Manawatū Community Trust

Trustees' Fees Review

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Overview

Frances Smorti at Manawatū District Council has commissioned Strategic Pay Limited ('Strategic Pay') to provide a review of the Manawatū Community Trust trustee fees on behalf of the Trust.

Trustee Fees were last reviewed in July 2020.

Our approach involved a questionnaire completed by the Maree Pritchard, Community Operations Advisor, Manawatū District Council to understand the organisation and Trustee responsibilities. We then undertook market analysis of relevant samples from the Strategic Pay's 2023 New Zealand Directors Fee Remuneration Report and the Not for Profit Director Fees Report 2022 to determine and position appropriate Board fee levels for the Trust.

Our recommendation is based on several factors including the organisation size, ownership, and industry, and the market data presented.

This report presents the following:

1 Background;
2 Recommendation Summary;
3 Market Data;
4 Market Movements;
5 Chair Fee Ratio;
6 Director Fees Review
7 Recommendation;

Appendices:

a. Appendix 1 – New Zealand Directors' Fee Survey – February 2023
b. Appendix 2 – About Strategic Pay Ltd.

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1. Background

The purpose of the Manawatū Community Trust is to manage the provision of housing for elderly and disabled people through the stewardship of the Manawatū District Council housing portfolio for this group.

This includes the provision of health and wellbeing service, as well as a mix of commercial and social services, investment, regulatory and financial control responsibilities.

Mission: To promote and provide housing and wellbeing services that are relevant and meet the long term community needs.

Vision: Robust, professional, and viable organisation, which is providing a modern healthy living environment, up to date, good quality, sustainable housing and health facilities that address the needs of the community to enhance the long-term health and wellbeing of Manawatū residents.

BOARD COMPOSITION AND MEETING SCHEDULE

The Board is composed of five Trustees, where the Chair is appointed by the Board from its members at each annual meeting of the Board.

The number and length of board meetings has decreased since 2020. Previously it was stated that there were 11 Board meetings per year, of approximately 4 hours, with 2 formal meetings with Council per year; now there are approximately 6 Board meetings per year, of approximately 2 hours, with 2 formal meetings with Council per year as well as the AGM.

However, since 2020 two formal committees have been established the Wellbeing Committee and the Development Committee which meeting 6 times per year for 2 hours.

On balance this probably reflects a similar if not lesser level of time commitment.

ORGANISATION DEMOGRAPHICS

Organisation Demographics / Dimensions	
Organisation Type	The Trust is a registered Charitable Trust
Ownership	100% owned by the Manawatū District Council
Industry	Social Housing / Social Services
Annual Turnover / Budget	$2.4m
Assets	$40m
Number of Full Time Equivalent Employees	5
Region	Manawatū

CURRENT DIRECTOR FEE POLICY

There is no formal Trustee Fees Policy in place currently, however Manawatū Community Trust has previously opted to pay Trustees at the Median of organisations with similar revenue size.

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2. Recommendation Summary

RECOMMENDED DIRECTOR FEE POLICY

Manawatū Community Trust to pay Trustees at the Median of organisations with similar revenue size of below **$5m**.

Currently there is 1:1.39X ratio between the trustees and Chair. With the added responsibility of the role of Chair we suggest increasing the ratio to 1.5X that of the Trustees and therefore awarding a slightly larger percentage increase to the Chair.

As described in this report there has been 0% movement of trustee fees within the Not for Profit sector therefore we have not recommended an increase to the fee range as Manawatū Community Trust has room to move the fees within the ranges provided previously.

RECOMMENDED DIRECTOR FEES

Role / Committee	Current Fees	Recommended Fees Range		% Increase to upper end of range
Chair	$27,295	28,000	31,000	2.6% - 14%
Trustees x 4	$19,570	18,650	20,650	0% - 6%
Total Governance Pool	$105,575	$102,600	$113,600	0% - 8%

In our view, the recommended ranges represent market levels appropriate for your organisation given the context provided, and previous advice.

Strategic Pay's guiding principle is that it is important not to undervalue the contributions, experience or time committed by Board members.

Full details of the recommendation appear in Section 7: Recommendation.

