



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 2.00PM ON 26 MARCH 2019 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

PRESENT: Maeve Carton, Chairperson
Gerardine Jones
Derek Moran
Martin Murphy
Conor O'Kelly
Mary Walsh
Robert Watt (items 1 to 10 only)
Susan Webb

IN ATTENDANCE: Elaine Hudson, Secretary
Ian Black, Chief Financial and Operating Officer (CFOO)
Andrew O'Flanagan, Chief Legal Officer (CLO)
Ciaran Breen, Director, SCA (Items 4.2 and 4.5 only)
Eugene O'Callaghan, Director, ISIF (Items 4.4, 7 and 8 only)
Michael Cunningham, Interim Head of Risk (Item 5 only)
Kieran Bristow, Head of Investment Strategy, ISIF (Item 7 only)
Mary Macnamara, Senior Investment Manager, ISIF (Item 7 only)
Saoirse O'Connor, Investment Director, ISIF (Item 8 only)
Frank O'Connor, Director, Funding and Debt Management (Item 9 only)
Rossa White, Chief Economist (Item 9 only)
Jim Deery, Senior Manager, Corporate Strategy, Planning and Development (Item 10 only)
Alex O'Donnell, Corporate Strategy, Planning and Development (Item 10 only)
Susan O'Halloran, Head of Legal, (Item 11 only)
Jacky Fox, Director, Deloitte (Item 12 only)
Ken Jordan, Head of ICT (Item 12 only)
Carol AnnMcGough, Head of IT Security & Networks (Item 12 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

THIS ITEM HAS BEEN REDACTED IN PART

The Chairperson noted that draft minutes of the meeting of 29 January 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. She noted that the annual planning process for 2020, which would include annual targets and deliverables and associated KPIs, would be presented to September Agency meeting. The Agency agreed that a paper setting out action items arising from the minutes would be circulated with the meeting papers going forward.

4. COMMITTEE REPORTS

4.1 New Premises Working Group

Gerardine Jones reported on the New Premises Working Group meetings held on 11 February and 11 March respectively. She reported that overall expenditure was in line with the budget with minor underspend attributable to timing of invoices and the value engineering exercise on loose furniture procurement.

The Agency noted that fit out works and the ICT work stream were currently on schedule to meet the target completion date of 3 May 2019. In relation to the facilities work stream, the appointment of the catering services provider was a key focus.

The Agency was briefed on the site visit by the Working Group and some Agency members to Dublin Landings on 25 March 2019. It noted the good progress being made on site and the high quality of the finish.

4.2 SCA Strategy Committee

THIS ITEM HAS BEEN REDACTED IN PART

The SCA Strategy Committee Chairperson, Mary Walsh, presented and summarised the report on the Committee meeting held on 6 March.

4.3 Remuneration Committee

THIS ITEM HAS BEEN REDACTED IN PART

Martin Murphy reported on the Remuneration Committee meeting held on 26 February. He advised the Agency of the total aggregate amount in performance related payments approved by the Committee for payment in 2019 in respect of performance in 2018 and the parameters for same as set out in the Remuneration Policy. He updated the Agency on NTMA pay reviews, turnover and gender statistics. The Committee noted that Additional Superannuation Contributions were now being paid directly into the NTMA Pension Scheme.

The Committee Chairperson noted that the Committee had reviewed its terms of reference and was proposing no changes to same. He noted that the Committee was proposing bi-annual effectiveness reviews, in view of the meeting frequency.

4.4 Investment Committee

The Investment Committee Chairperson, Susan Webb, reported on the Committee meetings held on 12 February and 4 March. She briefed the Agency on the Committee's quarterly reviews of the Investment pipeline, ISIF Dashboard, Irish Portfolio, the Global Portfolio, the Portfolio Diversification Framework and the Sustainability and Responsible Investment Report and review of the implementation of the Investment Strategy. The Committee also reviewed and suggested further areas for inclusion as part of the updating of the Economic Impact Framework (to reflect the refocused Investment Strategy).

The Committee Chairperson noted that a summary of the investments approved at both meetings was set out in the Chief Executive's Report.

