

The Treasury

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
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[40]	Not in scope	

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Treasury Report: Guardians of New Zealand Superannuation:
Documentation to Confirm Board Appointments and
Approve Board Fee Increase

Date:	3 December 2015	Report No:	T2015/2842
		File Number:	CM-0-2-4-2016

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Agree to sign two APH Committee papers for submission to Cabinet Office, agree recommendations, agree to sign letters to other parties in Parliament, agree to sign the letter to the Nominating Committee	10.00am, Thursday 3 December 2015 (Cabinet Office deadline)

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Carla Wellington	Analyst, Governance and Performance [39]	[23]	✓
Ngaire Best	Team Leader, Governance and Performance		

Actions for the Minister's Office Staff (if required)

If signed, lodge APH Committee documentation with Cabinet Office by 10.00am, Thursday 3 December 2015 for consideration at the APH Committee on Tuesday 8 December 2015.

If signed, send letters to other parties represented in Parliament.

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Guardians of New Zealand Superannuation: Documentation to Confirm Board Appointments and Approve Board Fee Increase

Executive Summary

You are asked to sign the attached APH Committee documentation confirming the elevation of Catherine Savage to Chair and Lindsay Wright to Deputy Chair of the Guardians of New Zealand Superannuation (Guardians), following current Chair Gavin Walker's departure on 31 December 2015.

You are asked to sign the attached APH Committee documentation confirming the fee increase.

Both APH papers and associated documents should be submitted to Cabinet Office by 10.00am on Thursday 3 December for consideration at the APH Committee meeting on Tuesday 8 December 2015.

Following Mr Walker's departure a vacancy will occur. You are asked to sign the letter to the Nominating Committee requesting that they provide advice on filling this vacancy.

Recommended Action

We recommend that you:

- a **agree** to elevate Catherine Savage to Chair of the Guardians from 1 January 2016 until 31 March 2019, being six months prior to the end of her current term
Agree/disagree.
- b **agree** to elevate Lindsay Wright to Deputy Chair of the Guardians from 1 January 2016 for the remainder of her current term
Agree/disagree.
- c **agree** to advise the other political parties in Parliament of your decision to make these elevations by signing and sending the attached letters (Annex I)
Agree/disagree.
- d **agree** to sign the attached APH documentation confirming the elevation of Catherine Savage to Chair and the elevation of Lindsay Wright to Deputy Chair for consideration at the Committee meeting on Tuesday 8 December 2015
Agree/disagree.
- e **note** that you have consulted with the Minister of State Services regarding an increase in Board member fees for the Guardians

- f **agree** to sign the attached APH documentation confirming the increase in Board member fees to a unit rate of \$49,000 per member per annum, noting that the Chair is allocated twice the unit rate and the Deputy Chair 1.25 times the unit rate, for consideration at the Committee meeting on Tuesday 8 December 2015

Agree/disagree.

- g **agree** to sign and send the attached letter to the Nominating Committee (Annex III).

Agree/disagree.

Ngairi Best
Team Leader, Governance and Performance

Hon Bill English
Minister of Finance

Treasury Report: Guardians of New Zealand Superannuation: Documentation to Confirm Board Appointments and Approve Board Fee Increase

Purpose of Report

1. This report asks you to agree to sign and submit the attached APH Committee documentation by 10.00am on Thursday 3 December 2015 to confirm the elevation of Catherine Savage to Chair and Lindsay Wright to Deputy Chair of the Guardians of New Zealand Superannuation (Guardians), following the departure of current Chair Gavin Walker on 31 December 2015.
2. You are asked to advise the other parties represented in Parliament of your intention to make such elevations before any public announcement is made, and letters are attached for this purpose.
3. You are asked to sign the attached APH Committee documentation confirming the fee increase and also submit this documentation to Cabinet Office by 10.00am on Thursday 3 December 2015.

Background

4. The current Guardians Board membership is listed in the table below.

Table 1. Board of Guardians as at December 2015 (terms under consideration shaded)

Name	Original appointment	Expiry of term	Term
Gavin Walker (Chair)	1 July 2010	Resignation effective 31 December 2015	2 nd term
Catherine Savage (Deputy Chair)	1 November 2009	30 September 2019	2 nd term
Dr Craig Ansley	1 September 2011	30 June 2016	1 st term
Pip Dunphy	14 May 2012	30 April 2017	1 st term
Stephen Moir	2 November 2009	30 September 2019	2 nd term
Mark Tume	1 April 2006	30 April 2016	2 nd term
Lindsay Wright	1 December 2012	31 October 2017	1 st term

5. The Chair of the Guardians, Gavin Walker, has notified you that he is resigning from the Board, with his last day being 31 December 2015. You have chosen to elevate Deputy Chair Catherine Savage to the role of Chair and member Lindsay Wright to Deputy Chair on Mr Walker's departure. Their CVs are attached as Annex II.
6. Catherine Savage is Wellington-based and is a Chartered Accountant and Chartered Fellow of the NZ Institute of Directors. She has been involved in New Zealand fund management and private equity for over 20 years. Ms Savage is currently Managing Director at Savage Group Ltd and a director of its subsidiary companies, Chair of the National Provident Fund (NPF) Board, an independent director at Kiwibank and an independent director at Todd Family Office Ltd. She is also a director of Pathfinder Asset Management Ltd, CMS Capital Ltd and Griffin Savage Co Ltd. Ms Savage was Treasurer of the National Gas Corporation from 1991-1993 prior to moving to AMP Capital Investors (NZ) Ltd where she worked in various senior management roles. From 2000 until 2007 she was the Managing Director of AMP Capital Ltd. Ms Savage

was appointed to the Guardians Board in 2009 and was elevated to Deputy Chair in 2012. She is now being elevated to the Chair position for the remainder of her current term, replacing Gavin Walker. You have advised that her elevation to Chair is for the period from 1 January 2016 until 30 March 2019, being six months prior to the end of her current term.

