

TITLE:

Overview of the NZ Super Fund

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CEO

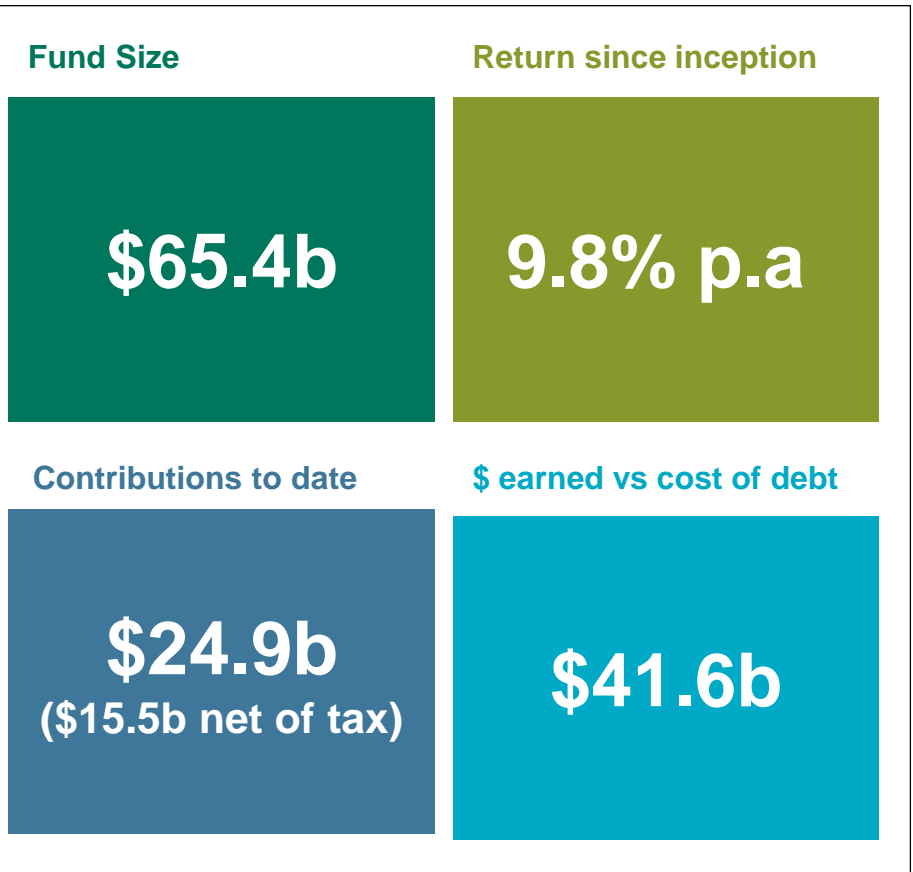
EVENT | PRESENTATION:

