

# Statement of Intent.

2020–2023





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# Foreword

We are pleased to present the Public Trust Statement of Intent 2020–2023.

We take our role in building a strong New Zealand very seriously, and our strategy for this period is centred on doing more for our customers, their families and our wider communities. We remain strongly committed to providing trustee services leadership in our country and will continue to seek out opportunities to improve our services so that we can have a greater impact on the lives of New Zealanders.

Public Trust has spent the last 5 years completing the foundational work needed to build a strong and sustainable business. We are delivering on our social responsibilities, our ambitions for New Zealand and our promises to our customers. Our purpose remains clear, and we have the right systems and structure in place to start taking the lead on providing first-class trustee services to New Zealanders.

This last year has seen significant revenue growth in our retail business, and we expect this to continue. We will keep investing in our customer experience and our people so we can live up to our Māori name, Te Tari Tiaki Iwi, which translates as ‘the organisation that takes care of people’.

Looking ahead, we aspire to become New Zealand’s first-choice trustee services provider. Our roadmap is outward looking and customer focused. We are energised and excited about our momentum and our future direction.



**Ian Fitzgerald**  
Chair



**Fiona Oliver**  
Deputy Chair

**Glenys Talivai**  
Chief Executive

31 May 2019



# Te Tari Tiaki Iwi

– the organisation  
that takes care  
of people



# What we do for New Zealand

New Zealanders need to be better prepared and protected, and our aging population needs more support. Our services help Kiwis protect what they have today, secure their future, and play a part in building a stronger New Zealand.

## Estate planning and management

We provide guidance to New Zealanders to ensure that the people and things that matter the most to them are taken care of after they have passed away. We work with our customers to maintain and review their estate plans to ensure they remain relevant and up to date over their lifetime. This might include:

- wills advice and drafting
- putting in place enduring powers of attorney that specify who can take care of a customer's personal or financial matters if they cannot
- advice on setting up and maintaining family, inheritance, prepaid funeral and charitable trusts.

## Estate administration

We administer and manage immediately distributable and ongoing estates, carrying out the wishes of customers as set out in their wills to ensure assets are transferred to beneficiaries as smoothly and efficiently as possible. We are the largest estate administrator in the country, and it is our core business activity.

## Executor Assist advisory service

We work with lawyers and private executors to help them with some or all of the tasks associated with being an executor. We complete probate applications, collect assets, pay liabilities, complete tax returns and completely manage estates on behalf of executors if required.

## Charities

We are one of New Zealand's largest charitable trust administrators and advisers. We help over 420 charities and have strong experience in charitable gifting and the establishment of charitable trusts and purposes. We manage lots of different asset types, including New Zealand's largest training farm, Smedley Station.

## Personal Assist

We offer a tailored personal management service called Personal Assist where we help customers manage their financial and property matters, including paying bills, managing bank accounts, buying or selling assets, arranging caregiving or home repairs and applying for pensions.

## Personal management services under the Protection of Personal and Property Rights Act

We provide personal management services under the Protection of Personal and Property Rights Act 1988. This involves Public Trust being appointed by court order as the property manager for customers who no longer have mental capacity to manage their own affairs.

## Services to tertiary education

We safeguard student fees on behalf of private training establishments through our Fee Protect service. This service protects students from losses outside of their control (for example, due to closure or insolvency of a course provider). We currently safeguard the course fees of over 35,000 students through this service.



## Investment services for fiduciary customers

We provide investment management services to a range of customers ensuring they can access effective and appropriate advice. We offer an on-call deposit account to meet customers' short-term saving needs and an investment funds management service to meet customers' long-term investing needs.

Our Common Fund is subject to strict investment guidelines and contains money from trust accounts of fiduciary customers. As such, we take a conservative approach to managing our Common Fund investments, and all investment activity is governed by the Public Trust Investment Committee.

We aim to achieve best-in-class investment results for our clients after taking into consideration our clients' investment horizons and appetite for risk.

## Positively impacting New Zealanders' lives

Under various statutes, we have specific responsibilities in relation to providing protective fiduciary services to New Zealanders. This includes estate management services or personal property management for customers with only a small amount of liquid assets. Public Trust also audits statements filed by private property managers under the Protection of Personal and Property Rights Act. We receive funding from the Ministry of Justice for these services.

We are also required, in some instances, to act as trustee of last resort and provide fiduciary services to individuals when there is no other provider or when their needs are unlikely to be met by private sector trustee organisations.

## Corporate Trustee Services

Public Trust has a specialised corporate trustee team that supervises a number of New Zealand businesses to help ensure consumer and investor trust in the financial system.

Licensed under the Financial Markets Supervisors Act 2011, we supervise more than \$90 billion – monitoring and protecting the collective interests of investors in KiwiSaver schemes, managed investment schemes, superannuation schemes and public debt issues – and act as a statutory supervisor for retirement villages.

