



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

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 2.00PM ON 25 SEPTEMBER 2018 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

PRESENT: Willie Walsh, Chairperson (Items 1, 2, 3, 4.4 and 6.1 only)
Maeve Carton
Gerardine Jones
Derek Moran
Martin Murphy
Conor O'Kelly
Mary Walsh
Robert Watt (except Items 9 and 12)
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 (Items 4.5 and 5 only)
Jim Deery, Senior Manager, Corporate Strategy and Development (Items 5.1 and 9 only)
Barry Keogh, Head of Finance (Item 6 only)
Anthony Linehan, Deputy Director, Funding and Debt Management (Item 7 only)
Dave McEvoy, Deputy Director, Funding and Debt Management (Item 8 only)
Professor Patrick Gibbons, Gibbons Consulting Services and UCD School of Business (Item 9 only)
Alex O'Donnell, Manager, Corporate Strategy and Development (Item 9 only)
Martin Whelan, Head of Public Affairs and Communications (Item 11 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. The Chairperson noted that due to an urgent issue which had arisen at short notice, he would need to leave the meeting early. The Agency agreed that Martin Murphy would chair the meeting upon the Chairperson's departure. It also agreed that the agenda would be reordered with Item 4.4 Remuneration Report and Item 6 Expenditure Budgets 2019 being taken immediately after the minutes. Item 9 Corporate Strategy – Preliminary Discussion would be taken at the end of the meeting. The planned Private Session would be deferred to the next meeting.

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 10 July 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. An updated Mass Actions and Sensitive Claims Report had been circulated with the SCA Strategy Committee Report. With regard to the planned external evaluation of the Agency's effectiveness, he noted that it was expected that the evaluation team would be appointed very shortly with the evaluation process commencing in October.

4.4 REMUNERATION COMMITTEE REPORT

THIS ITEM HAS BEEN REDACTED IN PART

The Remuneration Committee Chairperson, Maeve Carton, reported on the Remuneration Committee meeting held earlier that day, 25 September. She advised the Agency that the Committee had conducted its scheduled review of the NTMA Remuneration Policy and briefed the Agency on the amendments to the Policy agreed by the Committee. The updated Remuneration Policy would be made available to Agency members on BoardPad.

The Committee had also reviewed the provisions in respect of pay reviews and performance related pay in the NTMA Expenditure Budget 2019 and agreed to recommend these to the Agency. The Committee Chairperson noted that the Budget would be considered by the Agency under Agenda item 6. The Committee had also agreed to recommend a provision for a voluntary redundancy scheme (in light of the move to Dublin Landings in 2019), to be made in the 2018 budget, also to be considered under Agenda Item 6. The terms of the proposed scheme were consistent with the NAMA scheme and with Department of Public Expenditure and Reform approved terms.

The Agency discussed the proposed voluntary redundancy scheme. It agreed that, as discussed at the Remuneration Committee meeting, it should be made clear to staff that no further such scheme would be offered for a number of years

6. EXPENDITURE BUDGETS 2019

6.1 NTMA Expenditure Budget

THIS ITEM HAS BEEN REDACTED IN PART

The Agency reviewed the NTMA Expenditure Budget 2019. It discussed the changes between the projected 2018 out-turn and the 2019 budget, including the full-year impact of items in the 2018 budget, and recurring and once-off expenditure items.

The Agency requested that management revisit the proposed Expenditure Budget in light of its discussion. The format of ongoing reporting to the Agency on the projected budget outturns should

also be reviewed. The presentation of the Budget should also be revisited so that the transition from the gross budget (which included NAMA, SBCI and ISIF recharges) to the net budget was clearly set out. The Agency agreed that the Budget would be reviewed by the Agency Chairperson, the Audit and Risk Committee Chairperson and the Chief Executive prior to being brought back to the Agency for approval. An additional Agency meeting could be held in this regard, if required.

The Agency noted that it had discussed the proposed voluntary redundancy scheme under the Remuneration Committee Report (Item 4.4). As recommended by the Remuneration Committee, **IT WAS RESOLVED** that the voluntary redundancy scheme to be provided for from the NTMA 2018 Expenditure Budget, as set out in the Agency paper, be approved.

The Chairperson, Willie Walsh, left the meeting at this point. Martin Murphy assumed the role of meeting chairperson.