4.5 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 20 March. He outlined the timetable for approval of the 2018 financial statements, which included presentation of same to the Committee on 30 April and the Agency meeting on 7 May. He advised that the Committee had reviewed a number of items for inclusion in the Annual Report including the draft Governance Statement and Agency Member's Report, the Risk Section, and the Committee's own annual report and, subject to inclusion of a number of comments, the Committee was satisfied with these items. The Committee Chairperson noted that the Committee had reviewed the effectiveness of the system of internal control and that management were engaging with the Office of the Comptroller and Auditor General (OCAG) with regard to the disclosures in the Statement of Internal Control (SIC). The CFOO updated the Agency on discussions with OCAG, noting that an updated draft SIC would be reviewed by the Committee at its April meeting.

The Committee Chairperson briefed the Agency on the Committee's discussions with regard to the SCA financial statements, as set out in the Committee's Report to the Agency.

The Committee Chairperson reported that the procurement process (under EU public procurement rules) for the external Internal Audit Services Provider was due to commence imminently. The evaluation and selection of the preferred bidder was scheduled to take place in May 2019.

The Committee Chairperson briefed the Agency on the appointment of the Interim Head of Risk, noting the importance of the role and ensuring that a solid plan and adequate supports were provided to the new appointee for the duration of his appointment.

The Committee had also reviewed the Strategic Risk Assessment, and recommended the updated Risk Management Policy and Framework and updated Risk Appetite Framework to the Agency. These items would be reviewed under Agenda Items 5.1 to 5.3.

5. RISK MANAGEMENT

5.1 Strategic Risk Assessment

The Interim Head of Risk presented the Strategic Risk Assessment. He noted that the Strategic Risk Assessment represented one element of the NTMA's broader risk architecture, which helped to ensure that risk exposures were consistent with the Agency's risk appetites and that emerging risks

were being addressed appropriately. The Interim Head of Risk advised that four risks were classified as “risk trend increasing” due to the external environment, predominantly related to Brexit; the other five risks were “stable”.

The Agency reviewed the principal risks and mitigants as set out in the paper. It noted that Key Risk Indicators related to the principal risks were provided to the Audit and Risk Committee on a quarterly basis, and also that the inherent and residual risks were reviewed by the Committee as part of the Corporate Function and Business Unit risk register reviews. The Agency noted that the principal risks and mitigants as set out in the SRA would be published in the Annual Report.

5.2 Risk Management Policy and Framework

The Committee Chairperson said that the Committee had reviewed the updated Risk Management Policy and Framework, noting that its comments were reflected in the document, and was recommending it to the Agency.

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

5.3 Risk Appetite Framework

The Agency noted the Risk Appetite Framework including the changes proposed, including feedback from the Committee, therein.

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

6. CHIEF EXECUTIVE’S REPORT

THIS ITEM HAS BEEN REDACTED IN PART

There were no plans to alter the NTMA’s current funding strategy, noting that the NTMA had funded 33% of its target year to date. Notwithstanding Brexit uncertainty and the increase in Italian and Spanish yield spreads, Irish Sovereign spreads had remained relatively stable against Germany and France. He advised that contrary to the anticipated steepening of the yield curve, the curve had flattened. The Chief Executive noted that NTMA had raised €300 million through the private placement of a new Inflation-Linked Bond maturing in April 2045 (with a negative real yield), the second such issue, bringing to c. €1 billion the amount raised through inflation linked bonds. Responding to a question from the Agency, the Chief Executive advised that the principal repayment would be linked to the Eurostat Harmonised Index of Consumer Prices (HICP) for Ireland (excluding tobacco).

The Agency noted that NewERA had inputted into recommendations made to government to commence the process to replace Irish Water’s commercial borrowing with State funding. The Chief Executive briefed the Agency on Social Housing Bundle 1 advising that construction had commenced across six sites on 20 March 2019 with the first units to be delivered in Q2 2020. It noted that this project represented the first housing PPP Project in Ireland, the first social housing PPP scheme that EIB had financed and the first time a group of local authorities had come together to deliver a significant housing project. Upon a request from the Agency for further details, the Chief Executive proposed that a presentation on Social Housing Bundle 1 would be made to the Agency at a future meeting.