Presentation for Treasurer Curt Meier

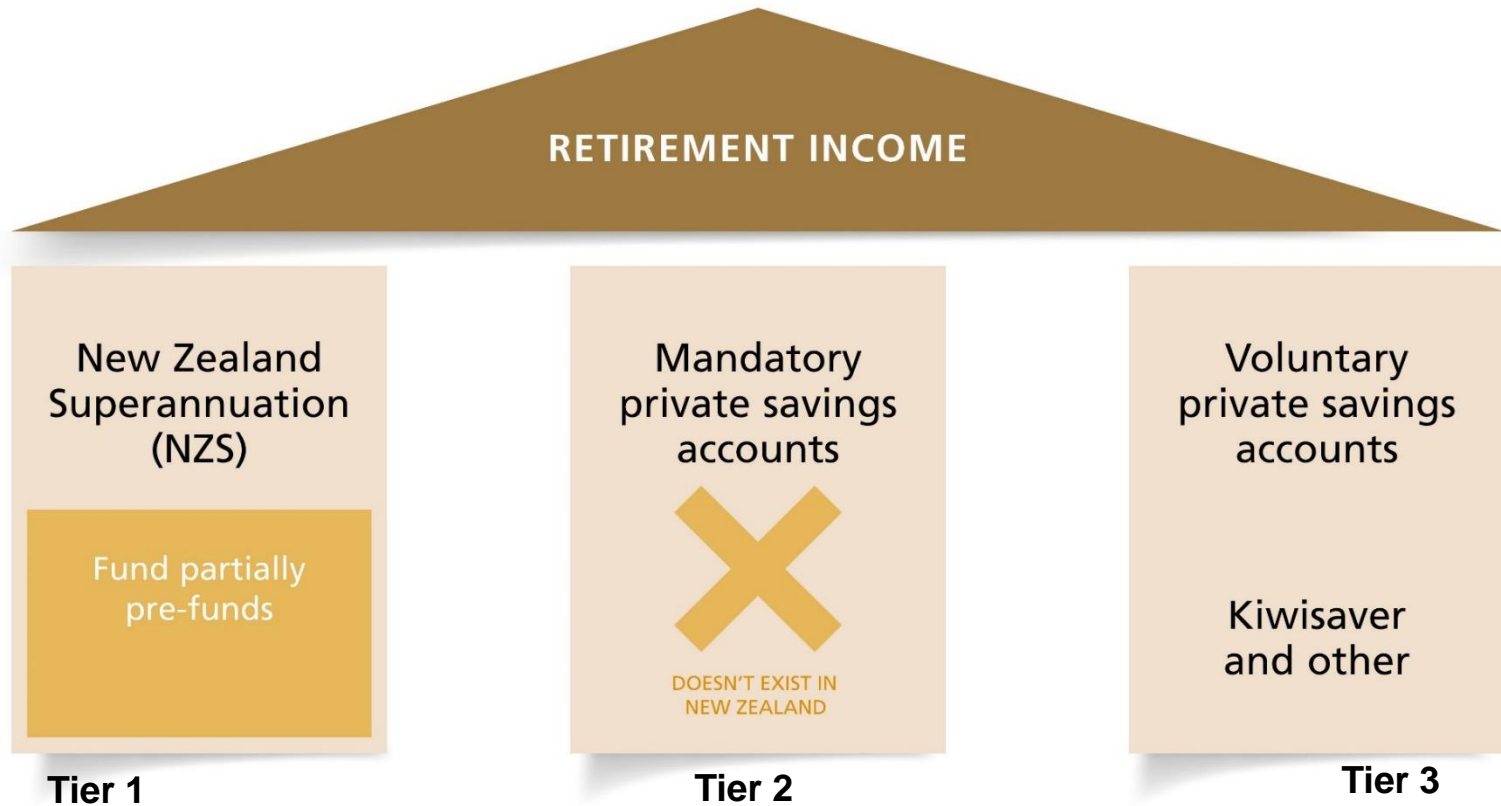
Overview of the NZ Super Fund - established 2001

- Established to help meet the future cost of the universal pension scheme. Its purpose is to smooth the increasing cost of that scheme between today's taxpayers and future generations
- The fund comprises capital contributions from the Government, investments made, and returns generated from the investments made
- The capital that the Government is required to annually contribute to the fund is established by a formula in the NZ Super Act
- Withdrawals from the fund are scheduled to begin around 2035/36

Key facts about the NZ Super Fund (as at 30 June 2023)



Where the NZ Super Fund fits in – part prefunding NZ superannuation



The NZ Super Fund is expected to pre-pay approximately 20% of NZ superannuation costs by 2040

The NZ Super Fund was designed with the following key features:

1

A clearly defined portfolio of Crown financial resources,

2

managed by an independent governing body,

3

with explicit commercial objectives,

4

and clear accountability.

Our investment mandate for for the NZ Super Fund

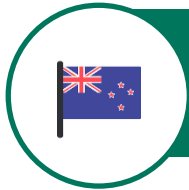
Is to invest the NZ Super Fund on a **prudent, commercial basis**, and manage it in a manner consistent with:



Best-practice portfolio management;

