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To: Governance and Administration Committee
From: Guardians of New Zealand Superannuation
Re: State Sector and Crown Entities Reform Bill

We suggest the Committee considers the following questions in its deliberations about the Bill:

1. *What advice has been obtained from Treasury regarding the impact of the proposed Bill?*
 2. *What is the State Services Commissioner's response to Treasury's advice?*
 3. *Did the State Services Commission amend the drafting of the Bill to take account of Treasury's advice and if so, how? If not, why not?*
 4. *What advice has been obtained from the Nominating Committee for the Guardians' Board regarding the impact of the proposed Bill on the recruitment and effectiveness of Board members of the Guardians?*
 5. *Has advice been obtain regarding what impact the change will have on the global best practice framework for investment of funds like the NZSF?*
 6. *How does the Commissioner propose to take account of the commercial focus and global investment remit of the Guardians when setting CEO remuneration?*
 7. *Will the Commissioner take performance into account when setting CEO remuneration?*
 8. *How will the Commissioner gain access to this performance data, given privacy and employment relationship protections afforded to employees, including CEOs?*
 9. *How will the State Services Commissioner determine the size and nature of the role?*
 10. *How will the Commissioner stay abreast of the various markets from which the Guardians and other organisations must draw their talent?*
 11. *Is it necessary to understand the business and strategy of the entity in order to determine appropriate remuneration for a role?*
 12. *Is the State Services Commissioner best placed to understand the entity and its strategy?*
 13. *How will the State Services Commissioner ensure s/he stays abreast of the multiple entities' strategies? In respect of the Guardians and Fund, we note that neither the current nor previous Commissioner has ever met with the Board or management, nor visited the organisation.*
 14. *How will the State Services Commission resource the additional work required to meet the terms of the proposed Bill, and where will the funding for that additional resource commitment come from?*
 15. *The New Zealand Superannuation and Retirement Income Act 2001 requires that those parties listed in Schedule 4 must be consulted before changes to Part 2 of the Act can be made. Part 2 includes the following provisions:*
 - a. *section 49(4), which sets out that there are no restrictions on the Guardians' power to invest the Fund;*
 - b. *section 58(1), which sets out that the Guardians are responsible for investing the Fund;*
 - c. *section 58(2), which sets out that the Guardians must manage and administer the Fund in line with best-practice portfolio management; and*
 - d. *section 62(1), which sets out that the Guardians may appoint, on any terms and conditions that the Guardians think fit, 1 or more persons to undertake the investment of any part of the Fund.*
- Does the proposed Bill constitute an implied repeal of the above provisions in Part 2 of the New Zealand Superannuation and Retirement Income Act 2001? And if so, have the consultation requirements been complied with?*
16. *How will the Bill, by reducing the authority and responsibility of the Board, allow the Board to meet its duties under the New Zealand Superannuation and Retirement Income Act 2001?*

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17. *If the entity does not deliver on its purpose because the Board is unable to attract and/or retain a CEO appropriate for the role, then will the Commissioner be accountable for that failure?*
18. *How will the Commissioner ensure remuneration consistency between the CEO and the rest of the organisation in order to support potential internal succession planning?*
19. *Will the Commissioner be required to sign off compliance with the Guardians' Statement of Intent?*
20. *Which Crown entities fund the costs of remuneration totally out of the returns of the organisation rather than through appropriations from Parliament?*

Guardians of New Zealand Superannuation

23 May 2018