



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

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 2.00PM ON 29 MAY 2018 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

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

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 (Item 4.4 only)
Barry Keogh (Items 5 and 6 only)
Ciaran Breen, Director, SCA (Item 8 only)
Frank O’Connor, Director, Funding and Debt Management (Items 9 and 10 only)
Rossa White, Chief Economist (Item 9 only)
Anthony Linehan, Deputy Director, Funding and Debt Management (Item 9 only)
Murray McCarter, Head of Retail Debt (Item 9 only)
Dave McEvoy Director, Funding and Debt Management (Item 10 only)
Jim Deery, Senior Manager, Corporate Strategy, Planning and Development (Item 11 only)
Ken Jordan, Head of ICT (Item 11 only)
Breda Macnamara, Head of Compliance (Item 12.2 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 meetings of 28 March and 24 April 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

The Audit and Risk Committee Chairperson, Martin Murphy, presented and summarised the Report of the Committee meeting held on 22 May. He noted that the Committee had reviewed and agreed to recommend the financial statements and letters of representation to the Agency. He also noted that the Committee had reviewed an updated Statement on Internal Control, amended to provide context to the Treasury Management System and procurement matters referred to in his report to the Agency meeting of 24 April, and was also recommending this updated Statement to the Agency. These matters would be considered by the Agency under Agenda Item 5.

The Committee Chairperson noted that the Committee had reviewed the recent events relating to cervical smear claims and, in particular, had discussed the risk management and instances/claims reporting in place in relation to the SCA.

The Committee Chairperson briefed the Agency on the Operational Events Report. He advised the Agency that the Committee had agreed an amendment to the Counterparty Credit Risk Policy so that approval of any credit limit exceptions, permitted under the Ministerial Debt Management Guidelines, would be subject to Committee approval. The Committee had also approved updates to the Ant-Fraud Policy and the Data Protection Policy. He noted that the Committee had received an overview of the NTMA's General Data Protection Regulation (GDPR) Readiness Programme, and would be reviewing this on an ongoing basis. Finally, he advised the Agency that the Head of Internal Audit would be leaving the NTMA for another position on 14 June.

4.2 New Premises Working Group

THIS ITEM HAS BEEN REDACTED IN PART.

Gerardine Jones reported on the New Premises Working Group meetings held on 23 April and 21 May.

She advised the Agency that there had been a delay in granting of the NTMA leases, which had been granted and commenced on 24 May. This had led to a consequent delay in the commencement of the fit-out works. While this issue had been unforeseen, it underlined the need to engage

proactively with mac-interiors during the fit-out works and other relevant third parties more generally to ensure that any potential issues that might arise were flagged at an early date and resolved before they gave rise to any delay.

4.3 SCA Strategy Committee

THIS ITEM HAS BEEN REDACTED IN PART.

The SCA Strategy Committee Chairperson, Mary Walsh, presented and summarised the Report of the Committee meeting held on 26 April. She noted that the cervical smear claims would be discussed under Agenda Item 8 and that the Committee's next meeting on 6 June would also review the events pertaining to these claims.

The Committee Chairperson said the Committee had received a presentation on Periodic Payment Orders (PPOs) and Open Disclosure in the context of the *Civil Liability (Amendment) Act 2017*. With regard to Open Disclosure the Committee had noted the importance of staff being suitably trained and of medical teams dealing with open disclosure in an integrated manner, involving senior staff from an early stage. She noted that the Act provided for a voluntary open disclosure regime, but this was a matter which had been the focus of some considerable attention since the meeting in light of the cervical smear testing claims.

The Committee Chairperson noted that the Committee had reviewed the strategic approach being taken in respect of two of the major mass actions against the State: the Shine Abuse claims and Transvaginal Mesh Implants claims. The Committee had reviewed proposed NIMS Reporting Sector Level KPIs and was satisfied that a good methodology had been put in place for horizontal claims reporting comparison.

4.4. Investment Committee

THIS ITEM HAS BEEN REDACTED IN PART.

The Investment Committee Chairperson, Susan Webb, reported on the Committee meetings held on 10, 16 and 28 May. She briefed the Agency on the investment proposals reviewed at the meetings of 16 and 28 May, noting that a summary of the investments approved at the 16 May meeting was set out in the Chief Executive's Report. She briefed the Agency on the Committee's quarterly reviews of the Irish Portfolio, the Global Portfolio, the Portfolio Diversification Framework and the Sustainability and Responsible Investment Report.