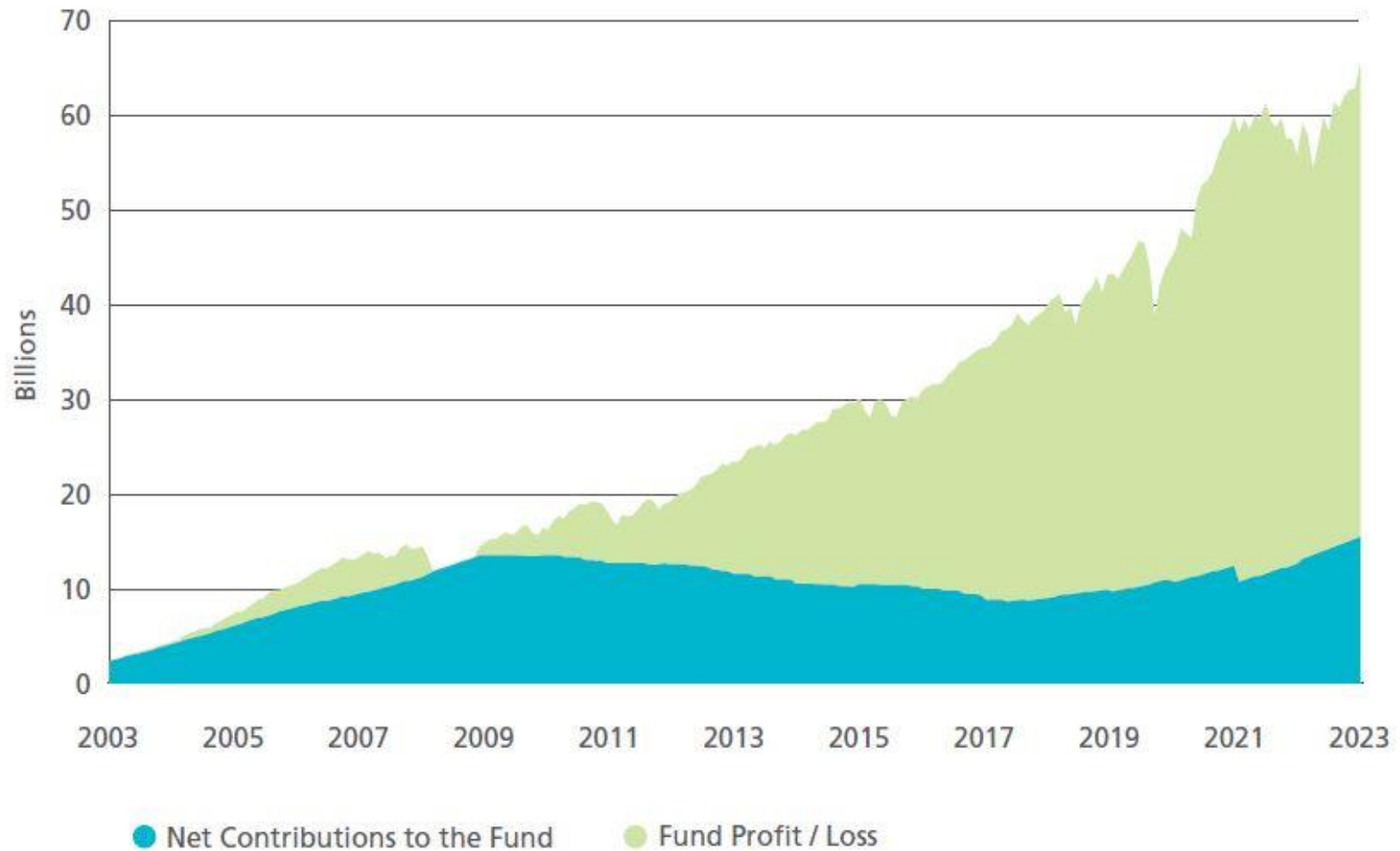


Maximising return without undue risk to the Fund as a whole; and