We also act as corporate trustee in a number of structured finance, securitisation of assets and wholesale funds by holding assets in trust in accordance with trust deeds.

Public Trust also has a specialised custodial services team providing custody services for a range of clients including managed investment schemes, tax pooling agents, retirement villages and trusts.

## Our role in protecting New Zealand's retirement savings

Public Trust currently supervises eight KiwiSaver scheme providers and 11 superannuation scheme providers with approximately \$22.5 billion of assets under management.

# Continuing our strategic direction

Over the past 5 years, Public Trust has undertaken major transformational change to ensure we are set up to help more Kiwis be better prepared and protected.

We have invested significantly in our business and our people and have delivered the first phase of our business plan.

With strong foundations now in place, a clear vision and purpose and big ambitions for the kind of role we can play in New Zealand in years to come, our focus is now on bringing to life a great experience for our customers and building a strong and enduring trustee services business.



# Delivering on our strategy

Our four strategic goals are critical to ensuring we are able to deliver on our vision and purpose.

1

## To be relevant to every customer

Our goal is to make it easy for New Zealanders to seek out service, education and advice from Public Trust, which helps them protect their family and assets now and into the future.

With modern IT systems now in place and significant government investment in New Zealand's broadband network, we want to find better ways to connect with all New Zealanders and remove any barriers from seeking service from us.

Our intention is to:

- improve our customer experience so we become New Zealand's first-choice trustee service provider
- create a multi-channel experience to provide customers with more choice and convenience
- lift our customer engagement to help establish life-long relationships that ensure our customers' needs continue to be met as their circumstances, the law or tax regimes change.

We will be proactive in focusing on what matters most to customers and use customer insights to inform our decisions so that we can strengthen our advocacy amongst New Zealanders.

2

## Positively impacting New Zealanders' lives

We are very clear on the ways in which Public Trust can help build a stronger New Zealand.

Our intention is to:

- partner with Kiwi families to ensure they have the right level of preparedness and protection in place
- support New Zealand's ageing population to stay in their homes for longer through services like Personal Assist
- continue to support charitable gifting and help facilitate social responsibility in the communities around us
- ensure consumer and investor trust in the financial system through our corporate trustee supervisory work and our prudent investing strategies.

We will continue to seek out opportunities to engage with our communities to educate New Zealanders on the importance of estate planning and the steps that they should take to protect their families and assets.

### 3

## Continue to invest in our people

As a service business, the expertise and empathy of our people is critical to our success. In order to deliver on our goals, we aim to attract and support great people to deliver first-class trustee services to New Zealand.

To enable this, our intention is to:

- embed a high performing, customer centred culture;
- invest in developing our leaders;
- continue our focus on learning and development to help our people build their capability and expand their careers; and
- take good care of our people through our proactive health, safety and wellbeing programme.

We are an empathetic business that cares about our customers' needs and our people. We are committed to living up to our Māori name, Te Tari Tiaki Iwi – the organisation that takes care of people.

### 4

## Focus on financial strength

In order to deliver on our ambitions for our business, customers and communities, we need to ensure we continue to build a strong and enduring Public Trust. Growing our business has been a key focus over the past 5 years, and as a result, we have provided positive financial results for our shareholder.

To ensure our ongoing financial strength, our intention is to:

- focus on smarter systems and processes to further enhance productivity
- deliver new growth strategies
- sustain our investment in our people and business
- manage and consistently deliver our financial targets
- be prudent in our Common Fund investment decisions to ensure the government guarantee is managed within Ministers' expectations
- provide a dividend stream to the government when possible.

Strong financial performance will allow Public Trust to continue to seek out ways to improve our customer experience and make our services available for more New Zealanders.



# Assessing our performance

We use a range of measures to ensure that we are on track to meet our strategic goals.

Goal	What success looks like
To be relevant to every customer	<ul style="list-style-type: none"><li>Customer retention</li><li>New customer growth in estate administration</li><li>Increase in Net Promoter Score</li><li>Increase in number of website visits</li></ul>
Positively impacting New Zealanders' lives	<ul style="list-style-type: none"><li>Number of customers helped under Ministry of Justice contract</li><li>KiwiSaver assets under management</li><li>Number of new wills and EPAs entered into each year</li></ul>
Continue to invest in our people	<ul style="list-style-type: none"><li>Number of employees certified via our capability framework</li><li>Reduction in total recordable injuries frequency rate</li></ul>
Focus on financial strength	<ul style="list-style-type: none"><li>Revenue growth</li><li>Increase productivity</li></ul>

# Health and safety

Our Māori name is Te Tari Tiaki Iwi - the organisation that takes care of people. Our health, safety and wellbeing vision is to live up to this name by promoting a positive culture that prioritises the health, safety and wellbeing of our people.

