

VOTE

Government

Superannuation

Fund

Government Superannuation Fund

Overview

Appropriations sought for Vote Government Superannuation Fund in 2000/2001 total \$692.083 million excluding the movement in the unfunded liability. This is intended to be spent as follows:

- \$5.728 million (0.8% of the Vote) on purchasing superintendent, investment management and contract monitoring services from the Ministry of Economic Development.
- \$3.167 million (0.5% of the Vote) on purchasing schemes administration services from non-departmental providers.
- \$683.188 million (98.7% of the Vote) representing the Crown's share of benefit expenses payable to the Fund.
- Movement in the unfunded liability of \$110.534 million reflecting an actuarial review using Fund data as at 31 December 1999.

The Ministry of Economic Development expects to collect \$93.590 million of Crown revenue in 2000/2001, which is the "notional employer subsidy" from contributors' specified employers.

Details of how the appropriations are to be applied appear in Parts B1, C and D of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

Act	Government Superannuation Fund Act 1956 and its amendments
Fund	Government Superannuation Fund
GSF	Government Superannuation Fund
GSF Schemes	The Government Service Superannuation Scheme, the New Government Service Superannuation Scheme, Superannuation of Members of the Armed Forces, Judges and Solicitor-General Scheme, and the Masters, Parliamentary, Police and Prison Service Schemes constituted under the Act
Unfunded Liabilities	An actuarial estimate of the GSF schemes benefits payments less the amount expected to be available from the Fund to meet those benefits

Footnotes

Note 1	Not applicable as Crown revenue is not appropriated.
Note 2	All appropriations are GST exempt.
Note 3	Expenses incurred pursuant to section 33 of the Superannuation Schemes Act 1989.
Note 4	Expenses incurred pursuant to section 95(1) of the Act.
Note 5	Expenses incurred pursuant to section 81W(2) of the Act.
Note 6	Expenses incurred pursuant to section 88(2) of the Act.
Note 7	Expenses incurred pursuant to section 95 AA of the Act.

Government Superannuation Fund

VOTE MINISTER: Minister Responsible for the Government Superannuation Fund
ADMINISTERING DEPARTMENT: Ministry of Economic Development
The Minister for Economic Development is the Responsible Minister for the Ministry of Economic Development

Part A - Statement of Objectives and Trends

A1 - Objectives for Vote Government Superannuation Fund

Related Government Outcomes

The services to be purchased under Vote Government Superannuation Fund (GSF) will contribute to the Government's Key Goals, primarily in the area of:

Growing an inclusive, innovative economy for the benefit of all by ensuring that the Crown's contractual and statutory obligations to members of the GSF Schemes are being met and by minimising the Crown's liability through implementation of the investment guidelines established, effective and efficient schemes' administration, and achievement of income targets.

Output Classes

Outputs purchased from the Ministry of Economic Development (MED) will contribute to the Government's objectives in the area of prudent management of fiscal and business risks and effective control over public money.

The appropriations are intended to fund activities, which fall into the following broad areas:

- Management of the Government Superannuation Fund.

Provision of high quality policy advice to the Minister, maximising the value of the Fund's assets within the investment guidelines determined by the Minister, effective management of the schemes' administration contract, the prudent exercise of the Superintendent's discretionary powers under the Act and by developing an improved framework for the delivery of services to all clients.

- Administration of the GSF Schemes

Ensuring that benefits are correctly calculated, paid on time and paid only to those who are entitled. Contributions from contributors and their employers must be correctly assessed and collected.

A2 - Trends in Vote Government Superannuation Fund

Output Expenses

Schemes administration was outsourced to the non-governmental service provider, National Mutual Corporate Superannuation Services, now known as AXA New Zealand, in 1995/96 and the Ministry of Commerce, now the Ministry of Economic Development, became responsible for GSF's residual functions in 1997/98.

The increase in the 1998/99 baseline results from a review of GSF's departmental baseline following the transfer of the Government Superannuation Fund Department's residual functions to the Ministry.

One-off increases were made in 1999/00 and 2000/01 to refund the Government Superannuation Fund for expenses that were previously appropriated and directly recovered from the Fund between 1990 and 1998. It has been confirmed that the practice of recovering GSF output operating expenditure from the Fund was not consistent with the Government Superannuation Fund Act 1956 and these increases in funding refunds the Fund for these expenses.

