funding Plan 2018.

7. FUNDING PLAN 2018

The Director, Funding and Debt Management presented the 2018 Funding Plan and the assumptions and factors underpinning the Plan, including assumed average interest rates, planned weighted average maturity of new issuance and planned cash balances. He noted the Plan was based on a combination of prefunding and smoothing and lengthening of Ireland's redemption profile, particularly ahead of the larger redemptions in 2019 and 2020. The Agency reviewed the Plan, discussing factors which might lead to variation from the base case such as change to the forecasted EBR, additional FRN cancellations and bond switches. The Agency also reviewed the State Savings contribution to the Funding Plan.

IT WAS RESOLVED that the 2018 Funding Plan be approved - management is required to revert to the Agency in the event of any material deviation from the Plan.

Additionally, the Director, Funding and Debt Management advised the Agency that it was planned to extend the period for non-competitive auction bidding by Primary Dealers following bond auctions from one to two business days.

8. NTMA ROLE IN APPLE STATE AID RECOVERY UPDATE

The CLO made a presentation updating the Agency on the position with regard to the recovery by the State from Apple of State aid which the European Commission has determined that Ireland provided to Apple and the NTMA's role in the recovery process. He noted the complexity of the recovery process and that the work being carried out by the NTMA was just one of a number of workstreams on the State side.

The Agency was briefed on the main elements of the Investment Policy, which had been agreed in principle with Apple and would be recommended to the Minister by the NTMA for formal approval as part of the finalisation of the Escrow Deed. The Agency was also briefed on the approach to the procurement processes for the appointment of an escrow agent/custodian and investment managers which are being run jointly between the State and Apple in accordance with the public procurement rules (notwithstanding that Apple, as a private company, is not bound by those rules) and with protocols agreed between the State and Apple.

Finally, the Agency was updated on the remaining steps to be taken by the State in the recovery process; finalisation of the Escrow Deed, issuing of further Ministerial delegations and directions to the NTMA, establishment of the Investment Committee and appointment of the escrow agent/custodian and investment managers and transfer of the recovery amount by Apple.

9. NTMA CORPORATE STRATEGY 2018-2020

The Senior Manager, Corporate Strategy and Development presented the NTMA Corporate Strategy 2018-2020 for the Agency's review and comment. He noted that the four strategic goals contained in Part 1 of the existing Strategy remain valid in the context of the NTMA's internal and external operating environments and it was proposed that Part 1 be rolled forward for the period 2018 – 2020. Subject to Agency comment, Part 2 (Business Unit and Corporate Function Goals) would be submitted to the Minister for his views prior to finalisation. The Senior Manager also noted that the first KPI Dashboard Report to end September 2017, has been prepared utilising the Business Unit Performance Measures contained in the 2017-2019 Strategy document. Future KPI Dashboard Reports to the Agency would be for the periods to end June and end December of each year.

The Agency reviewed the draft Corporate Strategy and the KPI Dashboard. It discussed progress with regard to reporting of incidents on NIMS by SCA clients and suggested that aggregate SCA KPIs be supplemented with sector level measures where feasible and relevant. It noted that this matter was being reviewed by the SCA Strategy Committee. It also requested that the measures in relation to key corporate projects such as the move to Dublin Landings and the NTMA's role in relation to Apple be included in the KPI Dashboard. It was agreed that any further specific comments members might have on the Corporate Strategy be forwarded directly to the Senior Manager for consideration. Subject to this, the Agency was satisfied for the document to be submitted to the Minister and to be brought back to it prior to finalisation.

The Agency also discussed the NTMA's strategy for engaging with stakeholders. It was agreed that the Head of Public Affairs and Communications would provide a briefing on this issue at a future Agency meeting.

10. INVESTMENT COMMITTEE AND SCA STRATEGY COMMITTEE APPOINTMENTS

The Secretary presented a paper proposing the reappointment of those members of the Investment Committee whose current appointments expired in early 2018 and the making of an appointment to fill the vacancy on the State Claims Agency Strategy Committee. With regard to the SCA Strategy Committee appointment, he noted that the Agency had intended to appoint an official of the Department of Public Expenditure and Reform to the Committee at its inception. However, the proposed appointee had left the Department prior to the establishment of the Committee and the Department of Public Expenditure and Reform had now proposed David Moloney for consideration by the Agency.

IT WAS RESOLVED that:

- (i) Susan Webb be reappointed as Chairperson of the Investment Committee, for a period of 3 years with effect from 27 January 2018, or until she is no longer an Agency member (whichever is the earlier);
- (ii) Subject to the consent of the Minister for Finance and Public Expenditure and Reform as required under section 5A(3)(b) of the NTMA Act 1990 (as amended), Richard Leonard and Julie Sinnamon be reappointed as members of the Investment Committee, for a period of 3 years with effect from 27 February 2018; and
- (iii) David Moloney be appointed as a member of the State Claims Agency Strategy Committee, for a period of 3 years with effect from 1 December 2017.

11. CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES – OVERSIGHT AGREEMENT

The Secretary noted that NTMA management had agreed a draft Oversight Agreement under the revised Code of Practice for the Governance of State Bodies (the "Revised Code") with the Department of Finance at official level. This included a limited number of adaptations to the Revised Code – these proposed adaptations were based on the adaptations previously discussed with the Agency at its November 2016 meeting. He briefed the Agency on the main features of the draft Oversight Agreement as set out in the meeting papers. He noted that if the Agency was satisfied with the draft Oversight Agreement, management would seek to have it finalised with the Minister. Management would revert to the Agency if any material amendment was required.

IT WAS RESOLVED that:

- (i) the Oversight Agreement with the Minister for Finance, as presented to the Agency be approved, subject to such non-material amendments as may be required, at the discretion of the Chief Executive; and
- (ii) the Chief Executive be authorised to sign the Oversight Agreement on behalf of the Agency.

12. AOB

There were no items under AOB.

13. PRIVATE SESSION

The Agency met in private session. This item was minuted separately.

Willie Walsh
Chairperson

30 January 2018