

The Treasury

Phase 1 RBNZ Act Review Information Release

April 2019

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Information withheld

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Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [5] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [7] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [8] Not relevant

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

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Hon Chris Hipkins
Minister of State Services
PARLIAMENT BUILDINGS

Dear Minister

Setting fees for external members of the Reserve Bank's Monetary Policy Committee

This letter seeks your support to set remuneration, as an 'exceptional fee' under the Cabinet Fees Framework (Framework), for external members of the Reserve Bank's Monetary Policy Committee (MPC). I am proposing to set the fee for each external member at ^[4,5,6] per day. While I do not normally support setting exceptional fees at this level, they are necessary for the MPC given the vital role they will play in economic decision making.

Background

The Reserve Bank of New Zealand (Monetary Policy) Amendment Bill will establish the MPC. The Bill is currently before the Finance and Expenditure Select Committee, and I expect it to pass by the end of the year and the MPC to be operational in April 2019. The Reserve Bank Board will begin the process of recruiting for external members in September 2018.

The MPC will initially have 4 internal and 3 external members. Internal members of the MPC will be the Governor, the Deputy Governor and two other senior Bank staff chosen by the Minister of Finance. Internal members will not receive additional compensation beyond their Bank salaries, consistent with the Framework.

Expectations of the Monetary Policy Committee

The MPC will be responsible for the formulation of monetary policy. MPC members will be decision-makers, exercising considerable powers that impact the wellbeing of all New Zealanders. This makes the MPC unlike any other body falling under Group 4 of the Framework where ultimate decision making powers typically remain with Ministers.

To meet the expectations of the role, MPC members will need a significant amount of experience in exercising sound judgement under high levels of uncertainty. Members will also need the ability to engage with complex economic issues and communicate their own views clearly, while working effectively as part of a team. Members will likely have used their expertise at a senior level in business, financial markets and/or as a publicly

regarded leader in economics or public policy. The expectation is that external members will dedicate around 50 days per year to the role.

The MPC falls under the Group 4, level 1 classification under the Framework. Under this classification the maximum daily fee level for MPC members is \$800. At this level we consider it very unlikely to attract individuals that can meet the expectations outlined above. I propose that an exemption is applied for in order to offer a daily fee higher than \$800.

In my view an exemption is important because of:

- the small pool of suitably qualified candidates to fulfil the skill requirements;
- the need to attract high calibre members;
- the constraining conflict of interest requirements. MPC members will not be able to hold some potentially lucrative financial sector jobs due to potential conflicts of interest; and
- the considerable public scrutiny of monetary policy decisions.

Assessment of Comparable Roles

The Treasury has conducted an assessment of appropriate fees for external members based on the expectations of the role and the daily fee level of comparable roles in New Zealand and abroad.

The most comparable role within the state sector is members of the Commerce Commission, who earn a salary equivalent to a daily fee of \$1,565. Like Commerce Commissioners, MPC members exercise economic decision making powers and an equivalent level of experience and expertise will be required.

The Reserve Bank currently employs external monetary policy advisors who advise the Governing Committee to inform the setting of the Official Cash Rate. These roles receive a daily fee of around \$1,500. External MPC members should receive a higher daily fee than current advisors because the advisors are not responsible for decisions, their role is not public facing and there is no scrutiny of their contribution.

External MPC members at the Bank of England receive a daily fee of around \$1,900 in New Zealand dollars. Reserve Bank of New Zealand external MPC members will require similar economic and analytical skills, although their role is likely to be less public facing.

The Reserve Bank has been consulted and supports ^[5,6]

In order to proceed with the appointment process, I would be grateful to receive your response by Friday 31 August 2018 and would appreciate your support when this matter is discussed at APH Committee.

Yours sincerely

Hon Grant Robertson
Minister of Finance