



futurefund

Australia's Sovereign Wealth Fund

**REMUNERATION REPORT
2016-2017**

INVESTING FOR THE BENEFIT OF FUTURE GENERATIONS OF AUSTRALIANS

REMUNERATION REPORT

REMUNERATION STRATEGY

Remuneration for all Agency staff, including members of the Agency Management Committee, complies with the requirements of the Australian Public Sector Workplace Bargaining Policy ("the Bargaining Policy"), which was introduced in March 2014, and later revised in October 2015, to set the terms and conditions of employment for Australian Public Service entities.

All employees, including SES and non-SES, operate on individual employment contracts.

While Agency remuneration arrangements are determined by the Chair of the Board, as Accountable Authority for the Agency, consultation with the Board is provided through the Board's Remuneration & Nominations Committee.

PERFORMANCE RELATED PAY

In addition to fixed pay, ongoing staff have the opportunity to earn a variable pay component known as Performance Related Pay (PRP), which is based on both personal performance and investment performance.

The mix of variable pay based on personal performance and variable pay based on investment performance depends on the individual's role, with investment performance generally a higher component of variable pay for investment staff.

All staff have some exposure to investment performance in their variable pay arrangements, which serves to help focus all employees on the pursuit of the mandated investment objectives.

PERFORMANCE RELATED PAY TIED TO PERSONAL PERFORMANCE

Actual variable pay based on personal performance reflects an individual's performance against key performance indicators (goals) and the organisation's values.

Each individual's goals align to the organisation's strategic imperatives:

- Achieving high risk adjusted returns in accordance with the Investment Mandates through investment excellence.
- Achieving world-class implementation through operational excellence.
- Attracting and retaining a high performing team that is engaged, motivated, supported and effectively managed.
- Acquiring and maintaining information assets and tools that empower our people and add value to our processes while being secure, resilient and trusted.
- Building and maintaining active and constructive relationships with our key stakeholders in Australia and globally.

PERFORMANCE RELATED PAY TIED TO INVESTMENT PERFORMANCE

Actual variable pay based on Fund performance reflects the average performance over rolling three-year periods for the Future Fund and is determined on fixed calculations once performance results are audited and confirmed.

Performance related pay for investment performance is assessed both in absolute and relative terms. It includes assessment:

- against the Future Fund's absolute return against its mandated target return of at least Consumer Price Index + 4.5% pa (this element makes up 70% of the Investment Plan)
- of the performance of the Future Fund portfolio against the policy portfolio implied by the Target Asset Allocation set by the Board (this element makes up 30% of the Investment Plan).

REMUNERATION OF KEY MANAGEMENT PERSONNEL IN 2016–17

Key management personnel (KMP) are those who have authority and responsibility for planning, directing and controlling the activities of the Board and Agency directly and indirectly throughout the year. This represents members of the Board and members of the Agency's Management Committee.

The Board of Guardians and the Agency are established by the *Future Fund Act 2006* (the Act). In accordance with the Act members of the Board are appointed by the responsible Ministers. The Act prescribes that fees payable to Board members are determined by the Commonwealth Remuneration Tribunal (the Tribunal).

The official travel entitlement for Board members was set at Tier 1. Board members are not eligible for performance-related payments.

During the 2016–17 year, the Guardians of the Fund were as follows:

FUTURE FUND BOARD OF GUARDIANS

NAME	TITLE	KMP STATUS 2016-17
Hon Peter Costello AC	Chairman	Current
Ms Erin Flaherty	Board member	Current
Mr Steven Harker	Board member	To 3 April 2017
Ms Carolyn Kay	Board member	Current
Mr John Poynton AO	Board member	Current
Mr Michael Wachtel	Board member	Current
Dr Jane Wilson	Board member	Current

During the 2016–17 year, the Agency's Management Committee comprised the following:

FUTURE FUND MANAGEMENT AGENCY

NAME	TITLE
Mr David Neal	Chief Executive Officer
Dr Raphael Arndt	Chief Investment Officer
Mr Stephen Gilmore	Chief Investment Strategist
Mr Paul Mann	Chief Financial Officer
Mr Gordon McKellar	Chief Operating Officer
Ms Elizabeth McPherson	Chief Culture Office
Mr Cameron Price	General Counsel

REMUNERATION MIX FOR KEY MANAGEMENT PERSONNEL

As is the case for all staff, remuneration for members of the Management Committee includes both fixed and at risk performance related pay. At risk performance related pay includes elements tied to investment performance (Investment Plan) and personal performance (Annual Plan).

Executives with greater influence over the investment portfolio have a larger proportion of their available at risk performance related pay linked to investment performance. Those in non-investment focused roles have at risk performance related pay more closely tied to the delivery of personal objectives that support the implementation of the business strategy.

The following table summarises the composition of at risk performance related pay for each member of the Management Committee.

AT RISK PERFORMANCE RELATED PAY FOR EACH MEMBER OF THE MANAGEMENT COMMITTEE

NAME	MAXIMUM AT RISK PERFORMANCE RELATED PAY AS A % OF FIXED REMUNERATION	% OF AT RISK PERFORMANCE RELATED PAY TIED TO INVESTMENT PERFORMANCE (INVESTMENT PLAN)	% OF AT RISK PERFORMANCE RELATED PAY TIED TO PERSONAL PERFORMANCE (ANNUAL PLAN)
David Neal	120	70	30
Raphael Arndt	120	70	30
Stephen Gilmore	120	70	30
Paul Mann	55	25	75
Gordon McKellar	55	25	75
Elizabeth McPherson	55	25	75
Cameron Price	45	25	75

REMUNERATION OUTCOMES FOR KEY MANAGEMENT PERSONNEL IN 2016-17

Remuneration outcomes for members of the Board are set by the Determination of the Remuneration Tribunal.

