

Hon Nicola Willis  
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21 March 2025

Dear Minister,

I am writing in response to your letter of 19 February 2025, setting out your expectations of the Guardians of New Zealand Superannuation for the 2025/26 year.

### **Government Priorities**

The Board notes, acknowledges, and understands the Government's priorities. We will continue to look at ways we can advance those priorities, both through our mandates and more broadly. As always, it is our responsibility to ensure that this is achieved in a manner consistent with our legislative framework and the specific requirements of the NZ Super Fund and Elevate Venture Capital Fund mandates. We remain continuously mindful of all-of-government priorities, and work hard to ensure we are making an appropriate contribution.

We are particularly aware of the tight and extremely challenging fiscal environment in which we are all operating. It is our intention and expectation that the Guardians will continue to play its part in relation to strict fiscal discipline – both directly and by example.

Among the challenges we face to retain our reputation and position as a world-leading institutional investor and sovereign wealth fund is the robust and ongoing controlling of costs. Indeed, achieving that is central to our mission to maximise returns without undue risk. Cost control remains a key consideration as we prepare to manage the significant future growth in the size of the NZ Super Fund, which while well-established, remains at an early stage relative to its long term horizon. The Fund is projected to nearly double in size over the next decade, and won't peak as a percentage of New Zealand's GDP for another 50 years.

To help ensure 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 peer funds. The most recent survey, for the five years ending 30 June 2024, found that we operate at a normal cost compared to our peers, while achieving above-average net returns.

We will ensure that the level of scrutiny and rigour to achieve outcomes such as this is applied across all of the Guardians' activities and decision-making. Similarly, we will continue to ensure that the funds for which we are responsible are managed consistent with the specific expectations of Crown Financial Institutions set out in your letter.

### **Strategic Infrastructure**

We are very aware of the Government's priority focus on national infrastructure, and note your encouragement to continue to explore investment in New Zealand assets. This remains an important

component of our investment strategy and approach, and we continue to actively identify and consider such opportunities. Specifically, we will continue with our current efforts to explore the feasibility of a number of domestic infrastructure investment opportunities. These include our efforts to establish an offshore windfarm, and our exploration of potential opportunities in the transport infrastructure sector. Significantly, in both these instances, we have been successful in attracting the attention of major international institutional investors and infrastructure developers to New Zealand opportunities.

## **Leadership**

We have recently concluded the appointments of a number of senior Guardians leaders. We agree with your point on the importance of having strong and proactive succession arrangements in place and note that this was also raised by Willis Towers Watson in the Independent Review. We can confirm that we have identified this as a priority.

## **Independent Review**

Like you, we were pleased with the overall positive nature of the five yearly independent review, completed by Willis Tower Watson in 2024, and its finding that we continue to operate at a global best practice level. As always, however, there remains much to achieve if we are to maintain our international reputation and standing. We are placing a high importance on considering and actioning the recommendations and suggestions made by the reviewers.

## **Reference Portfolio**

As you note, the Reference Portfolio is central to the NZ Super Fund's performance, providing one of our performance benchmarks and determining the overall level of risk we take. With our leadership team now largely settled, we are very much focused on the Reference Portfolio review. It is our intention that this will be completed during the upcoming financial year.

## **Section 59**

Subsequent to the repeal last year of section 59 of our Act, which removed the prohibition on the Fund holding a controlling interest in investee businesses, we have adopted changes to our Statement of Investment Policies, Standards, and Procedures, along with relevant underlying policies. Together, this provides the "governance framework" required under the Act. We are now in a position, therefore, to utilise a controlling interest approach where it is determined that doing so will add more value than alternative structural or commercial options. We will certainly brief you when a controlling interest transaction is undertaken.

## **Venture Capital Funding**

Venture capital funding is an area where, in respect of the Elevate Venture Capital Fund, we have actively engaged with officials as they develop their advice. Once clarity emerges as to the future and ongoing funding of Elevate, we will determine the most appropriate next steps in order to most effectively deliver our mandate.

## **Global Context**

Without question, we continue to operate in a highly competitive, fast-moving, and uncertain global environment. Understanding and managing the associated risks is central to ensuring that risk taken by the Fund is appropriate for the return anticipated. Our success in that is crucial if we are to continue to achieve the world class results that we have in the past. In managing risk, our long-term horizon (one of our four investment endowments) is important, providing us with the ability to invest in illiquid assets and to ride out

short-term market movements and shocks. We are very aware that safe-guarding that ability requires us to maintain the support of stakeholders. Given that, we place a great deal of importance in the work we do to ensure that stakeholders understand how the portfolio is invested and its expected performance through time, including possible periods of negative returns.

We continue to deepen our understanding of how global trends can potentially affect portfolio performance. With this in mind, current workstreams include a focus on horizon scanning and understanding and managing the macroeconomic factor exposures and tail risk in the portfolio.

Thank you again for your letter, and we look forward to continuing to work with you and your Government as we invest on behalf of New Zealanders.

Yours sincerely

A handwritten signature in blue ink, consisting of a stylized 'M' followed by a long horizontal line.

John Williamson  
**Chairperson of the Guardians of New Zealand Superannuation**