The Chief Executive advised that the recruitment competition for the HBFI Chief Executive was being led by NTMA HR. The Agency noted further the green initiatives underway as part of the premises move to Dublin Landings.

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

7. ISIF – FUND OVERVIEW AND GLOBAL PORTFOLIO UPDATE

THIS ITEM HAS BEEN REDACTED IN PART

The Director, ISIF, Senior Investment Director and Senior Investment Manager provided an overview of the ISIF Discretionary Fund in the context of (i) the refocused ISIF strategy, and (ii) smaller Fund size in light of mandated funding provisions to the Rainy Day Fund (RDF), Home Building Finance Ireland (HBFI) and Land Development Agency (LDA) respectively.

In response to a question from the Agency, management advised that the Rainy Day Fund was expected to be established and funded (€1.5 billion) in Q2 2019 and HBFI would be funded as required (a large number of small drawdowns was expected) following an initial drawdown of €20m (already completed). The quantity and timing of LDA's cash requirements were not yet known at this stage and any drawdowns were likely to be over several years. It was also noted that recycling of capital from ISIF investments would significantly contribute to on-going investment capacity.

The Agency was briefed on the Global Portfolio Transition Strategy including, *inter alia*, the specific design of the Global Portfolio which catered for ISIF's specific requirements - namely (i) short to medium term time horizon pending completion and funding of ISIF's Irish Portfolio investments, (ii) while seeking to earn a return that would positively contribute to ISIF's overall performance, (iii) high liquidity requirements and (iv) low tolerance for permanent capital losses.

The Senior Investment Director provided an overview of the governance arrangements in place, which ensured continuous oversight of performance and risk of the Global Portfolio and of individual managers. The Senior Investment Manager noted that on a risk return basis, the Global Portfolio was efficient in terms of the level of return it extracted for the level of risk it was willing to assume. The Senior Investment Director noted that the differences in allocation among Investment Managers reflected their position in the portfolio (within a sub-portfolio or across multi sub-portfolios), their contribution to overall portfolio risk and manager specific issues.

8. ISIF INVESTMENT PROPOSAL: IRISH WATER

THIS ITEM HAS BEEN REDACTED IN PART

The Investment Director presented a proposal for the extension for a further period of 9 months from May 2019 to February 2020 of the €450m existing debt financing facilities (€300m and €150m) provided to Irish Water.

The Investment Committee Chairperson noted that the Committee had reviewed the proposal and was satisfied to recommend it to the Agency.

On the recommendation of the Investment Committee, **IT WAS RESOLVED** that the proposed renewal of ISIF's total debt facilities of €450m to Irish Water for a further period of 9 months be approved, subject to:

- (i) the terms and conditions of the extended €300m and €150m facilities being consistent, in all material respects, with the “Key Terms” as presented to the Agency; and
- (ii) completion of legal due diligence, and finalisation of all necessary legal agreements, to the satisfaction of the Director, ISIF and the Chief Legal Officer.

9. MARKET UPDATE

The Agency noted the report as presented. The Chief Economist advised that the recent inversion of the US yield curve (short term interest rates exceeding long term interest rates) reflected emerging concerns over global growth and a significant change in outlook for the US. The markets had moved from widely anticipated Federal Reserve rate increases in 2019, to suspension of policy tightening and nascent possibility of rate cuts. The Chief Economist pointed out that the US had entered into recession within three years of the yield curve inverting in all of the previous nine such inversions.

The Director, Funding and Debt Management, provided an update on the NTMA’s strong cash position and funding carried out year-to-date including the €300 million raised through the placement of a new Inflation-Linked Bond, the NTMA’s second Inflation-Linked bond, in March 2019. The Agency discussed the Irish sovereign credit ratings, upcoming bond redemptions and planned issuance in 2019. In this latter regard, the NTMA would be announcing its Q2 auction schedule on 1st April and was planning to undertake two auctions in May and June respectively.

Responding to a question from the Agency, the Director, FDM advised that management was monitoring the challenging Italian macroeconomic and fiscal situation closely. Notwithstanding the challenges posed by a potential hard Brexit, the Director did not anticipate any adverse changes to Ireland’s credit ratings outlook at this time.

