



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

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 2PM ON 31 MAY 2022
VIA VIDEO CONFERENCE AND AT TREASURY DOCK, NORTH WALL QUAY, DUBLIN 1**

PRESENT: Maeve Carton, Chairperson
Brian O’Kelly
David Moloney
Gerardine Jones
John Hogan
Martin Murphy
Rachael Ingle
Susan Webb

APOLOGIES: Conor O’Kelly

IN ATTENDANCE: Elaine Hudson, Agency Secretary
Anastasia-Ilektra Sakellariou, Senior Agency Secretariat Officer
Frank O’Connor, Chief Executive designate
Susan O’Halloran, Chief Legal Officer (CLO)
Ian Black, Chief Financial and Operating Officer (CFOO)
Andrew O’Flanagan, Director NDFA/NewERA (Item 5 only)
John K Dillon, Head of NewERA (Item 5 only)
Rachel Wallace, Corporate Finance Director (Item 5 only)
Nick Ashmore, Director, ISIF (Items 6 & 9.3 only)
Ray Mangan, Head of Risk (Items 6, 9.1.1 and 9.1.2 only)
Maurice Fitzgerald, Senior Risk Manager (Item 6 only)
Fergal Power, Deputy Director - Finance (Item 7 only)
Billy Wright, Finance Manager – Reporting (Item 7 only)
David Purdue, Chief Economist (Item 8 only)
Ciarán Breen, Director, SCA (Item 9.2 only)
Deirbhile Brennan, Head of Compliance (Item 10.2 only)
Sinead Flanagan, Senior Compliance Manager (Item 10.2 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.

2. DECLARATIONS 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 29 March and 3 May 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 Agency noted the status of the matters arising from previous meetings, as set out in the note circulated with the meeting papers.

4. CHIEF EXECUTIVE'S REPORT

The Chief Executive designate presented his Report. He provided a brief update on a number of corporate matters including, *inter alia*, the recent FDM Director appointment, the increase in employee turnover and ongoing recruitment challenges, and potential options in relation to the Treasury Dock first floor, **This has been redacted pursuant to Section 30(1)(b) of the FOI Act 2014.** The Chief Financial and Operating Officer (CFOO) advised that as there was no requirement from the NTMA or its affiliates for the additional office space, it was proposed to proceed to sub-let the first floor. In response to a question from the Agency, the CFOO advised that it was not proposed to sub-let any further space at this stage, but the matter would be kept under review. The Agency was satisfied with the proposed approach and requested that it be kept updated at future meetings **[Action]**.

The Agency discussed the emerging resourcing capacity constraints, noting that staff costs (headcount/salary inflation) would form a key part of the budget assumptions at the Agency's September meeting. Noting that the Chief Executive designate would formally commence his role as Chief Executive on 1 July, the Agency requested that he present his reflection on the first hundred days and his key priorities for the organisation at an upcoming meeting **[Action]**.

5. NEWERA BUSINESS UPDATE

The NewERA representatives briefed the Agency on, *inter alia*, the financial performance of the portfolio of commercial State companies in NewERA's remit, current activity and challenges, NewERA's role in Climate and Energy initiatives, potential process enhancements identified in the 2021 NewERA Stakeholder Survey and key areas of focus in 2022. Referencing increasing staff turnover and tight labour market conditions, the Director, NDFA and NewERA advised that ensuring the team continued to be resourced appropriately, with appropriately skilled individuals, was a key priority in terms of delivery against NewERA's mandate.

The Agency noted the update and discussed various aspects in considerable detail including, amongst other things, the challenges with CSB Board appointments, **This has been redacted pursuant to Section 30(1)(b) of the FOI Act 2014.** In response to a question from the Agency, the NewERA representatives outlined NewERA's role, working in conjunction with relevant stakeholders, in respect of enabling renewables and the security of the State's electricity supply. It was noted that funding and financial capacity considerations were a key area of NewERA's focus in this regard.

In the context of NDFA, the Agency discussed the challenges associated with construction price inflation and the impact of same on NDFA in terms of potential costs and delays to projects. The

Director, NDFA and NewERA, noting that there were currently no NDFA related sites in construction (following the recent successful completion of the first and second social housing PPP bundles and the Central and East Quad buildings at the TU Dublin at Grangegorman campus), outlined the impact of construction price inflation on NDFA projects at pre-procurement and procurement stages. He noted that, in conjunction with key stakeholders (e.g. the relevant sponsoring Departments, the Department of Public Expenditure and Reform and the Office of Government Procurement), the NDFA was considering potential actions to address these challenges.