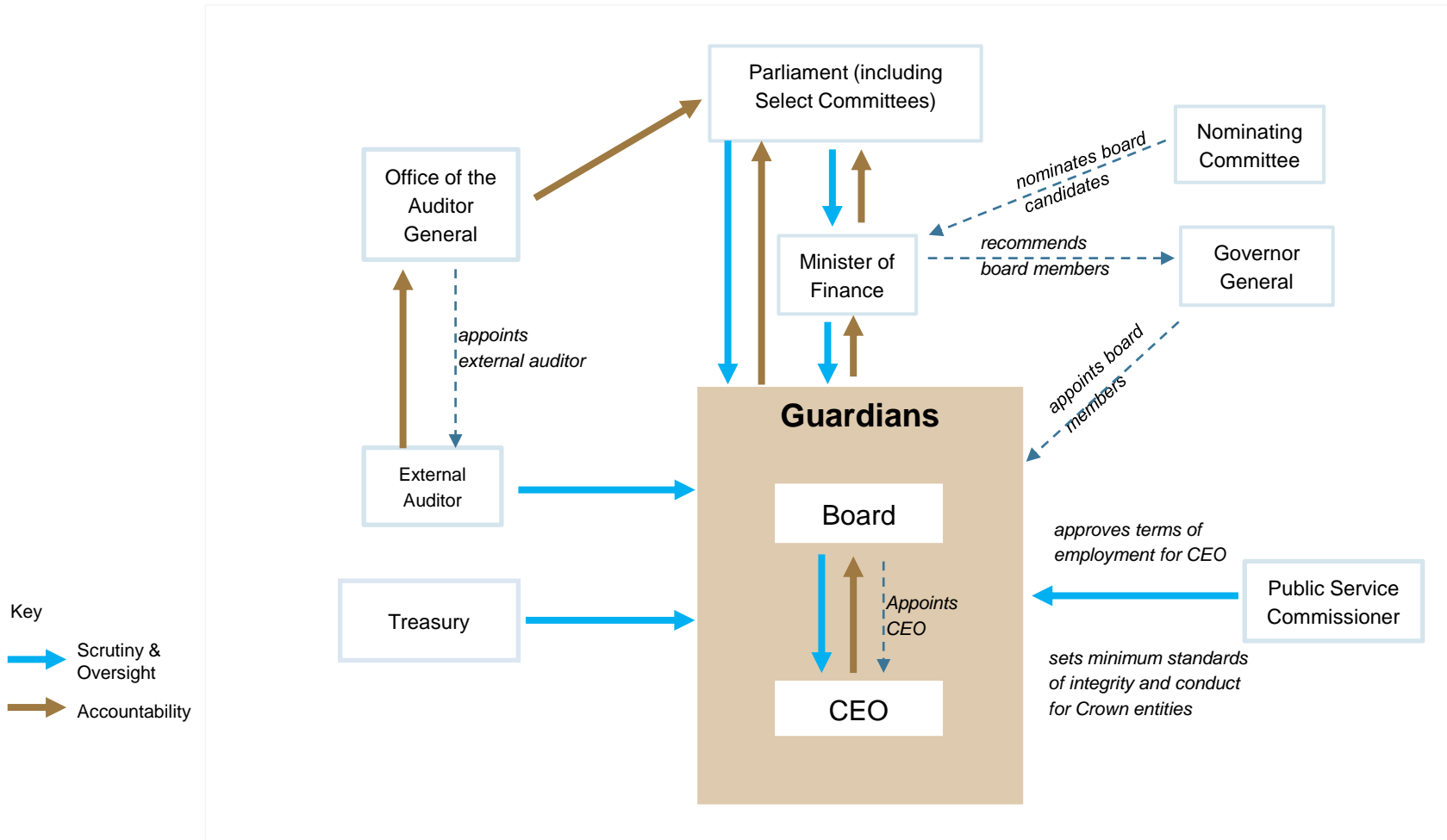
Avoiding prejudice to New Zealand's reputation as a responsible member of the world community

