

GNZSF Investment Committee – from there to here

Changing practices: A discussion between Mike Frith (current NZSF IC Chair) and Mark Fennell (former NZSF IC Chair) on how the Guardians' IC works, and the changes we have made to how it operates over the years

- To talk about the operation of investment governance at GNZSF
- How has investment governance and responsibilities evolved over the life of the Guardians
- How we operate now, challenges, and mitigants



Investment Committee – evolution of role

Decision-making roles and responsibilities have changed as the organisation has changed – size, delegation, and investment approach

Decision Type	2002-2009	2010-2014	2015-now
	SAA	Reference Portfolio	
Governance and objectives	Board	Board	Board
Strategic asset allocation / Reference portfolio	Board	Board	Board
Portfolio limits, constraints, active risk budget	Board	Board	Board
Tactical asset allocation / risk targets	Board	IC	IC, Management, Staff
Investment / asset specific decisions	Board	IC	IC, Management
Monitoring and review	IC	IC	IC

Board

IC

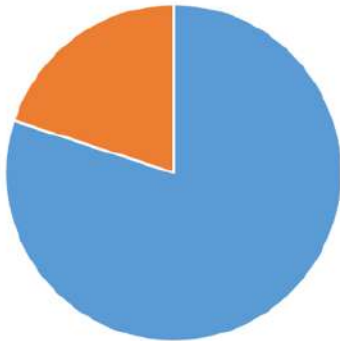
Management

Staff

GNZSF Decision making framework

Reference Portfolio

Board decision every 5 years
 Executed by **GMPC**



Total Portfolio Active Risk Budget

Board decision every 5 years

Active Risk Baskets

Risk Basket active risk budget allocation decision by **CIO** endorsed by **IC**

Active Investment Opportunities

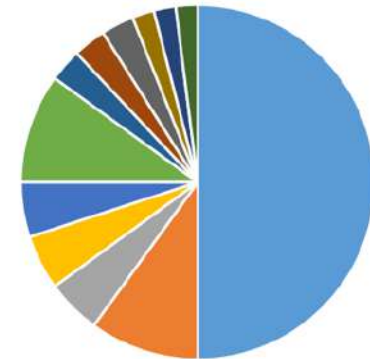
Investment opportunity decision by **CIO** endorsed by **IC**
 Opportunity active risk budget allocation by **Head AA**

Target Risk

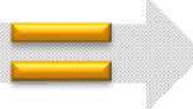
Risk basket teams recommend a **target** risk allocation to each opportunity.

Actual capital allocation

Access point teams locate investments
 Investment decisions by **CIO/GMPC** endorsed by **IC** (if large enough)



Actual Portfolio



Investment Committee – how we operate

- Organisation Fundamentals
 - Our Act, Terms of reference, Investment framework

- Interaction
 - Meeting protocols and format
 - Paper quality, recording decisions and follow ups – and then following up

- Reflection
 - A “learning” committee, annual review of terms of reference, actions, and operations

Challenges for Investment Committees

- Information asymmetries
- Creating an environment that promotes constructive and robust debate and challenge
- Accepting that it is ok and appropriate to sometimes say no – or is it?
- Separation of IC members day jobs with their IC responsibilities
- Standard group decision-making issues – groupthink, familiarity, biases

How we try and manage these challenges

- Important role of Chair – “Independent” Chair to facilitate discussion and debate
- Thinking of the Investment Committee as an investment governance team
- Improving knowledge and awareness and promoting an interaction to address information asymmetries and improve the decision making process
- Reliance on Investment Framework to underpin decisions and recommendations

Questions