6. OVERVIEW OF ISIF RISK EXPOSURE

The Director, ISIF, presented the paper to the Agency noting, *inter alia*, that the formal consultation process with the Minister for Finance and with the Minister for Public Expenditure and Reform, as required by Section 40 of the National Treasury Management Agency (Amendment) Act 2014 had been completed in respect of the ISIF Impact Investment Strategy and both Ministers had indicated their support for the ending of the Pandemic Stabilisation and Recovery Fund now that the economic impact of the Pandemic had passed.

The Senior Risk Manager provided an overview of the ISIF's Irish Portfolio current profile, sectoral breakdown and financial performance to date, noting its significant weighting towards indirect investments and that growth equity and venture funds had been the main drivers of overall Irish Portfolio investment returns since inception. Referencing ongoing public markets volatility, he noted that current inflationary pressures, macroeconomic weaknesses and/or prolonged markets uncertainty could be expected to adversely impact overall Portfolio return levels in the near term.

The Director, ISIF noted that while the new Impact Strategy's increasing emphasis on Transformational investments would likely result in more complex direct equity/debt transactions, due to the diversification benefits arising from indirect Irish Portfolio investments, any change in the overall Portfolio risk profile arising from the new Impact Strategy was likely to be incremental in nature. The Head of Risk concluded that, to the extent that the new Impact Strategy resulted in more large-scale direct investments, it would likely give rise to higher concentration risks, but in the context of the existing portfolio and the predominance of indirect fund investments, it was reasonable to expect that it would not radically alter the overall risk profile of the Irish Portfolio.

The Agency discussed the paper and questioned the presenters on various aspects of same including, amongst other things, the nature of ISIF's indirect fund investments, the ISIF's approach to the proposed Transformational investments, and recent developments in respect of the ISIF's approach to its investee company board appointments. In response to a question from the Agency, it was noted that there were no changes to the ISIF Investment Policy/Portfolio Diversification Framework on foot of the new ISIF Impact Strategy, however the relevant limits would remain under review as part of the annual review of same. The Agency noted that while increased levels of investment concentration could arise, the new ISIF Impact Strategy was unlikely to materially change the ISIF Irish Portfolio's overall risk profile.

7. QUARTERLY BUDGET OUTTURNS: Q1 2022

The Deputy Director - Finance briefed the Agency on the NTMA and ISIF Expenditure Budget outturns in respect of Quarter 1 2022, highlighting the reasons for variances against budget as set out in the paper. The Agency discussed the update noting, *inter alia*, that a combination of higher staff attrition rates and longer recruitment lead times was driving the under-budget forecast for 2022 in respect of staff costs. In response to a question from the Agency, the Chief Executive designate noted that

notwithstanding the aforementioned resourcing challenges, there were no material concerns, for now, in relation to the NTMA achieving its objectives and key priorities. In this context, the Agency noted the importance of employee wellbeing and being mindful of the risk of potential burnout in certain areas. The Agency questioned the Finance representatives on various aspects of the paper, noting, amongst other things, the potential budgetary implications which could arise from the ongoing NTMA Pension Scheme Triennial review.

On a separate note, and while the Deputy Director - Finance remained in attendance at the meeting, the Audit and Risk Committee Chairperson informed the Agency that a small number of non-material amendments to the Financial Statements (as approved by the Agency at its 3 May meeting and signed by relevant signatories) had been requested by the Comptroller and Auditor General (C&AG) following his final review. The Deputy Director - Finance provided a brief overview of the proposed amendments noting that the relevant mark ups were available in the Board Information Resource Centre on Diligent Boards. The Agency discussed the audit completion process and agreed that the Audit & Risk Committee and the Executive should work together with the C&AG to endeavour to improve the relevant processes ahead of next year.

8. MARKET UPDATE

The Agency noted the report, as presented. The Chief Economist provided a brief overview of current market and Irish economic conditions noting, *inter alia*, that domestic momentum was likely to slow in response to mounting external economic risks. In response to a question from the Agency, it was noted that in the interest of presenting a consistent economic view externally, the NTMA Economics Unit utilised Department of Finance forecasts.

