NZSUPERFUND
Te Kaitiaki Tahua Penihana Kaumātua o Aotearoa

TITLE:

# Guardians of NZ Superannuation

# Submission on State Sector and Crown Entities Reform Bill


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EVENT | PRESENTATION:

23 May 2018 - Governance and Administration Select Committee

# Overview

## We support the watchwords of integrity and accountability underpinning this important Bill

- Avoiding a one-size-fits-all approach to governance of Crown organisations, given diverse risks, challenges and complexities
- The Guardians should be treated like SOEs: at arm's length, with a commercial focus
- Staying focused on the Fund's long-term purpose and success, in which all NZers have an interest
- The proposed amendment to exclude the Fund will mitigate risks of undermining our independence and accountability
- Suggested amendments to Section 177 of CEA are set out in our submission

# About the NZSF: investing actively for long-term success

## The NZSF is a government savings vehicle established to help pay for the future cost of NZ superannuation payments

- The Fund has returned 10% annually since inception in 2003
- After paying tax of $6b, the Fund is now $38b billion in size
- Recognised internationally for our success and approach
- Fund pays its own way – other than Board and audit fees, all costs and expenses (including staff remuneration) are met by the Fund
- A world class legislative framework has allowed the Guardians to invest for the long-term, in a contrarian and active way
- This active approach has generated $7b more for taxpayers than a purely passive approach would have done
- Our success requires world class skills and expertise, including at CEO level
- Our funding legislation enshrines operational independence, for sound reasons

# Setting CEO remuneration

The Guardians' legislation requires us to manage the Fund in line with global best practice. Our approach to setting the CEO's remuneration has always been driven by transparency, accountability and consultation.

- We compete globally to attract the human talent that drives our success
- Removing the fundamental Board responsibility of appointing and remunerating the CEO will undermine our accountability for results and transfer risk to the Government
- We consult meaningfully with key stakeholders, and fully disclose the CEO's remuneration and incentive structure
- Suggested amendments to Section 177 of CEA are set out in our submission

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# CEO remuneration: in detail

A rigorous, data-driven and consultative approach, with stakeholders' recommendations and guidance taken into account

- The different elements of the remuneration package are carefully formulated
- Based on job size, competence and market data (current and independent)
- We are operating in a global market for our investments and are competing in a global market for talent
- Incentives provided at discretion of the Board
- An individual (max. 20%) and whole-of-Fund (max. 40%) component
- As part of the consultation process required by the current CEA, we factor in the recommendations and guidance provided by the State Services Commission

# The Bill's specifics

## A case for making changes, in order to protect the necessary independence and long-term focus of the Fund's Guardians

- Proposed amendment to section 117 of the CEA undermines the independence of the Guardians' power to invest
- The proposed 5-year term limit is inconsistent with the Fund's long-term purpose
- Timely decisions are good decisions: the Commission needs to meet reasonable commercial timeframes when exercising its discretion
- The process and timeframes for consenting to the CEO's terms and conditions needs to be certain and practical

# Summary

## Let's protect the necessary independence, long-term focus and success of the Fund's Guardians

- Independence key to the Fund's success, just as it is for our SOEs
- Proposed amendment to section 117 of the CEA undermines the independence of the Guardians' power to invest – which encompasses appointment and remuneration of the CEO
- All NZers have an interest in the Fund's long-term success
- The Guardians remain committed to accountability, transparency and consultation