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3. Market Data

Directors Fee Market Data – Revenue Analysis

Our research consistently demonstrates that in the NZ market, company turnover is most strongly correlated with Director fee levels, and consequently results of revenue samples are a key consideration as we develop Board fee recommendations.

The table below details Directors' base annual fee for General Market organisations with total annual revenues $5m or below. There are 27 Chairs and 55 Directors in the sample.

TABLE 1: FEES IN GENERAL MARKET ORGANISATIONS WITH REVENUES BELOW $5M

$	Lower Quartile	Median	Upper Quartile	Average
Chair	31 250	**50 000**	77 500	53 188
Directors	15 000	**22 583**	32 500	24 683

The table below details Directors' base annual fee for Public Sector organisations with total annual revenues $5m or below. There are 6 Chairs and 18 Directors in the sample.

TABLE 2: FEES IN PUBLIC SECTOR ORGANISATIONS WITH REVENUES BELOW $5M

$	Lower Quartile	Median	Upper Quartile	Average
Chair	-	**29 000**	-	33 509
Directors	11 200	**15 000**	22 583	17 231

Directors Fee Market Data – Asset Analysis

The table below details Directors' base annual fee for Public Sector organisations with total assets exceeding between $20.1m - $50m. There are 12 Chairs and 58 Directors in the sample.

TABLE 3: FEES IN PUBLIC SECTOR ORGANISATIONS WITH ASSETS BETWEEN $20.1M AND $50M

$	Lower Quartile	Median	Upper Quartile	Average
Chair	37 656	**45 048**	48 016	45 352
Directors	18 680	**22 300**	24 000	23 104

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Directors Fee Market Data – All Not-For-Profit Organisations

The table below details Directors' base annual fee for not for profit organisations. There are 25 Chairs and 119 Directors in the sample.

TABLE 4: FEES IN NOT FOR PROFIT ORGANISATIONS

$	Lower Quartile	Median	Upper Quartile	Average
Chair	18,000	**30,000**	46,000	28,019
Directors	5,000	**12,000**	18,000	12,322

4. Market Movement

BASE ANNUAL FEES

Should a simple annual fees adjustment have been applied to Trustee Fees since they were last reviewed the outcomes would remained unchanged:

- 2020 Trustee Fees of $20,300 2023 Trustee Fees of $20,300
- 2020 Chair Fees of $27,800 2023 Chair Fees of $27,800

This annual base fee movement does not form the basis of our recommendation but are provided for your reference. An annual movement table can be found in the Appendix for your reference, which shows that the movements can be quite volatile year on year. Annual movements reflect changes in the overall movement of all roles in the database and do not control for fluctuations in the database or where organisations apply significant increases when starting lower in the range for example.

5. Chair Fees Ratio

Manawatū Community Trust is currently paying at a 1.39X ratio of Chair to base annual Trustee Fees.

New Zealand current market practice pays base annual Chair fees at a 2.0:1X ratio to base annual Director Fees. The overall reported range is 1.7 - 2.2:1 ratio. This "premium" of Chair fees reflects the additional responsibilities, scope and risk borne by Chairs. Chairs typically receive no separate committee fees, although they often attend these meetings.

Median reported Annual Hours for Chairs is 165, and for Directors is 115 according to our Director Fee report, these are up from our 2023 report which stated 150 hours for Chairs and 98 hours for Directors. Manawatū Community Trust reports that the trustees have a reduced time commitment from when the fees were reviewed in 2020. Chair spends approximately 40 to 50 hours on meetings and for the Trustees the hours will vary whether they are on a committee or not to between 20 to 30 hours. This results in annual workload of approximately half the hours expected in 2020.

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6. Trustee Fee Reviews

Strategic Pay recommends a formal review of Trustee Fees at least every two years, as market best practice. While such reviews may or may not result in increases, it enables the organisation to track market movements, avoid "getting behind" and to ensure appropriate and competitive fees are paid to Board members. Additionally, this practice ensures that costs are controlled year on year and minimises large periodic increases.

CRITERIA FOR REVIEW

- Market Trends – Strategic Pay's New Zealand Directors' Fees Report
- Market Trends - Other Survey Report
- CPI
- Company Profitability
- Average Salary Movements
- Directors Performance
- Legal Risk
- Other Criteria

80% of Boards use more than one review factor.

