



Remuneration Report

The object of the Future Fund is to strengthen the Commonwealth's long-term financial position, and to make provision for unfunded superannuation liabilities that will become payable during a period when an ageing population is likely to place significant pressure on the Commonwealth's finances.

The Future Fund Board of Guardians ("**the Board**"), supported by the Future Fund Management Agency ("**the Agency**"), is responsible for the investment of A\$140bn (at 30 June 2016), across five public asset funds, in global financial markets.

The principal portfolio is the Future Fund, valued at A\$123bn (at 30 June 2016). Seeded with A\$60.5bn in contributions from the Australian Government in 2006, investment returns have added over A\$62bn to the value of the portfolio in the ten years since. For the financial year ending 30 June 2016 the Future Fund generated A\$5.6bn in net earnings.

The Agency competes for staff with other Sovereign Wealth Funds and with investment businesses in Australia and overseas.

Key management personnel

Key management personnel 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 Tribunal's Determination 2015-20, taking effect from 1 January 2016, set the annual fee payable to the Chair at A\$202,280 and the fee for other members at A\$101,170.

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

During the period 2015-16 the Guardians of the Fund were as follows:

Name	Title	KMP status 2015/16
Hon Peter Costello AC	Chairman	Current
Ms Erin Flaherty	Board member	From 3 April 2016
Mr Steven Harker	Board member	Current
Ms Carolyn Kay	Board member	Current
Mr John Poynton AO	Board member	Current
Mr Michael Wachtel	Board member	From 3 April 2016
Dr Jane Wilson	Board member	Current
Ms Carol Austin	Board member	To 2 April 2016
Mr Stephen Fitzgerald	Board member	To 2 April 2016

During the period 2015-16, the Agency's Management Committee comprised the following:

Name	Title
Mr David Neal	Managing Director
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

As staff of the Agency, members of the Management Committee are employed under the *Public Service Act 1999* ("**the PS Act**"). Remuneration arrangements are determined by the Accountable Authority of the Agency, being the Chair of the Board, in consultation with members of the Board.

Remuneration of members of the Future Fund Management Agency Management Committee

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 members of the Management Committee, 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. Further information on the Remuneration and Nominations Committee is available in the 2015-16 Annual Report.

The remuneration policy is designed to attract, motivate and retain executives to lead the organisation's support for the Board in pursuit of its mandated objectives. The Investment Mandate for the Future Fund, issued under the Act, sets a target benchmark return of at least CPI+4.5% to 5.5% pa over the long-term with an acceptable but not excessive level of risk. The organisation is also responsible for investing four smaller public asset funds with a variety of investment objectives.

To provide a link between remuneration and the organisation's strategy, remuneration arrangements for members of the Management Committee:

- are reviewed annually by the Chair, as Accountable Authority, and by the Remuneration and Nominations Committee;
- comprise a combination of fixed pay and performance related pay tied to investment performance and personal performance;

- are benchmarked against like-work in the Australian financial services and superannuation industry; and
- are linked, in line with the organisation's long-term investment objective, to investment performance over rolling three-year periods.

Remuneration mix

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 and personal performance.

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.

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	115	70	30
Stephen Gilmore	115	70	30
Paul Mann	50	25	75
Gordon McKellar	50	25	75
Elizabeth McPherson	50	25	75
Cameron Price	40	25	75

Performance related pay tied to personal performance

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

For members of the Management Committee, an individual's goals are set which contribute 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 (Investment Plan) 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 CPI+4.5% pa (this element makes up 70% of the Investment Plan); and
- 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 outcomes 2015-16

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 the end of 2015-16, over three years the Future Fund had returned 11.4% pa against a target benchmark return of 6.3% pa. The Future Fund portfolio outperformed the policy portfolio by 0.7% pa over the three year period.

Table 4: Performance related pay outcomes			
Management Committee	Actual PRP/max Investment Plan (%)	Actual PRP/max Annual Plan (%)	Actual PRP/max total PRP (%)
David Neal	85	80	83
Raphael Arndt	85	80	83
Stephen Gilmore	85	80	83
Paul Mann	85	80	81
Gordon McKellar	85	80	81
Elizabeth McPherson	85	85	85
Cameron Price	85	80	81

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 2015/16 year.

Table 5: Management Committee remuneration outcomes

Management Committee	Salary	Superannuation	PRP (Investment Plan)	PRP (Annual Plan)	Total PRP (Investment & Annual Plan)	Total remuneration
David Neal	597,708	31,299	448,001	181,154	629,155	1,258,162
Raphael Arndt	543,881	19,385	384,463	155,461	539,924	1,103,190
Stephen Gilmore	501,124	35,000	365,937	147,970	513,907	1,050,031
Paul Mann	471,033	31,299	53,241	150,700	203,941	706,273
Gordon McKellar	504,825	31,299	56,822	160,837	217,660	753,783
Elizabeth McPherson	315,391	35,000	37,137	111,687	148,824	499,215
Cameron Price	491,749	31,299	44,349	125,532	169,881	692,929
TOTAL	3,425,711	214,581	1,389,950	1,033,341	2,423,291	6,063,583