6.2 ISIF Expenditure Budget

THIS ITEM HAS BEEN REDACTED IN PART

The Agency reviewed the ISIF Expenditure Budget. It noted the element of ISIF costs paid by the NTMA and recharged to the ISIF – including staff costs and IT and other shared services costs.

IT WAS RESOLVED that the ISIF Expenditure Budget 2019 be approved.

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 19 September. He advised the Agency that the Committee had approved the appointment of Deirbhile Brennan to the position of Head of Internal Audit. Deirbhile would take up the position in early December. He noted that the Committee had reviewed the primary financial statements for the six months to 30 June 2018 and had made a number of presentational comments on same.

The Committee Chairperson said that the Committee had reviewed the updated Risk Management Policy and Framework and Risk Appetite Framework and was recommending both to the Agency. He noted that the Committee was working with the Risk Function on a review of the format of these documents and would revert to the Agency in the coming months in this regard.

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

- (i) the updated Risk Management Policy and Framework: and
- (ii) the updated Risk Appetite Framework;

as presented to the Agency be approved.

The Committee Chairperson said that the Committee had reviewed proposed amendments to the Committee's terms of reference and set out the detail of the main changes proposed.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that the terms of reference of the Audit and Risk Committee be amended as presented to the Agency.

In response to a query from the Agency, the Secretary said he would review the “Background and Purpose” section of the terms of reference further and revert to the Agency, through the Audit and Risk Committee, on whether any changes to the description of the Committee’s purpose should be made.

4.2 New Premises Working Group

THIS ITEM HAS BEEN REDACTED IN PART

Gerardine Jones reported on the New Premises Working Group meeting held on 10 September. She noted that expenditure to end-August was below budget: this was due to later commencement of the fit-out works than originally envisaged, rather than any projected savings. She advised the Agency that, as noted at the July meeting, mac-interiors had experienced a delay in getting on site, arising from a delay in the granting of the NTMA leases and a time extension was agreed in this regard. However, mac-interiors remain confident that the agreed contract completion date would be achieved. She advised the Agency that the Working Group had been briefed on measures being taken by the NTMA to ensure that no issues arose with payments to sub-contractors.

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 12 September. She briefed the Agency on the Mass Actions and Sensitive Claims Report. She noted that the Committee had met with the SCA’s actuaries, LCP, who had presented their cashflow projections for the SCA’s indemnity schemes for 2019 and 2020 and she set out the main points of these projections. She noted the size of the total estimated liability arising from outstanding claims and that liabilities were likely to increase relative to cashflows if and when there was increased use of Periodic Payment Orders.

4.5 Investment Committee

The Investment Committee Chairperson, Susan Webb, reported on the Committee meetings held on 27 August and 24 September. She briefed the Agency on the investment proposals reviewed at the meetings, noting that a summary of the investments approved at the 27 August meeting was set out in the Chief Executive’s Report. She noted that prior to the 27 August meeting the Committee had held an initial discussion with the ISIF Unit team on the Investment Strategy review and provided comments on a first work in progress draft of the Strategy at its September meeting.

The Committee Chairperson briefed the Agency on the Committee’s quarterly reviews of the Irish Portfolio and the Global Portfolio. She noted that volatile markets in 2018 had reduced the performance of the Global Portfolio to below target, but still within the range of expectations.

5. CHIEF EXECUTIVE’S REPORT

The Chief Executive presented his Report. He updated the Agency on the planned Green Bond issuance and the Apple Escrow Fund, noting that these matters would be covered in more detail elsewhere on the meeting agenda. He briefed the Agency on the passing of the Fossil Fuel Divestment

Bill by the Dáil on 12 July 2018 incorporating amendments proposed by Deputy Thomas Pringle (who was sponsoring the Bill) and supported by the Government. The Bill would now go to the Seanad and the ISIF Unit was preparing for its implementation.

The Chief Executive briefed the Agency on the position with regard to Schools Bundle 5 noting that significant progress had been made with the Wexford school and Bray post-primary school now open and the Bray primary school ready for opening. The rectification plan to ensure delivery of the remaining schools in as timely a manner as possible was close to finalisation. The Agency also raised the wider NDFA project pipeline. The Chief Executive updated the Agency on the timescale for delivery of the Social Housing PPPs and noted that the NDFA was in discussion with the Department of Public Expenditure and Reform regarding PPP projects under Project 2040.