7. Recommendation

Our recommendation is based on after considering several factors including the organisation size, asset size, and industry of the Trust; as well as the market data presented above.

MARKET DATA

TABLE 5: SUMMARY RESULTS – DIRECTOR FEE SAMPLES FOR MANAWATŪ COMMUNITY TRUST:

Sample	Positioning	Base Annual Fee ($)	% increase from 2020
Revenue ($5m or below) General Market	Median	22 583	32.8%
Revenue ($5m or below) Public Sector	Median	15 000	50.0%
Assets ($20.1m - $50m)	Median	22 300	3.2%
Industry (Not-for-Profit)	Median	12 000	0%

CHAIR FEES

TABLE 6: SUMMARY RESULTS – CHAIR FEE SAMPLES FOR MANAWATŪ COMMUNITY TRUST:

Sample	Positioning	Base Annual Fee ($)	% increase from 2020
Revenue ($5m or below) General Market	Median	50 000	36.6%
Revenue ($5m or below) Public Sector	Median	29 000	45.0%
Assets ($20.1m - $50m)	Median	45 048	4.3%
Industry (Not-for-Profit)	Median	30 000	0%

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2023 DIRECTOR FEES POLICY – MANAWATŪ COMMUNITY TRUST

We recommend the following criteria for the 2023 policy for Base Annual Fees:

- Market Data from 2022 New Zealand Directors' Fees Report
- Market Position Median
- Fees Range A range of $2,000 for Trustee fees, $3,000 for Chair fees
- Ratio 1.5:1X ratio applied to the Trustee fees to determine the Chair Fees

The 3 year rolling average for Director Fees is -0.8% for Directors and -2.1% for Chairs in the wider General Market, and in the Not for Profit sector it's -6.7% for Directors and 1.7% for Chairs.

When comparing the current trustee fees against the median, the trustees are already well remunerated against the Not for Profit industry. When determining a recommendation for the trustees we first looked at the recommendation made in 2020 and compared the data with the 2022 Not for Profit Directors Fees and the 2023 Directors Fees reports, The Not for Profit Directors fees report appears to still be affected by covid restricted increases. However, given it's been three years since the last review, and considering the general market has surged ahead in terms of fee increases there is justification for a small increase to ensure the Manawatū Community Trust doesn't fall behind on Trustee Fees.

We recommend setting base annual fees for the Trustee into a range from:

- **$18,650 to $20,650 per annum**

When comparing the ratio between trustees and the Chair, we note that there are added responsibilities of the role of Chair beyond just extra hours, therefore we suggest increasing the ratio to 1.5X that of the Trustees.

We recommend setting base annual fees for the Chair into a range from:

- **$28,000 to $31,000 per annum**
- **Based on a Chair 1.5:1X ratio to base annual Trustee Fees**

Depending on your final placement within these ranges, the ratio of Chair to Trustee Fees may change from the current or even the recommended ratio. We believe it is more appropriate to reflect actual market practice than to simply apply a ratio. However, the use of the ratio is a way to maintain a consistent relativity between the roles.

Note: these figures remain unchanged from 2020.

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BOARD POLICY AND PRACTICE HIGHLIGHTS

This section predominantly uses policy and practice data; not all respondents answered all policy and practice questions.

Board Demographics



The typical board consists of a chair and 5 non-executive directors.

79% of boards have only non-executive board members.

30% of boards include a deputy chair.

Board Meetings



- The average number of board meetings per year is 10.
- 40% meet 11 or more times per year.
- 56% meet for 4 to 6 hours per meeting.

Board Committees



- 97% have an audit committee.
- 27% reported having other committees, with these covering Covid 19, development, disclosure or sustainability.

Board Fees



- 67% review fees annually; 21% every two years, and 12% variably.
- 35% of chairs had up to a 5% increase at the last review, while 25% had no increase.
- 27% of directors had up to a 5% increase at the last review, while 18% had no increase.
- The majority of respondents use market trends from the Strategic Pay Directors' Fees report to monitor fees. Some organisations use more than one approach.

Expected Directorship Effort



Chairs had a median expected effort of 165 hours per year.

Directors had a median expected effort of 115 hours per year.

