

Hon Nicola Willis
Minister of Finance
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Wellington

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1 May 2024

Dear Minister,

I am writing in response to your letter of 16 April 2024 setting out your expectations of the Guardians of New Zealand Superannuation for the 2024/25 year.

Government Priorities

The Board notes and acknowledges the Government's priorities. Where we can do so in a way that is consistent with the Guardians' mandate, we will continue to look at ways to advance these, including by working alongside stakeholders.

In relation to your fiscal objectives and expectations, we are highly cognisant that we are all operating in difficult fiscal and economic times and that strict and prudent fiscal management is required.

Controlling costs is central to our mission to maximise returns without undue risk. In light of this, we constantly try to achieve the appropriate balance between cost minimisation and implementing quality investment strategies that will, after adjusting for risk, add the most value to the Fund over the long term. We are committed to continuing to deliver on these requirements to the same high level that our results illustrate we have in the past.

To assist in ensuring that our costs are managed at an appropriate level, we participate in the most widely used global financial benchmarking survey (undertaken by CEM Benchmarking). This survey assesses our cost structure and value add against 245 funds around the world. The most recent survey found that we continue to operate at a low cost compared to our peers.

Crown Financial Institutions (CFIs)

We also note the expectations you have of all CFIs. Again, there is a consistency between your expectations and the way the Board expects our Funds to be managed. We will continue to ensure that the Funds for which we are responsible are managed in line with the expectations set out in your letter.

National Infrastructure

Infrastructure is a strategic and attractive investment category for the NZ Super Fund and we will continue to look for commercially viable opportunities to invest in New Zealand and internationally. You are aware, for instance, of the work we are currently advancing looking at domestic transport infrastructure opportunities and investment models. We have also recently briefed you on our joint venture with Copenhagen Investment Partners, which is currently exploring the technical and commercial feasibility of a large offshore wind farm in the South Taranaki Bight.

In relation to infrastructure, we also note the contribution the Guardians can make to the Government's focus on improving New Zealand's attractiveness as an investment destination for international institutional investors. Working with aligned investors that bring specialist expertise to the table is key to the way we invest, and our relationships with peer and partner funds can deliver useful insights in relation to their requirements and imperatives.

Section 59

In relation to the New Zealand Superannuation and Retirement Income (Controlling Interests) Amendment Bill, we would like to thank you for your support and work to progress this change. The repeal of section 59 will remove the current prohibition against the NZ Super Fund controlling an entity. This will provide us with additional investment flexibility and tools, and is consistent with global best practice. It will also increase our potential to influence ESG outcomes, and increase our capacity to respond to the Ministerial Direction regarding domestic investment opportunities. We are well advanced in ensuring that we are prepared, from both an operational and a governance perspective, for this change.

Leadership

In your letter you note recent turnover at a governance and executive level. As incoming Chair, one of my priorities will be to maintain Board continuity. The unique process through which our Board is appointed, and the statutory requirement that its members must have substantial experience, training and expertise in the management of financial investments, will play an important role in ensuring that Board transitions are seamless.

We have been fortunate to have had continuity in our executive leadership team over many years. There has been some recent change through retirement and career movement; nonetheless we also see this as an opportunity to refresh the team. Succession planning will continue to be a priority of this Board.

Taking risk is central to the work of the Guardians, and understanding and managing such risk is crucial to achieving sustainable long-term returns. This will remain a primary focus at all levels of the Guardians.

Board Charter/Code of Practice

Our Board Charter is the principal foundation of governance at the Guardians. It sets out the structure of our Board, its role and responsibilities, terms of reference and expected standards of conduct. A copy of our Charter is available at: <https://nzsuperfund.nz/assets/Publications/Policies/Board-Charter-v2.pdf>.

One of our key roles as a Board is to shape the culture and ethics of the organisation. The approach we take to this is to set 'the tone from the top' and we articulate related expectations through our Codes of Conduct for the Board, employees and contractors. All of these codes are published on our website.

Board Evaluations

We undertake regular processes related to board evaluation and effectiveness including periodically using external parties to facilitate Board and Board member evaluations. Key insights from these processes have been shared with Treasury previously and we are happy to look into providing more information on the process followed and high-level outcomes. A priority for the Guardians is to continue to work closely and constructively with both Treasury and the Nominating Committee to ensure that we operate and maintain the highest level of governance practice and performance.

Thank you for your letter and we look forward to working with both you and your department as we continue to deliver on our purpose – sustainable investment delivering strong returns for all New Zealanders.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'John Williamson', with a long horizontal line extending to the right.

John Williamson

Chair of the Guardians of New Zealand Superannuation