Benefits and Other Unrequited Expenses

Fluctuations in Benefits and Other Unrequited Expenses are largely due to the movement in unfunded liabilities. The unfunded liability for a particular year is determined with reference to appropriate demographic and financial assumptions adopted by the Government Actuary in the relevant examination of the GSF.

Crown Revenue

The constant decrease in Crown Revenue and Receipts is due to the reduction in the number of contributing members of the GSF, the lower rate of employer contributions following the actuarial valuation of the GSF at 30 June 1997 and an increase in the number of specified employers whose activities are not funded from public money.

Strategic Issues

The key activity for 2000/2001 is to implement the Government's decision to change the governance of the GSF and to permit the Fund to invest in a wider range of financial instruments, including overseas equities. This requires an amendment to the Act and a controlled transition from the present asset allocation.

Trends in Vote Government Superannuation Fund - Summary of Appropriations and Crown Revenue

Types of Appropriation	1995/96						1996/97		1997/98		1998/99		1999/2000			2000/01 Appropriations to be Used						
	Actual \$000		Actual \$000		Actual \$000		Actual \$000		Actual \$000		Actual \$000		Budget \$000		Estimated Actual \$000		By the Department Administering the Vote		For Non-Departmental Transactions			
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	
Operating Flows																						
Classes of Outputs to be Supplied	5,895	5,851	6,859	6,543	6,562	6,562	6,562	6,562	6,562	6,562	6,562	6,562	6,562	6,562	6,562	6,562	-	3,167	-	-	8,895	
Benefits and Other Unrequited Expenses	1,008,932	749,754	493,064	1,130,996	593,139	593,139	593,139	593,139	593,139	593,139	593,139	593,139	593,139	593,139	593,139	593,139	-	-	793,722	-	793,722	
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Flows																						
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	-	-	-	-
Total Appropriations	1,014,827	755,605	499,923	1,137,539	599,701	599,701	599,701	599,701	599,701	599,701	599,701	599,701	599,701	599,701	599,701	599,701	5,728	-	3,167	793,722	802,617	
Total Crown Revenue and Receipts (see note 1)	191,219	183,190	174,648	126,358	120,040	120,040	120,040	120,040	120,040	120,040	120,040	120,040	120,040	120,040	120,040	120,040	N/A	N/A	N/A	N/A	93,590	

Part B - Statement of Appropriations

Part B1 - Details of 2000/2001 Appropriations (see note 2)

Appropriations	1999/2000				2000/01		Description of 2000/01 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)							
D1 Management of the Government Superannuation Fund	3,395	-	3,395	-	5,728	-	This output class provides services including the purchase of policy advice, ministerial servicing, investment management, contract management and statutory decision-making in respect of the GSF Schemes. It also allows for the refund of previous recoveries for expenses recovered from the Fund that were not consistent with the GSF Act.
Total Appropriations for Departmental Output Classes (Mode B Gross)	3,395	-	3,395	-	5,728	-	Refer to Part C1 for a full description.
Non-Departmental Output Classes							
O1 Administration of the GSF Schemes	3,167	-	3,167	-	3,167	-	This output class provides schemes' administration services from other parties.
Total Appropriations for Non-Departmental Output Classes	3,167	-	3,167	-	3,167	-	Refer to Part C2 for a full description.
Benefits and Other Unrequited Expenses							
New Zealand Superannuation Corporation Annuities (see note 3)	-	444	-	444	-	423	Payment of annuities and related expenses payable by the New Zealand Superannuation Corporation Scheme, which was abolished in December 1975.
Subsidy to Government Superannuation Fund (see note 4)	-	651,952	-	651,952	-	667,996	Payment of the shortfall in benefits (including specified superannuation contribution withholding tax) paid to beneficiaries of the GSF Schemes.