30% of boards stated their workload had increased over the last 12 months.

56% of boards that responded stated the increased time was spent focussing on risk management issues, while 41% reported spending more time on regulatory and compliance issues.

Of boards that identified areas in which they should spend more time, the area of activity they felt needs more attention is strategic planning, at 67%.

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APPENDIX 1: **NEW ZEALAND DIRECTORS' FEE SURVEY** – FEBRUARY 2023

This annual Survey is the basis for understanding current trends and practices in the payment of Directors Fees' at New Zealand organisations. This is the 31st annual survey of its type conducted by Strategic Pay Ltd (the longest running survey of directors' fees in the country). 400 organisations contributed data to the 2023 New Zealand Directors' Fees Survey. 2,522 individual directorships were analysed for the Directors' fees data.

The Survey combines information from three sources:

- Organisations from the Strategic Pay database;
- Questionnaires sent to Strategic Pay master mailing list;
- Publicly available annual reports and NZX listings.

The data is reported as at 1 February 2023.

INCREASES REPORTED BY ORGANISATIONS

Annual Movements in Median 2014 – 2023

Non-Executive Chairs and Directors - All Organisations

This year we have seen Chair and Director fees remain unchanged from 2021, with organisations being cautious about increases during this stage of the recovery cycle of the pandemic economy. This is an overall movement from the General Market, where higher movements from the private sector this year were tempered by the lower movement in fees in the public sector.

The following table summarises median movements of the overall sample, by director category, year on year, based on the actual fees reported, from the General Market.

Period	Chairs	Directors
	Median	Median
2023	0.0%	0.0%
2022	0.0%	0.0%
2021	-6.3%	-2.4%
2020	6.7%	2.5%
2019	1.1%	4.6%
2018	1.6%	3.5%
2017	1.8%	2.1%
2016	2.4%	1.5%
2015	2.9%	2.5%
2014	3.3%	2.4%

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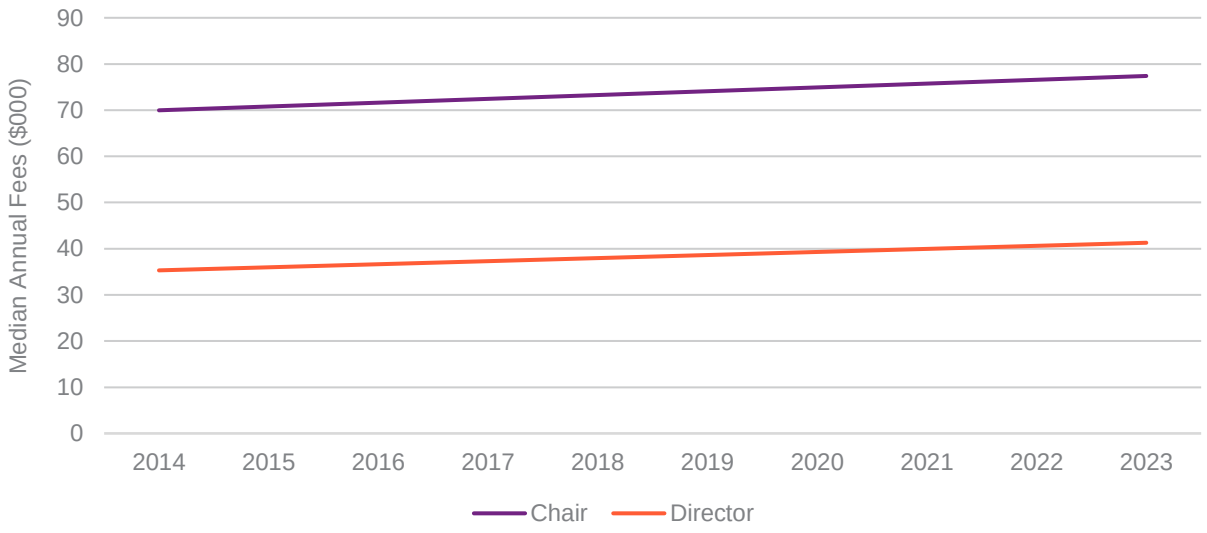
Overall Trend in Median Director Fees 2014 – 2023

As illustrated below, the rate of increase overtime is similar for both Chairs and Directors. The graph illustrates the overall trend in median director fees from 2014 to 2023.