10. NTMA CORPORATE STRATEGY 2019-2023

THIS ITEM HAS BEEN REDACTED IN PART

The Senior Manager, and Manager, Corporate Strategy, Planning and Development presented the draft NTMA Corporate Strategy (Part 1) for the Agency’s review and consideration. The Senior Manager noted that the Strategy specified one overarching goal – Long Term Value and three enabling pillars – Reputation, Adaptability and People to reflect the NTMA’s role as ‘policy taker’. In terms of key changes, the Agency noted the proposed extension of the time period for the corporate strategy from three to five years and the addition of new sections on the NTMA’s external environment (and its distinctive core competency) and climate change initiatives.

The Senior Manager undertook to reflect the Agency’s comments in a revised document and to circulate it to the Agency members for review noting that the Chief Executive’s and Chairperson’s forewords would also be included therein for review. Following circulation to the members and any final comments, the draft Corporate Strategy (Part 1) would be submitted to the Minister for his review prior to final approval by the Agency.

11. GOVERNANCE ITEMS:

11.1 CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES – OVERSIGHT AGREEMENT

The Head of Legal advised that the Code of Practice for the Governance of State Bodies required Oversight Agreements to be reviewed annually and updated as required. The proposed changes

reflected a small number of largely 'non material' updates, including, inter alia, updates to ensure consistency with revisions to the Schedule of Statutory Obligations and Schedule of Matters Reserved to the Agency in the intervening period.

The Head of Legal reported that the update changes to the Oversight Agreement had been agreed with the Department of Finance at official level. She proposed that if the Agency was satisfied such non material updates would be delegated to the Chief Executive (or his delegate) for future reviews. 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 might be required, at the discretion of the Chief Executive;
- (ii) the Chief Executive (or such other member(s) of the Executive Management Team as he might nominate as delegate) be authorised to sign the Oversight Agreement on behalf of the Agency; and
- (iii) the Chief Executive (or such other member(s) of the Executive Management Team as he might from time to time nominate as delegate(s)) be authorised to approve and sign any further amended or updated Oversight Agreement on behalf of the Agency provided always that any material changes to the Oversight Agreement should require the prior approval of the Agency.

11.2 INVESTMENT COMMITTEE APPOINTMENT

The Secretary presented a paper proposing the reappointment of Mark Ryan as a member of the Investment Committee whose current appointment expired in July 2019. As required under section 5A(3)(b) of the NTMA Act 1990 (as amended), the consent of the Minister for Finance would be sought prior to making the external Investment Committee appointment. As an external member of the Committee, Mark Ryan would receive a fee of €20,000 per annum.

IT WAS RESOLVED that 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), Mark Ryan be reappointed as a member of the Investment Committee, for a period of 3 years with effect from 18 July 2019.

12. CYBER SECURITY UPDATE

The Deloitte representative presented an overview of the 2018 Cyber Security Posture Assessment to the Agency. The assessment, carried out during 2018, measured the cyber maturity of the NTMA and benchmarked capabilities against industry peers (European organisations in Government and Financial sectors) and provided recommendations for improvements and strategic considerations. Deloitte provided an overview of the cyber threat landscape and the NTMA's threat detection and response capability versus peer comparators. In response to a question from the Agency, it was noted that the main areas of concern in Deloitte's opinion related to the fast-moving pace of cyber threats where new vulnerabilities could emerge very quickly. It was suggested that email phishing attacks and compromised websites were the most likely vectors for malware threats.

The NTMA Head of ICT Security and Networks, Carol Ann McGough, outlined the NTMA's progress against its 2018 recommendations, changes implemented to enhance security in the context of the

premises move to Dublin Landings and the NTMA's areas of cyber security focus in 2019. Ken Jordan, Deputy Director and Head of ICT, provided an overview of key ICT projects in hand for 2019.

13. AOB

The Secretary provided an update in relation to the Board appointment process, advising that the PAS notice had been published.

The Chairperson advised that the action items arising from the Agency's external effectiveness review undertaken by Praesta would be presented to the next Agency meeting for discussion and agreement.

There being no other items under AOB, the Chairperson brought the meeting to a close.

14. PRIVATE SESSION

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

Maeve Carton
Chairperson
28 May 2019