Part B1 - Details of 2000/2001 Appropriations (continued)

	1999/2000			2000/01		
	Vote		Estimated Actual	Vote		Other \$000
	Annual \$000	Other \$000		Annual \$000	Other \$000	
Appropriations			Annual \$000	Other \$000	Annual \$000	Other \$000
Benefits and Other Unrequited Expenses – cont'd						
Subsidy to Judges' Superannuation Account (see note 5)	-	10,090	-	10,090	-	11,009
Subsidy to Parliamentary Superannuation Account (see note 6)	-	4,401	-	4,401	-	3,760
Unfunded Liability Movement (see note 7)	-	(73,748)	-	(168,748)	-	110,534
Total Appropriations for Benefits and Other Unrequited Expenses	-	593,139	-	498,139	-	793,722
Total Appropriations	6,562	593,139	6,562	498,139	8,895	793,722

Description of 2000/01 Appropriations

Payment of the shortfall in benefits (including specified superannuation contribution withholding tax) paid to beneficiaries of the Judges' Schemes.

Payment of the shortfall in benefits (including specified superannuation contribution withholding tax) paid to beneficiaries of the Parliamentary Schemes.

The 2000/01 unfunded liability movement was determined by an actuarial review based on data as at 31 December 1999. The expense represents a movement in the amount by which the estimated liability, in respect of past service to 30 June 2001, varies from the estimated value of assets in the Fund available to meet future benefit payments.

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

For more detailed analysis of Departmental output classes, including financial and non-financial performance measures, please refer to the 2000/2001 Ministry of Economic Development Departmental Forecast report (DFR).

Output Class D1 - Management of the Government Superannuation Fund

The Minister will purchase superintendent services, investment management and scheme management services for the Government Superannuation Fund (GSF).

Outputs in this class are:

- Policy advice on the operation of the GSF
- Exercise of the statutory powers of the Superintendent of the GSF
- Management of the contract between the Crown and the Administrator of the GSF schemes; and
- Management of the investment and custody of the portfolio of the GSF.

A key activity for 2000/2001 is to implement the Government's decision to change the governance of the GSF and to extend the range of financial instruments that the GSF may invest in.

Part C2 - Non-Departmental Output Classes

Output Class O1 - Administration of the GSF Schemes

Description

This output class provides administrative services for the GSF Schemes. Outputs delivered under this class include:

- Contribution management
- Maintenance of membership data
- Provision of estimates of benefit entitlements
- Benefit assessment and payments.

Provider

National Mutual Corporate Superannuation Services Ltd, now known as AXA New Zealand.

Quantity, quality, timeliness and cost

The Minister will expect outputs to be delivered according to the contract negotiated by the parties and the agreed performance measures. This output class is subject to the reporting requirements of section 32A of the Public Finance Act 1989.

Cost

This output is a GST-exempt supply.

2000/01	Total output class to cost	\$3,167,000
1999/00	Total output class to cost	\$3,167,000

Part D - Explanation of Appropriations for Other Operating Flows

Part D1 - Benefits and Other Unrequited Expenses

The Ministry is responsible for ensuring that sufficient public money is transferred to the Fund to enable the costs of the GSF benefits, as defined in the Act, to be met, and that the related specified superannuation withholding tax is paid. The authority is specified in sections 81W(2), 88(2), and 95(1) of the Act. Section 95AA of the Act establishes the authority for the Crown to incur expenses related to its liability without further appropriation than this section.

Under delegated authority from the Treasury, the Ministry is responsible for paying from public money all expenditures related to benefit payments to the beneficiaries of the now-defunct New Zealand Superannuation Corporation's New Zealand Superannuation Scheme. The authority is specified in section 33 of the Superannuation Schemes Act 1989.

Part D2 - Borrowing Expenses

There is no appropriation for Borrowing Expenses.

Part D3 - Other Expenses

There is no appropriation for Other Expenses.

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital Contributions

There is no appropriation for Capital Contributions.

Part E2 - Purchase or Development of Capital Assets by the Crown

There is no appropriation for Purchase or Development of Capital Assets by the Crown.

Part E3 - Repayment of Debt

There is no appropriation for Repayment of Debt.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	1999/2000		2000/01		Description of 2000/01 Crown Revenue
	Budgeted \$'000	Estimated Actual \$'000	Budget \$'000		
Current Revenue					
Non-Tax Revenue					
Employers' Superannuation Contribution	120,040	98,000	93,590	93,590	The notional subsidy payable by specified employers on the superable salary of staff who are members of the Fund.
Total Non-Tax Revenue	120,040	98,000	93,590	93,590	
Total Current Revenue	120,040	98,000	93,590	93,590	
Total Crown Revenue and Receipts	120,040	98,000	93,590	93,590	