The Chief Executive also briefed the Agency on the preparatory work being done by the NTMA with regard to the establishment of Home Building Finance Ireland (HBFI), subsequent to the Direction received from the Minister in this regard as previously circulated to the Agency.

The CLO briefed the Agency on matters set out in the Report on Delegated Matters Notifiable to the Agency.

5.1 KPI Dashboard

The Senior Manager, Corporate Strategy, Planning and Development presented the Key Performance Indicators Dashboard Report for the eight months to end-August 2018.

7. MARKET UPDATE

The Deputy Director, Funding and Debt Management briefed the Agency on recent developments in Irish and other European bond yields, and also on the NTMA's planned Green Bond issuance. He noted that a targeted investor roadshow was currently underway. Subject to market conditions and investor demand, it was planned to issue the Green Bond shortly after the Budget. The anticipated issue size was to be of benchmark size of approximately €2 billion to 3 billion.

The Deputy Director advised the Agency that the Funding and Debt Management Unit was continuing to work with its counterparties to work through the legal and operational consequences of Brexit.

8. APPLE RECOVERY UPDATE

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. He noted that the funding call process was now complete with Apple having transferred the final amount payable on 6 September. The three investment managers, Amundi Asset Management, Blackrock Investment Management (UK) Limited and Goldman Sachs Asset Management International had now received their full allocation of the Escrow Fund. The Deputy Director briefed the Agency on asset class composition and purchase yield and duration of the Escrow Fund, at both total fund and manager level.

The Chief Executive noted that a document detailing NTMA governance with respect to its functions regarding the escrow fund was being finalised and would be circulated to the Agency when completed.

10. GOVERNANCE ITEMS

The Agency reviewed proposed updates to the Personal Account Transactions Policy for the Agency and its Committees.

IT WAS RESOLVED that the updated Personal Account Transactions Policy for the Agency and its Committees, as presented to the Agency, be approved.

The Agency reviewed the Travel and Expenses Policy, which applies to members of the Agency and its Committees. The Secretary noted that the existing Agency Travel and Expenses Policy had been reviewed against the Framework Policy for State Bodies set out in the Code of Practice for the Governance of State Bodies. As no material amendments had emerged from this review, it was not proposed to amend the Policy. The Agency was satisfied to proceed on this basis.

11. STAKEHOLDER ENGAGEMENT BRIEFING

The Head of Public Affairs and Communications briefed the Agency on the NTMA's strategy for engaging with stakeholders. He noted how the NTMA's stakeholder landscape had been reshaped and expanded from the addition of new mandates and increased scrutiny of existing mandates. He briefed the Agency on measures taken to ensure stakeholders, including the media and the political system, were informed in a timely manner on NTMA activities.

9. CORPORATE STRATEGY PRELIMINARY DISCUSSION

THIS ITEM HAS BEEN REDACTED IN PART

Professor Patrick Gibbons made a presentation to the Agency on the NTMA Corporate Strategy to facilitate Agency discussion of the next iteration of the Strategy, given that the first three-year cycle for the Strategy was now close to completion. During the Agency discussion, the following points were made:

- The range of mandates carried out by the NTMA and to which it provided staffing and support services had increased in recent years. There was a distinction to be drawn between explicit mandates and discrete projects, such as the set-up of HBFI, which, when established, would have their own separate governance structures.
- The updated Strategy could usefully consider the NTMA's core competence. The importance of financial and market expertise in defining the NTMA's core competence was noted.
- The NTMA Corporate Strategy should be viewed as an enabling Strategy – the current Strategy with its principal goal focused on "long-term value" and three supporting goals was drafted in this way. The clarity of the Agency's purpose as currently set out in the Strategy, "to manage public assets and liabilities commercially and prudently" was noted.
- The business unit goals should be reviewed to ensure they were as specific and measurable as possible.

The Agency agreed it was important that sufficient time be taken in reviewing the Corporate Strategy. In this context the current Corporate Strategy (Part 1) could be rolled over into 2019 with Part 2 of the Strategy – Business Unit and Corporate Functions Goals, reviewed and updated in the usual manner. A working draft of Part 1 of the Strategy, taking into account the Agency discussion, should be brought back to the Agency for further discussion in due course.

12. AOB

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

Willie Walsh
Chairperson

27 November 2018