Performance Since Inception



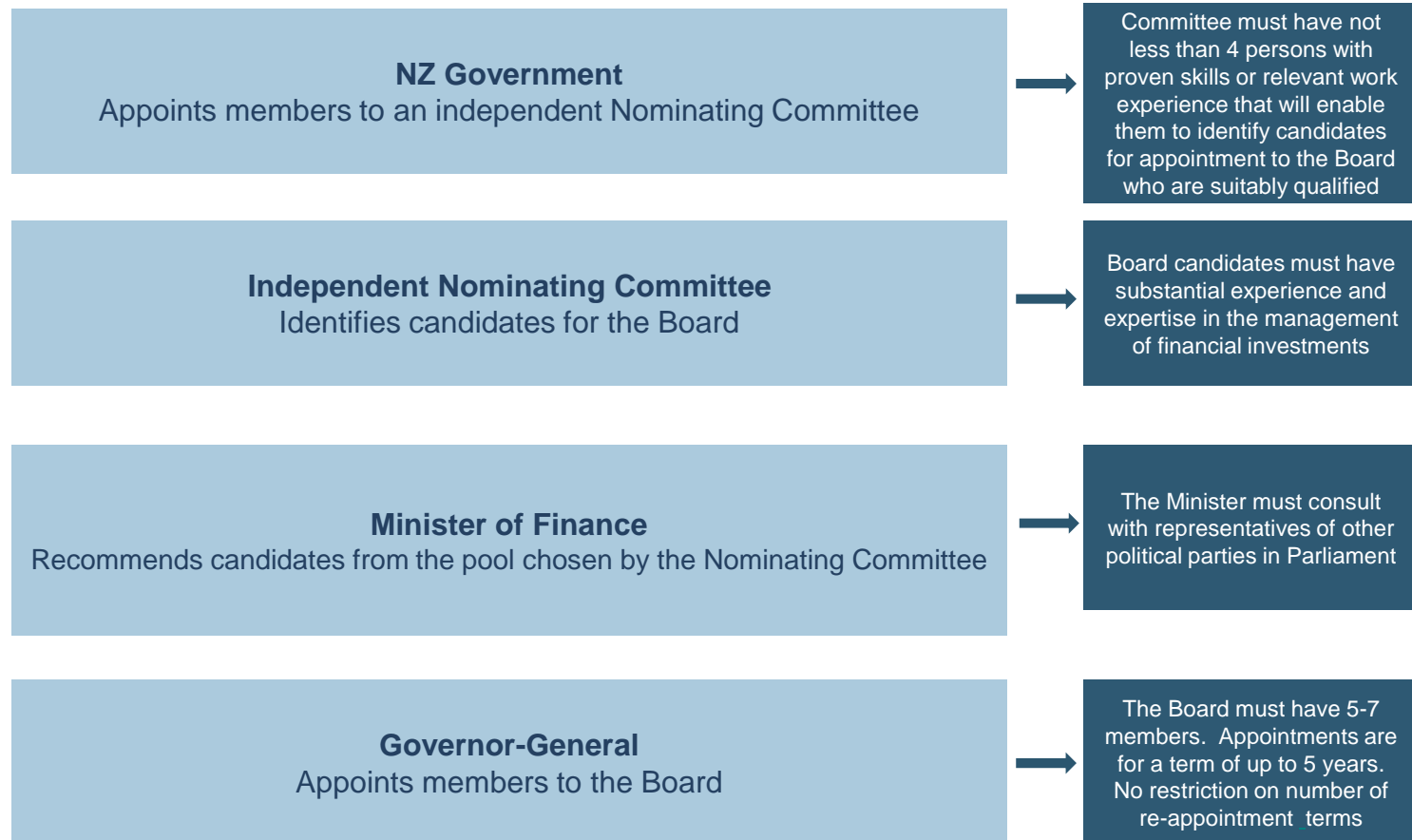
Statutory framework for governance

The board has overall responsibility for the Guardians' operational performance and is accountable to the Minister and parliament



Appointment of board members

The process for appointing Guardians' board members is designed to ensure that the Guardians operates at 'arms-length' from Government



Benchmarking

We benchmark against best practice industry principles, measures and relevant global peer funds

	Internal measures and mechanisms	External measures
Cost structure	By business unit By investment opportunity Holistic view of fees	CEM Benchmarking Hay remuneration database
Governance	Reference Portfolio Review Internal Audit	Independent Reviews 2004, 2009, 2014, 2019 OAG special performance audit (2008) SWF GAAP IFSWF Santiago Principles Select Committee Reviews
Performance	NZ 90 Day Treasury Bill rate + 2.8% Reference Portfolio + 1.0%	Performance against both measures published monthly
Transparency	Website Annual Report OIA	Sovereign Wealth Institute's Transparency Index
Responsible Investment		UNPRI assessments
Risk	Risk Committee Reviews Risk Registers Investment Risk Limits Target Liquidity Level	CEM Benchmarking

Key Features of the NZSF Structure

Independent
investment decision
making

Structure & process
for non-partisan
board appointments

Fund expenses paid
from the portfolio –
a critical part of
independence

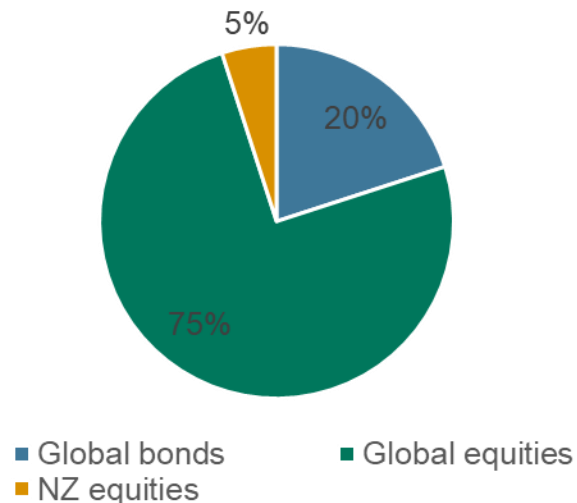
Culture of
transparency – the
bargain for
independence

Reference Portfolio is the basis for Portfolio Construction and Performance Attribution

Reference Portfolio (2020)

80% Growth, 20% Fixed Income

100% hedged to the NZD



About the Reference Portfolio

The Reference Portfolio, which is capable of meeting the Fund's objectives over time, is a shadow or notional portfolio **of passive, low-cost, listed investments suited to the NZ Super Fund's long-term investment horizon and risk profile**

The Reference Portfolio is therefore a very clear and 'pure' way for us to:

- 1 Estimate the NZ Super Fund's expected returns;
- 2 Benchmark active (value add) investment returns net of all costs; and
- 3 Be clear on the 'hurdles' for active investments

The Reference Portfolio is **set by our Board** and is reviewed every 5 years (the last review was in 2020)

Reference vs Actual Portfolio

Both portfolios are growth-oriented and highly diversified. The Actual Portfolio includes active investments that are expected to add value with an acceptable level of risk