The Chief Executive designate updated the Agency on recent funding activity and the NTMA's current funding position. He noted that, in light of the current funding progress, strong fiscal performance year to date and the lower Exchequer Borrowing Requirement estimate for 2022 (as set out in the recently published Stability Programme Update (SPU)), the bond auction previously scheduled for Thursday 9 June had been cancelled. The Agency discussed the Funding Plan approved by the Agency in November 2021, noting the various considerations **This has been redacted pursuant to Section 40(1)(a) as applies to 40(2)(d) of the FOI Act 2014** in respect of any possible change to the funding range, and noted that depending how the year unfolded, a higher cash balance than originally assumed could be carried into 2023 given the potential for a lower deficit, as indicated in the recent SPU. The Agency discussed various aspects of the report including, amongst other things, possible options and key considerations in respect of H2 2022 funding activity, the implications of any potential interest rate hikes, relative premium for longer term borrowing and the impact of ECB activity on Irish yields.

9. COMMITTEE REPORTS

9.1. Audit and Risk Committee

The Audit and Risk Committee Chairperson, Gerardine Jones, presented the Report of the Committee meeting held on 25 May 2022. She noted that the Committee had reviewed and recommended for approval by the Agency the Risk Management Policy and Framework (as presented under agenda item 9.1.1) and the Risk Appetite Framework (as presented under item 9.1.2). She further noted that the Committee received a briefing on the NewERA strategic and emerging risks, noting the Committee was satisfied with same.

9.1.1 Risk Management Policy and Framework

The Agency noted the updated Risk Management Policy and Framework, noting that the Framework has been reviewed and recommended for approval by the Audit and Risk Committee.

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

9.1.2 Risk Appetite Framework

The Agency noted the updated Risk Appetite Framework, noting that the Framework has been reviewed and recommended for approval by the Audit and Risk Committee.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** to approve the updated Risk Appetite Framework, as presented.

9.2. SCA Strategy Committee

The SCA Strategy Committee Chairperson, Martin Murphy, presented the Report of the Committee meeting held on 11 April 2022. He noted that in view of Committee succession planning considerations, a strategic review of the construct of the Committee would be undertaken to determine how best to add value/support the Agency in its oversight of the SCA. A paper would be brought back to the Agency setting out the potential options in due course.

The Director, SCA informed the Agency that considerable progress had been made by the expert working group charged with recommending to the Minister for Justice an appropriate cost index, relating to carers' wages, to be used in the assessment of Periodic Payment Orders (PPOs). **This is redacted in part pursuant to Schedule 1 Part 1 (w)(ii) of the FOI Act 2014. This has been redacted in part pursuant to Section 30(1)(b) of the FOI Act 2014.**

9.3. Investment Committee

The Investment Committee Chairperson, Susan Webb, presented the reports of the Committee meetings held on 25 and 29 April and 30 May 2022 respectively. The Agency noted, *inter alia*, the overview of the transactions approved by the Committee and the summaries of the various reports and investment updates as presented to the Committee

10. GOVERNANCE ITEMS

10.1 Schedule of Matters Reserved to the Board

The Agency reviewed the updated Schedule of Matters Reserved by the Agency and the Delegated Matters Notifiable to the Agency paper, noting a number of minor proposed changes therein.

IT WAS RESOLVED that the Schedule of Matters Reserved for Decision by the Agency and the Delegated Matters Notifiable to the Agency be approved, as presented.

10.2 Personal Accounts Transaction Policy for Agency/Committee members

The Head of Compliance and Senior Compliance Officer presented the updated Personal Accounts (PA) Transaction Policy for Agency & Committee members. The Agency discussed the proposed revisions to the Policy, noting the rationale for same in each case. In discussing the proposed changes in respect of the Restricted Securities List, the Agency noted that the changes represented a pragmatic solution.

Following due consideration, **IT WAS RESOLVED** that the updated Personal Account Transactions Policy for Agency and Committee Members, as presented to the Agency, be approved and implemented in line with the timeframe for the Personal Account Transaction Policy for Employees.

10.3 Delegated Matters Notifiable to the Agency

The Agency noted the Report on Delegated Matters Notifiable to the Agency, as presented.

11. AOB

The Chairperson of the Remuneration Committee provided an update regarding the PAS process in relation to the upcoming Board vacancies. He noted that the Board member position(s) would likely be advertised by the PAS in mid-June and advised that the PAS booklet, which had been approved by the Minister, was available in the Board Information Resource Centre on Diligent Boards. **This has been redacted in part pursuant to Section 30(1)(b) of the FOI Act 2014.**

The Chairperson noted that the revised Oversight Agreement, reflecting non-material changes, was also available in the Resource Centre on Diligent Boards for information.

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

12. PRIVATE SESSION

The Agency met in private session. The item is minuted separately.

Maeve Carton
Chairperson
12 July 2022