[23]

8. Lindsay Wright is a New Zealander based in Hong Kong. She is currently Head of Institutional Alternatives and Investment Solutions Asia Pacific for Invesco Hong Kong Ltd. Before that, she was the Managing Director and Vice-Chair of Harvest, mainland China's second largest asset management business. She was also CEO of Harvest Alternative Investment Group, a business enterprise of Harvest. Ms Wright's more than twenty five year financial management career includes several international postings. She has held Managing Director roles in the financial services industry in New York, Singapore, Tokyo and Sydney. Ms Wright brings her funds management expertise and broad range of experience in international financial markets in the US, Asia, and Australia to the Board. She was appointed to the Guardians Board in 2012 and is now being elevated to the position of Deputy Chair for the remainder of her term.

Cross-parliamentary consultation

9. Although there is no formal requirement for cross-parliamentary consultation when elevating existing members, Treasury recommends that you advise the other parties represented in Parliament of your intention to make such elevations before any public announcement is made, as a matter of courtesy. If you agree, please sign and send the letters attached as Annex I.

Remaining vacancy

10. Note that on Mr Walker's departure there will be a further vacancy on the Board. Attached is a letter of instruction to the Nominating Committee, asking them to address that vacancy.

Diversity

11. Currently, three of the seven members of the Guardians Board are female (42.9%). Across all of the 53 boards that Treasury administers there are currently 39.3% women as at December 2015. It is the Government's objective of having 45% female representation on public sector boards.

Fees

12. The unit rate for a director of the Guardians is currently \$27,000 per annum (the Chair receiving twice the ordinary unit rate and the Deputy Chair 1.25 times the ordinary rate). The fees were last increased in January 2008 from \$23,000 per annum for a member to the current rate of \$27,000.
13. You have indicated that you intend to increase the fees for the Guardians Board to a unit rate of \$49,000 per annum. This matches the recently increased fees for the Housing New Zealand Board.

14. The substantial increase in fees is being considered due to the following reasons:

[23]

- Three impending vacancies on the Board and the need to attract extremely high calibre Board members: The New Zealand Super Fund has \$30bn of assets under management. These are very substantial figures, and the successful management of this portfolio has a major impact on the provision of future retirement income for New Zealanders. Board members require a high level of skills, competence and experience and the pool of talent in New Zealand with expertise in investment and funds management is small and generally in strong demand.
- The Guardians' fee level is low compared to the current fee level of other entities of a similar scale, value and complexity (e.g. ACC and HNZA – current fee level \$49,000). Within Strategic Pay's recent draft report, commissioned by Treasury on the Crown company directors fees methodology, the Guardians scored at 372 points against their 9 point rating and HNZA scored 384. These scores indicate that the market rates, less a 10% Public Sector discount for organisations of this scale, value and complexity, would be \$49,480 and \$53,340 respectively.

15. You are now asked to take documentation to APH Committee confirming the proposed fee increase of \$49,000 per annum per member for consideration at the meeting on 8 December 2015.

Financial implications

16. If the recommendation to increase the Board fees to \$49,000 per annum is approved, the total fee cost for the Guardians Board (with five members, plus a Chair and Deputy Chair) would increase from \$222,750 to \$404,250.
17. If fee increases are approved, the additional cost can be absorbed within the existing appropriation.
18. The Guardians' current appropriation is \$528,000. In 2014/15 the Guardians' actual spending was \$326,000, leaving \$202,000 of the appropriation unspent. The cost of the board fee increase is \$90,750 in 2015/16 (assuming it takes effect from 1 January 2016) and then \$181,500 in subsequent years. Therefore assuming the Guardians' actual spending (other than board fees) is unchanged, the fee increase can be accommodated within current baseline in 2015/16, but may fully use the \$528,000 in 2016/17.
19. Based on this we do not believe an increase in the appropriation is required at this time. If the Guardians was to require an increase in its appropriation in the future, this could be addressed through the Budget process. We suggest that this point is made to the Guardians when you write to them informing them of the fees increase, following Cabinet's approval of it.

Consultation

20. On 1 December 2015 you consulted with the Minister of State Services regarding your intention to increase the Guardians' Board member fees.
21. Preliminary informal discussions have been held with SSC's Remuneration and Fees team on 1 December 2015.

22. The Chair of the Nominating Committee has been consulted on the elevations and the increase in fees.

Next Steps

23. You are asked to sign both attached APH papers for the Committee meeting on 8 December 2015.
24. If the recommendations with regard to the elevations and fee increase are approved through APH Committee we will provide documentation to confirm the elevations and a letter to the Guardians informing about the fee increase in mid December.

Attached Documents

25. Attached to this report is:
- Annex I: Letters to other parties in Parliament advising them of the elevations.
 - Annex II: CVs for Catherine Savage and Lindsay Wright.
 - Annex III: Letter to the Nominating Committee.