Remuneration outcomes for members of the Management Committee reflect the combination of fixed pay and performance related pay as outlined above.

The use of rolling three-year periods for the calculation of absolute and relative investment performance aligns to the organisation's long-term investment objective.

At 30 June 2017, over three years the Future Fund earned \$31.9 billion, returning 9.5% per annum against a target benchmark return of 6.0% per annum. The Future Fund portfolio outperformed the policy portfolio by +0.3% per annum over the three-year period.

PERFORMANCE RELATED PAY OUTCOMES

MANAGEMENT COMMITTEE	ACTUAL PRP/MAX INVESTMENT PLAN (%)	ACTUAL PRP/MAX ANNUAL PLAN (%)	ACTUAL PRP/MAX TOTAL PRP (%)
David Neal	76	85	79
Raphael Arndt	76	85	79
Stephen Gilmore	76	80	77
Paul Mann	76	75	75
Gordon McKellar	76	80	79
Elizabeth McPherson	76	85	83
Cameron Price	76	80	79

Actual Investment Plan outcomes reflect the combination of the absolute return of the Future Fund and the relative return of the Future Fund against its policy portfolio each over three years.

Actual Annual Plan outcomes reflect the achievement of personal goals by each member of the Management Committee over the 2016–17 year.

MANAGEMENT COMMITTEE REMUNERATION OUTCOMES

MANAGEMENT COMMITTEE	SALARY (\$)	SUPERANNUATION (\$)	PRP (INVESTMENT PLAN) (\$)	PRP (ANNUAL PLAN) (\$)	TOTAL PRP (INVESTMENT & ANNUAL PLAN) (\$)	TOTAL REMUNERATION (\$)
David Neal	613,608	31,798	413,111	197,494	610,605	1,256,011
Raphael Arndt	568,421	19,620	376,393	179,941	556,334	1,144,375
Stephen Gilmore	519,290	35,000	354,789	159,635	514,424	1,068,714
Paul Mann	475,918	31,798	53,196	157,075	210,271	717,987
Gordon McKellar	508,798	35,000	56,976	179,453	236,429	780,227
Elizabeth McPherson	354,793	35,000	40,840	136,671	177,511	567,304
Cameron Price	496,159	31,798	45,259	142,548	187,807	715,764
TOTAL	3,536,987	220,014	1,340,564	1,152,817	2,493,381	6,250,382

REMUNERATION OF ALL STAFF IN 2016–17

While the Agency operates on individual employment contracts rather than an enterprise agreement, the Agency adjusts its practices to meet the requirements of the Bargaining Policy and associated Directions for fixed pay (which includes superannuation). The Bargaining Policy and Directives applies for three years: 2014–15, 2015–16 and 2016–17.

In addition to fixed pay, ongoing staff have the opportunity to earn a variable pay component known as Performance Related Pay (PRP). Non-salary benefits are also available to staff, reflecting our commitment to ensuring our people have every opportunity to balance their work and life. We support and encourage flexible working arrangements to cater for family, study, community and similar commitments. Other non-salary benefits include annual flu vaccinations, skin and health checks, ergonomic assessments and furniture, contributions to relevant professional memberships, and salary sacrifice arrangements.

AVAILABLE SALARY RANGES

A summary of the available salary ranges for each work level is shown in the table below.

SALARY RANGES

LEVEL OF WORK	FROM	TO
FFMA 1	\$55,000	\$100,000
FFMA 2	\$70,000	\$140,000
FFMA 3	\$90,000	\$190,000
FFMA 4	\$140,000	\$250,000
FFMA 5	\$190,000	\$470,000
FFMA 6	\$300,000	\$550,000
FFMA 7	\$380,000	\$700,000

Note: Actual salaries fall within the available ranges shown above. Salaries are inclusive of superannuation. Where a staff member sits in a range is influenced by market data. How and when a staff member moves through a range is influenced by market data, organisational and personal performance.

PERFORMANCE RELATED PAY

As highlighted earlier, in addition to fixed pay, ongoing staff have the opportunity to earn a variable pay component known as Performance Related Pay (PRP), which is based on both personal performance and investment performance.

The mix of variable pay based on personal performance and variable pay based on investment performance depends on the individual's role, with investment performance generally a higher component of variable pay for investment staff.

At 30 June 2017, over three years the Future Fund earned \$31.9 billion, returning 9.5% per annum against a target benchmark return of 6.0% per annum. The Future Fund portfolio outperformed the policy portfolio by +0.3% per annum over the three-year period.

The payments detailed in the table below include pro rata performance pay for staff who were not employed for the full 12-month cycle but were eligible for payment. Additional disclosures relating to the remuneration of senior executives are set out in the financial statements.

PERFORMANCE PAY SUMMARY TABLE FOR 2016-17

CLASSIFICATION LEVEL OF WORK	EMPLOYEES WHO RECEIVED PAYMENTS	AGGREGATE PERFORMANCE PAY (\$)	MINIMUM PERFORMANCE PAY (\$)	MAXIMUM PERFORMANCE PAY (\$)	AVERAGE PAYMENT (\$)
FFMA1	5	23,779	3,133	6,009	4,756
FFMA2	28	216,705	112	16,410	7,739
FFMA3	29	578,458	905	47,940	19,947
FFMA4	25	1,290,604	1,076	104,957	51,624
FFMA5	36	4,106,486	1,805	360,037	114,069
FFMA6	9	2,552,063	82,609	441,019	283,563
FFMA7	7	2,493,381	177,511	610,605	356,197
Total	139	11,261,476			81,018



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