INCREASES IN THE YEAR TO FEBRUARY 2023

Three Year Rolling Trend in Median 2019 – 2023

Non-Executive Chairs and Directors – General Market

Traditionally our data has shown quite variable movements from one year to the next, with subsequent difficulty in using it as a guide for setting directors' fees. We have included a three-year rolling average for median to assist organisations in tracking overall trends. We recommend the use of the following figures when applying market movements to set current directors' fees.

Period	Chairs	Directors
	Median	Median
2021 – 2023	-2.1%	-0.8%
2020 – 2022	0.1%	0.0%
2019 – 2021	0.5%	1.5%

An additional factor in market movements is that fees are not always increased annually so fluctuations are common and analysing movements over a longer time span is necessary, particularly if there has been a disruption in the market.

Strategic Pay recommends a formal annual review of Directors' Fees, which may or may not result in an increase. This ensures that costs are known and minimises larger periodic increases/catch-ups.

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Market Trends for Chairs and Directors

Non-Executive Chairs – General Market

- Fee levels of 383 non-executive chairs were analysed in 2023 (sample size in 2022 was 363).
- Of the 363 chairs, 282 are the same individuals as in 2020.
- The median base annual fee paid to a non-executive chair in 2023 is $75,000, the same as $75,000 in 2021.
- Highest fees were paid to non-executive chairs within the mining / petroleum and manufacturing industries and lowest fees to chairs within the education industry.
- Chairs of private sector publicly listed NZX companies are paid 69% more (at the median) than those of unlisted private sector organisations.

Non-Executive Directors

- Fee levels of 1,888 non-executive directors were analysed in 2023 (sample size in 2021 was 1,923).
- Of the 1,888 directors, 1,411 are the same individuals as in 2020.
- The median base annual fee paid to non-executive directors in 2023 is $40,000 the same as $40,000 in 2021.
- Highest fees were paid to non-executive directors within the mining / petroleum and manufacturing industries, and lowest fees to directors within the education sector.
- Directors of private sector publicly listed companies are paid 72% more (at the median) than those of unlisted private sector organisations.

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APPENDIX 2: ABOUT STRATEGIC PAY

At Strategic Pay we provide innovative solutions to help organisations meet their strategic remuneration, performance development and performance improvement goals. We help improve your overall performance by ensuring employee effort, remuneration and rewards are closely aligned with business objectives.

Deliver Strategic Rewards

We work alongside you to provide a compelling proposition that attracts retains and motivates the best people.

Our adaptable solutions include:

- Remuneration and reward strategy development
- Executive remuneration and performance advice (including incentives)
- Salary options using job evaluation, grades, bands or benchmarks
- Salary review management, including processes, tools and training
- Performance development systems, including customised design and implementation

Access New Zealand's Largest Remuneration Data Services

Strategic Pay offers an unrivalled suite of nation-wide and specialist industry and sector remuneration survey reports, based on a database of more than 230,000 employees from over 1,400 organisations.

Our key nation-wide surveys and reports include:

- NZ Remuneration Report (published 6 monthly)
- CEO and Top Executive Remuneration Report
- NZ Benchmark Report
- Corporate Services and Executive Management
- Directors' Fees Report
- HR Metrics Survey

Use Smart Technology

We understand busy HR practitioners' needs and offer a range of smart tools to manage remuneration and survey submissions:

- RemWise®: a remuneration tool to manage all aspects of your salary review, market data and survey submissions
- Rem On-Demand®: online access to remuneration reports, resources and insights
- PayCalculator: survey data at your fingertips

Drive Organisation Performance

Superior organisational performance is critical to delivering strategic business objectives. Speak to us today about using PLUS+ to develop a future proof strategy, an organisational model and structure that supports the strategy and matching the right people to accountabilities best designed to deliver the strategy in your organisation.

Build Capability

Through a range of workshops and the Strategic Pay Academy we provide clients with comprehensive short courses in Remuneration, Performance Management and Organisational Performance. We also offer training programmes that can be tailored to meet your specific requirements.

Consult Nationwide

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