



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

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 2.00PM ON 29 NOVEMBER 2016 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

PRESENT: Willie Walsh, Chairperson
Derek Moran
Martin Murphy
Conor O’Kelly
Mary Walsh
Robert Watt
Susan Webb

APOLOGIES: Maeve Carton

IN ATTENDANCE: Adrian O’Donovan, Secretary
Ian Black, Chief Financial and Operating Officer (CFOO)
Andrew O’Flanagan, Chief Legal Officer (CLO)
Deirdre Hannigan, Chief Risk Officer (CRO) (Item 4.2 only)
Frank O’Connor, Director, Funding and Debt Management (Items 6 and 7 only)
Rossa White, Chief Economist (Item 6 only)
Eugene O’Callaghan, Director ISIF (Item 8 only)
Emma Jane Joyce, Senior Manager ISIF (Item 8 only)
Ciaran Breen, Director, SCA (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, the members each declared that they had no material interest in the business to be transacted at the meeting.

3. MINUTES AND MATTERS ARISING

The Chairperson noted that draft minutes of the meeting of 20 September 2016 (including the private meeting without management which was minuted separately) 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.

There were no matters arising from the minutes.

4. COMMITTEE REPORTS

4.1 Audit Committee

The Audit Committee Chairperson, Martin Murphy, presented the Report of the Committee meeting held on 22 November. He briefed the Agency on the Committee's meeting with the Office of the Comptroller and Auditor General, noting the arrangements for the audit of the 2016 accounts and the target date for signing of the accounts of early-May. He noted that, as agreed at the Agency meeting of 12 July, the Committee had carried out its first annual review of the Consolidated Delegated Authorities. He said that the Committee had noted that, given the number of IT supported activities planned in the near term, a review of the IT function's structure and resources should be carried out and presented to the Agency in 2017. He noted that the Committee would hold one more meeting before the end of the year in order to fully address all the items in its work programme.

4.2 Risk Committee

The Risk Committee Chairperson, Mary Walsh, presented the Report of the Committee meeting held on 22 November. She noted that the Committee had carried out its first quarterly risk review of the ISIF Irish portfolio and had considered a high-level review of the NTMA's retail debt products. The Committee had approved the updated Liquidity Risk Policy and the proposed ISIF investment limits, tolerance levels and approval or notification processes required in the event of any breaches or excesses which would be incorporated into the NTMA Investment Risk Policy.

The Committee had also reviewed the NTMA's Strategic Risk Assessment and the updated Risk Appetite Framework. The Committee had agreed to recommend approval by the Agency of the Risk Appetite Framework.

The CRO outlined to the Agency the main points arising from the Strategic Risk Assessment and the updated Risk Appetite Framework. She noted it was planned to include the Strategic Risk Assessment in the 2016 Annual Report. She clarified to the Agency the measures in place to ensure the Risk Appetite Framework was disseminated through the organisation.

On the recommendation of the Risk Committee, **IT WAS RESOLVED** that the updated Risk Appetite Framework, as presented to the Agency, be approved.

4.3 Investment Committee

Susan Webb reported on the Committee meetings held on 24 October and that morning, 29 November, and on the investment proposals reviewed by the Committee at these meetings. She noted that the Committee had reviewed the initial draft of the ISIF Investment Strategy Review at

its meeting of 24 October and that the Committee's comments were reflected in the draft Strategy Review to be considered by the Agency under Item 8 of the Agenda. At that meeting the Committee had also reviewed the draft Portfolio Diversification Framework (PDF) and agreed it was satisfied with the PDF and for the proposed limits, tolerance levels and approval or notification processes required in the event of any breaches or excesses to be submitted to the Risk Committee for approval.

At its 29 November meeting the Committee had reviewed the Fund's long-term return benchmark, noting that no change was required, and carried out its first quarterly review of the Irish Investment Portfolio. The Committee had given feedback to management on the Economic Impact Report for H1 2016 which would be published shortly.

Susan Webb noted that the Committee had been informed by management that it had taken an investment decision to divest from tobacco holdings held in the Global Portfolio. This would be done by year end. The ISIF Unit had reviewed these holdings, as part of its overall review of the exclusion of categories of investment from the Fund, and decided that the risks associated with tobacco manufacturing outweighed any potential commercial return over the long-term.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his Report. He noted that a number of items such as recent market developments, the 2017 Funding Plan and the ISIF Investment Strategy Review were dealt with separately on the meeting agenda. He briefed the Agency on work being done with the Department of Finance regarding investment and cash management requirements of the Apple case. He updated the Agency on a range of other items including the NewERA Portfolio Report and new business activity in NewERA as well as recent SCA risk reviews and reports. He also updated the Agency on the current position regarding the new premises. He said clarity on the status of the planned merger of the NDFA's project finance functions with Transport Infrastructure Ireland was becoming critical.

The Agency noted the Chief Executive's Report. It discussed the recent judgement in favour of the Minister for Education & Skills and the NTMA in the case on the Grangegorman/DIT PPP project. It noted that the 28-day period in which an appeal could be made commenced on 9 November (appeal to be made by 7 December).

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

6. BREXIT AND MARKET UPDATE

The Chief Economist and Director, Funding and Debt Management updated the Agency on recent economic and market developments following the UK Brexit referendum in June and the result of the US presidential election.