The Committee Chairperson noted that the ISIF Unit had briefed the Committee on discussions with the Department of Finance on the completion of the Investment Strategy Review. While these discussions had not yet been finalised, it was likely that the Fund would be reduced in size with a "refocused" investment strategy. The Committee had noted that clarity, as soon as practicable, on fund size and areas of focus would be helpful. Pending the conclusion of the Review, the Committee and the ISIF team were reviewing the priority of items in the investment pipeline and the pace of investment.

5. FINANCIAL STATEMENTS 2017

The CFOO presented the updated Statement on Internal Control, the draft financial statements and the letters of representation for the year-ended 31 December 2017.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED:**

- (i) that the updated Statement on Internal Control, as presented to the Agency, be approved for inclusion in the financial statements;
- (ii) that the financial statements in respect of the year-ended 31 December 2017, as presented to the Agency, be approved; and
- (iii) that the letters of representation in respect of the NTMA and the Carbon Fund, as presented to the Agency, be approved.

6. ANNUAL REPORT 2017

The Agency considered the NTMA Annual Report 2017 and the Carbon Fund Annual Report 2017. The Secretary noted that he had received a number of non-material drafting changes from Agency members which he proposed to accept.

IT WAS RESOLVED that:

- (i) the NTMA Annual Report 2017, substantially in the form presented to the Agency, be approved, subject to any further non-material changes or necessary changes for post-balance sheet events as may be agreed by the Chief Executive; and
- (ii) the Carbon Fund Annual Report 2017, substantially in the form presented to the Agency, be approved, subject to any further non-material changes or necessary changes for post-balance sheet events as may be agreed by the Chief Executive.

The Agency noted the draft letter prepared for the Chairperson's signature in respect of the separate report required under the Code of Practice for the Governance of State Bodies.

7. CHIEF EXECUTIVE'S REPORT

THIS ITEM HAS BEEN REDACTED IN PART.

The Chief Executive presented his Report. He noted that Irish bonds had traded relatively well during the political uncertainty in Italy and that the Director, Funding and Debt Management would brief the Agency further on this matter under Agenda Item 9 – Market Update.

The Chief Executive briefed the Agency on the position with regard to Schools Bundle 5. He noted that the funders (MUFG and Helaba) and DIF were devising a replacement plan to ensure the project was completed in line with the contract.

He had recently met with senior representatives of MUFG and Helaba and told the lenders that the over-riding priority was to deliver the schools as a matter of urgency and, at a minimum, in line with the revised deadlines outlined by the PPP Company. He had sought assurances that the lenders

would do everything required to expedite the delivery of the schools and requested that they revert as soon as possible with proposals in this regard. The Agency noted that progress would need to be made quickly if all the schools were to operational by September.

The Chief Executive also briefed the Agency on the appointment of Cathy Bryce as Director, NDFA - to take up the position in August - and noted that Ciara Lehane had commenced her role as Head of Risk (Financial, Investment and Enterprise). The recruitment process for the new Head of Internal Audit was being put in train - an interim appointment may be considered.

The Chief Legal Officer briefed the Committee on the draft HBFI legislation, which was similar in structure to the NAMA and SBCI legislation.

The CFOO updated the Agency on NTMA and ISIF expenditure to end-April and on forecast full-year expenditure against budget.

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

8. SCA: CERVICAL SMEAR CLAIMS

The Director, SCA briefed the Agency on the sequence of events in relation to the case of Vicky Phelan v HSE and Clinical Pathology Laboratories Ltd, other similar cases which it was managing and the SCA's approach to the management of these cases. He noted that the SCA's strong preference was that cervical cancer cases, where they involved a misread smear, would be settled expeditiously and through mediation. The SCA was negotiating a protocol of co-operation with the co-defendant laboratories to enable the SCA to stay in the cases in order to better manage them, notwithstanding any indemnities offered to the State by the laboratories in individual cases.

The Agency queried if NIMS could detect clusters of incidents such as the cervical smear claims. The Director, SCA said NIMS had this capability; however there was no discernible adverse pattern from the incident notifications on NIMS.