Our health, safety and wellbeing plan, which has been agreed by the Executive Team and Board, focuses on three key elements:

- 1. Culture and capability** – creating a safe working environment where our people are empowered to take action and be responsible for their own health, safety and wellbeing and that of others.
- 2. Smart systems and processes** – we have appropriate systems, processes and policies in place to enable and support safe and healthy work practices.
- 3. Strong risk frameworks** – health, safety and wellbeing risks are effectively managed and robust monitoring is in place.

This plan is supported by leader-led health, safety and wellbeing initiatives across our business. The success of this plan will be measured by a reduction over time of harm and ill health suffered in relation to work activities. To monitor our performance, we report to the Board and Executive Team.

# A great place to work

Our ability to deliver our strategic goals depends on our culture and the capability of our people. At Public Trust, we are committed to creating an inclusive and safe working environment where our people are proud to be part of the team and supported to deliver great customer experiences and outcomes. To do this, we are focused on ensuring our leaders have the capability and motivation to develop and nurture high-performing, customer-focused teams.

We have a number of workplace policies and practices that help us achieve this, including:

- impartial and transparent recruitment
- transparent recruitment policies that encourage equal opportunity

- employing capable and highly engaged people
- flexible working options
- learning opportunities to lift our people's abilities and career options
- leadership development to promote a high-performing customer-focused culture
- recognition of the aims, employment requirements and involvement of Māori and other ethnic and minority groups.

As part of our Annual Report, we will continue to report our achievement of outcomes relating to our people.



# Strong risk frameworks

## Managing risk

Managing and mitigating risk helps us to achieve our strategic goals and drive operational excellence.

Public Trust has a comprehensive risk framework that follows the three lines of defence model to manage and monitor risk, compliance and conduct across the business. The framework provides our Board and Executive Team with regular reporting of all significant strategic and operational risks.

Our risk management policy and compliance assurance programme detail the processes and procedures for the management of all business risk and compliance obligations at Public Trust. We operate within a comprehensive financial risk management framework that covers credit, liquidity, market and operational risks.

While the risks that our business may face are constantly evolving, we have identified the following key risks, which are detailed below with their respective mitigants.

## Financial performance

**Risk:** That our revenue projections included in the Statement of Performance Expectations 2019–2020 cannot be achieved as there may be regulatory changes and/or market fluctuations that negatively impact financial performance.

**Mitigant:** We will continue to focus on growing our revenue opportunities, improving our operational efficiency and positioning our people for success through training and change management support.

## Maintaining relevance

**Risk:** That our products and services do not meet the changing needs and/or expectations of all New Zealanders.

**Mitigant:** Ensuring we understand the needs of our current and future customers with respect to the range and delivery of products and services so that we can align our offering, customer experience and channel strategies to meet those needs.

## Delivering enterprise change

**Risk:** That we do not deliver the enterprise change expected due to misalignment of projects or failure to create an appropriate culture.

**Mitigant:** Ensuring that rigorous project governance is in place and our leaders are aligned around the expected outcomes and behaviours within the organisation.

# Our commercial valuation

The current commercial value of the Crown's investment in Public Trust is estimated at \$80.9 million, calculated on a value in use basis and prepared on 1 April 2019 with a valuation date of 30 June 2019. The value in use basis does not necessarily represent what a buyer would pay, as they would also consider our business plan, capital requirements and any implications relating to the availability of the government guarantee on the Common Fund.

A discounted cash flow methodology was used to calculate a net present value of the Public Trust Group, including all subsidiaries, on an after-tax basis. This methodology is based on the nominal future cash flows for separate business units as set out in Public Trust's 5-year business plan, with forward projections made for years 6 through 10. A terminal value is calculated after normalising the cash flow in the final year of the projection period for tax and depreciation and then a growth rate of 1.5% is applied.

The cost of capital components have been updated, and the overall discount rate for this valuation was calculated at 9.50% (this was 10.57% in 2016). The valuation was prepared by Public Trust's finance team, and the methodology and calculations were externally peer reviewed before approval by the Board. The valuation includes the benefit to the Crown of Public Trust's cumulative tax losses.

The current commercial valuation is summarised and compared with the previous valuation below:

Commercial value – 2019 compared to 2016	Actual 2019 (\$M)	Actual 2016 (\$M)
Discount rate	9.50%	10.57%
Commercial valuation	\$76.3m	\$64.3m
Adjustment for change in discount rate*	\$4.6m	\$5.8m
Comparative commercial value	\$80.9m	\$70.1m

Notes:

1. A commercial valuation was not prepared for the 2017 and 2018 financial years. The 2016 commercial valuation is the latest for comparative purposes.
2. The following points should be noted in relation to this commercial valuation:
  - Cash flows used for valuation purposes assume the Crown statutory guarantee on the Common Fund is maintained.
  - The valuation includes the benefit to the Crown of Public Trust's cumulative tax losses (it is unlikely that these could be utilised by a purchaser).

\* The discount rate weightings to calculate this adjustment have been based on 2019's business unit cash flow forecasts.

## Registered office

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