The Agency noted the steepening of yield curves and the widening in bond spreads since end-September, which had accelerated following the result of the US general election.

7. FUNDING PLAN 2017

The Director, Funding and Debt Management presented the 2017 Funding Plan. The Agency reviewed the Plan, in particular the funding base case and the variables against the base case which gave rise to the proposed funding range. It also discussed the increasingly volatile and uncertain market environment, the likely evolution of the ECB's quantitative easing programme, purchase of FRNs from the Central Bank and the planned maturities of benchmark issuance. It also reviewed the interest rate projections underpinning the debt service estimate and the savings/costs arising from any changes in interest rates compared with those projections.

IT WAS RESOLVED that the 2017 Funding Plan be approved – management is required to revert to the Agency in the event of any material deviation from the Plan.

8. INVESTMENT STRATEGY REVIEW

The Director, ISIF presented the draft Investment Strategy Review document for the Agency's review. He noted that the draft Review had been considered by the Investment Committee at its meeting of 24 October last and the document incorporated feedback from that Committee. Subject to Agency comment, it was proposed to formally circulate the draft Review for consultation with the Departments of Finance and Public Expenditure and Reform following the meeting.

The Agency considered the draft Investment Strategy Review and agreed that it was satisfied for it to be circulated for consultation with the Departments of Finance and Public Expenditure and Reform. It discussed the deal size of ISIF transactions so far and the potential for larger transactions. It noted that, for the Strategy Review's next iteration, the uniqueness of the ISIF's mandate and its size relative to the economy should be considered.

9. SCA REVIEW – PROPOSED NEXT STEPS

THIS ITEM HAS BEEN REDACTED IN PART.

The Secretary said that, arising from the discussion of the SCA's governance structure at the September Agency meeting, management had been asked to prepare draft terms of reference for an SCA Strategy Committee and that proposed terms of reference in this regard were set out in the meeting paper.

The Agency reviewed the draft terms of reference for the SCA Strategy Committee. It agreed that establishment of such a committee, containing relevant external expertise, would be of use given the specialist nature of the SCA's business and the particular challenges faced by it. It discussed the proposed composition of the Committee noting that a second Agency member might be appropriate. It also suggested that persons with relevant experience in the SCA's client organisations might be considered for membership of the Committee.

IT WAS RESOLVED that:

- (i) In accordance with Section 5B of the NTMA Act 1990 (as amended) that a State Claims Agency Strategy Committee be established (the formal date of establishment to be considered at a future meeting following the appointment of Committee members): and

- (ii) that the proposed terms of reference for the State Claims Agency Strategy Committee as presented to the Agency be approved, subject to review of the number of members on the Committee and the criteria for selection of external members of the Committee.

10. COMMITTEES

10.1 Audit and Risk Committee Terms of Reference

The Secretary noted that, during its private meeting in September, the Agency agreed that, in light of the likely changes in Agency membership and the proposed expansion of the number of Agency committees, it would be more efficient and lead to greater synergies if a combined Audit and Risk Committee were established to replace the separate Audit and Risk Committees currently in place and that management had been asked to prepare draft terms of reference in this regard.

The Secretary noted that the draft terms of reference proposed in the meeting paper had been reviewed against the relevant provisions of the revised Code of Practice for the Governance of State Bodies published in August 2016 and had been reviewed by the members of the Audit and Risk Committees.

IT WAS RESOLVED that

- (i) In accordance with section 5B of the NTMA Act 1990 (as amended) that an Audit and Risk Committee be established (the formal date of establishment to be considered at a future meeting following the appointment of Committee members): and
- (ii) that the proposed terms of reference for the Audit and Risk Committee as presented to the Agency be approved.

10.2 Committee Appointment

IT WAS RESOLVED that Susan Webb be appointed as Chairperson of the Investment Committee, with immediate effect, for the remainder of her three-year term as a member of that Committee.

11. CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

The Secretary briefed the Agency on the revised Code of Practice for the Governance of State Bodies (the Code) launched by the Minister for Public Expenditure and Reform in August 2016. He noted that the meeting paper set out a limited number of ways in which it was proposed that the Code be adapted in its application to the NTMA. This adaptation would have to be set out in an Oversight Agreement to be agreed with the Minister/Department of Finance. No decision was required from the Agency on these matters at this stage.

The Secretary also briefed the Agency on the main new provisions of the Code – particularly with regard to enhanced reporting requirements – and the process being put in place to ensure compliance with the revised Code.

The Agency noted the importance of complying with the Code to the maximum extent possible and that the reasons for any adaptation of the Code should be clearly stated.

12. AOB

The Chairperson informed the members that he had met with the Minister for Finance the previous day, 28 November, to update him on matters in respect of the Agency and briefed the members on the meeting.

The Secretary updated the Agency on the Public Appointments Service (PAS) process with regard to the filling of the vacant position on the Agency and on liaison with the Department of Finance and the PAS with regard to this process. He noted that the position had been advertised by the PAS on 9 November and the closing date for applications was 30 November.

There being no further items, the Chairperson brought the meeting to a close.

Willie Walsh
Chairperson

31 January 2017