The Agency discussed reporting of sensitive clinical cases, noting that the SCA would discuss the criteria for reporting of such cases with the SCA Strategy Committee at its June meeting and keep the Agency informed.

9. MARKET UPDATE

The Director, Funding and Debt Management briefed the Agency on recent developments in Irish and other European bond yields in light of the political uncertainty in Italy. He noted that while the Irish spread over Germany had widened – in common with other eurozone issuers – Irish debt continued to trade in the same narrow range over France and Belgium. The Agency noted the Exchequer's strong funding position and the flexibility this provided should volatility increase further.

The Director, Funding and Debt Management updated the Agency on the flow of funds into the State Savings products, since the announcement by RaboDirect Ireland in February that it was exiting the Irish market. He noted that there appeared to have been limited competition for the RaboDirect deposits and net inflows were ahead of the same period in 2017. Given the final exit date was 16

May, the next few weeks were likely be more informative about the full impact of the RaboDirect exit on State Savings products.

The Head of Retail Debt made a presentation to the Agency on the new State Savings website which was due to be launched shortly.

10. APPLE RECOVERY UPDATE

The Director and the Deputy Director, Funding and Debt Management updated the Agency on the recovery by the State from Apple of State aid which the European Commission has decided that Ireland provided to Apple. They briefed the Agency on the Escrow Framework Deed and Investment Policy, the Ministerial Delegations and Directions received, the first meeting of the Investment Committee, the timetable for conclusion of the Investment Manager Agreements and the timetable for the phased transfer of moneys from Apple to the Escrow Account. They noted that the Investment Policy and the Ministerial Delegations and Directions would be circulated to the Agency on BoardPad.

The Agency noted that the investment managers would be evaluated against a specified benchmark and also relative to each other.

11. NTMA ICT REVIEW: IMPLEMENTATION UPDATE

The Senior Manager, Corporate Strategy, Planning and Development and the Head of ICT made a presentation to the Agency on the implementation of the recommendations of the high level review of the ICT function conducted by EY which was presented to the Agency in September 2017. Arising out of the presentation, the Agency discussed the IT project prioritisation process, noting that the project prioritisation model introduced on foot of the EY review was proving of considerable benefit to the IT function in managing the large number of competing priorities and that the recruitment of a small number of additional resources – which was currently in train – would also assist significantly.

12. GOVERNANCE ITEMS

12.1 Pension Scheme: Appointment of Trustees

The Chief Executive noted that Adrian O'Donovan, who had been a trustee since December 2009, proposed to step down as a trustee and that management recommended the appointment of two new trustees (Rossa White and Katie Nugent) bringing the number of trustees to four, as set out in the meeting paper.

IT WAS RESOLVED that Rossa White and Katie Nugent be appointed as trustees of the NTMA Pension Scheme in accordance with Clause 11 of the Trust Deed, with effect from such date as is specified in the relevant deed of appointment.

12.2 Staff Code of Conduct and Agency PA Transactions Policy

The Head of Compliance said it was proposed to update the Code of Practice on Confidentiality and Professional Practice for the purposes of ensuring that any references in it to data protection take account of the General Data Protection Regulation, which came into effect on 25 May. As part of the

review, it was also proposed that the title of the document be simplified to “Code of Conduct for NTMA Employees (ex NAMA)”. The proposed amendments were as set out in the meeting paper. There were no other material changes proposed.

IT WAS RESOLVED that the updated Code of Conduct for NTMA Employees (ex NAMA), as presented to the Agency, be approved.

The Head of Compliance said it was proposed to amend the Pre-Approval Securities List set out at Appendix 1 to the Agency Personal Account Transactions Policy to include Mainstay Medical, a listed company in which the ISIF had invested.

IT WAS RESOLVED that the Pre-Approval Securities List set out at Appendix 1 to the Agency Personal Account Transactions Policy be amended to include Mainstay Medical.

13. AOB

The Chief Legal Officer noted that he and the Director, ISIF were travelling to Boston in mid-June as the Director, ISIF was scheduled to appear as a witness for the prosecution in the upcoming trial of a former State Street executive arising from the overcharging of a number of clients, including the National Pensions Reserve Fund, by State Street.

There being no further 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.

Willie Walsh
Chairperson

10 July 2018