

VOTE Government Superannuation Fund

VOTE Government Superannuation Fund

OVERVIEW

Appropriations sought for Vote Government Superannuation Fund in 1999/2000 total \$671.905 million excluding the reduction in the unfunded liability. This is intended to be spent as follows:

- \$3.145 million (0.47% of the Vote) on purchasing superintendent, investment and contract monitoring services from the Ministry.
- \$3.167 million (0.47% of the Vote) on purchasing schemes administration services from non-departmental providers.
- \$665.593 million (99.06% of the Vote) representing the Crown's share of benefit expenses payable to the Fund.
- A decrease in the unfunded liability of \$12.905 million reflecting an actuarial review using Fund data as at 31 December 1998.

The Ministry of Commerce expects to collect \$94.989 million of Crown revenue in 1999/2000, 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	<i>Government Superannuation Fund Act 1956 and its amendments</i>
Fund	<i>Government Superannuation Fund</i>
GSF	<i>Government Superannuation Fund</i>
GSF Schemes	<i>The Old and New General Schemes, the Police Scheme, Prison Officers' Scheme, Judges' Scheme, Masters' Scheme, Parliamentary Scheme and Armed Forces' Scheme established by the Act</i>
Unfunded liabilities	<i>An actuarial estimate of the defined benefit payments less the amount expected to be available from the Fund to meet those benefits</i>

Footnotes

Note 1	<i>Not applicable as Crown revenue is not appropriated.</i>
Note 2	<i>All appropriations are GST exempt.</i>
Note 3	<i>Expenses incurred pursuant to section 33 of the Superannuation Schemes Act 1989.</i>
Note 4	<i>Expenses incurred pursuant to section 95(1) of the Act.</i>
Note 5	<i>Expenses incurred pursuant to section 81W(2) of the Act.</i>
Note 6	<i>Expenses incurred pursuant to section 88(2) of the Act.</i>
Note 7	<i>Expenses incurred pursuant to section 95 AA of the Act.</i>
Note 8	<i>The range is (1) not satisfactory, (2) fell short of expectations, (3) satisfactory, (4) met expectations, (5) fully met expectations.</i>

VOTE Government Superannuation Fund

VOTE MINISTER: MINISTER RESPONSIBLE FOR THE GOVERNMENT SUPERANNUATION FUND

ADMINISTERING DEPARTMENT: MINISTRY OF COMMERCE

The Minister for Enterprise and Commerce is the Responsible Minister for the Ministry of Commerce

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote Government Superannuation Fund

Related Government Outcomes

The appropriations sought for Vote Government Superannuation Fund (GSF) will contribute to:

- ensuring that the Crown's contractual and statutory obligations to members of the GSF Schemes are being met
- minimising the Crown's liability through implementation of the investment guidelines established, effective and efficient schemes' administration, and achievement of income targets.

To achieve these objectives, the appropriations are intended to fund a range of activities under the output classes:

- Management of the Government Superannuation Fund.
- Administration of the GSF Schemes.

Links Between the Classes and the Government's Outcomes

The links between the Government's strategic objectives and the classes of outputs being purchased under Vote GSF are:

Output Classes	Related Outcomes
Management of the Government Superannuation Fund	<p>Contributes to the Government's objectives in the area of prudent management of fiscal and business risks and effective control over public money. This is achieved by:</p> <ul style="list-style-type: none"> • the 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

Output Classes	Related Outcomes
	<ul style="list-style-type: none"> • prudent exercise of the Superintendent's discretionary powers under the Act • developing an improved framework for the delivery of services to all clients.
Administration of the GSF Schemes	Contributes to the Government's objectives in the area of prudent management of fiscal and business risks and effective control over public expenditure. This is achieved by 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.

Part A2 - Trends in Vote Government Superannuation Fund

Output Expenses

Fluctuations in the cost of outputs the GSF supplies reflects the impact of restructuring its activities. Schemes administration was outsourced to the non-governmental service provider, National Mutual Corporate Superannuation Services in 1995/96 and the Ministry of Commerce 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 of Commerce.

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 largely due to the reduction of membership of the GSF, the lower rate of employer contributions following the actuarial valuation of the GSF at 30 June 1997 and the increasing number of specified employers whose activities are not funded from public money.

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

Types of Appropriation	1994/95	1995/96	1996/97	1997/98	1998/99		1999/00 Appropriations to be Used				
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000	
Operating Flows											
Classes of Outputs to be Supplied	5,391	5,895	5,851	6,859	6,662	6,621	3,145	-	3,167	-	6,312
Benefits and Other Unrequited Expenses	649,652	1,008,932	749,754	493,064	470,892	470,879	-	-	-	652,688	652,688
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-
Capital Flows											
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-
Total Appropriations	655,043	1,014,827	755,605	499,923	477,554	477,500	3,145	-	3,167	652,688	659,000
Total Crown Revenue and Receipts (see note 1)	196,275	191,219	183,190	174,648	119,200	119,200	N/A	N/A	N/A	N/A	94,989

Part B - Statement of Appropriations

Part B1 - Details of 1999/2000 Appropriations (see note 2)

	1998/99				1999/00		Description of 1999/00 Appropriations
	Vote		Estimated Actual		Vote		
Appropriations	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	3,495	-	3,454	-	3,145	-	- 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.
Total Appropriations for Departmental Output Classes (Mode B Gross)	3,495	-	3,454	-	3,145	-	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)	-	463	-	450	-	444	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)	-	674,693	-	674,693	-	651,400	Payment of the shortfall in benefits (including specified superannuation contribution withholding tax) paid to beneficiaries of the GSF Schemes.
Subsidy to Judges' Superannuation Account (see note 5)	-	9,548	-	9,548	-	9,410	Payment of the shortfall in benefits (including specified superannuation contribution withholding tax) paid to beneficiaries of the Judges' Schemes.
Subsidy to Parliamentary Superannuation Account (see note 6)	-	3,573	-	3,573	-	4,339	Payment of the shortfall in benefits (including specified superannuation contribution withholding tax) paid to beneficiaries of the Parliamentary Schemes.
Unfunded Liability Movement (see note 7)	-	(217,385)	-	(217,385)	-	(12,905)	The 1999/00 unfunded liability movement was determined by an actuarial review based on data as at 31 December 1998. The negative expense represents a decrease in the amount by which the estimated liability, in respect of past service to 30 June 2000, exceeds the estimated value of assets in the Fund available to meet future benefit payments.
Total Appropriations for Benefits and Other Unrequited Expenses	-	470,892	-	470,879	-	652,688	Refer to Part D1 for a full description.
Total Appropriations	6,662	470,892	6,621	470,879	6,312	652,688	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

Output Class D1 - Management of the Government Superannuation Fund

Description

This class of output involves the purchase of superintendent, investment management and scheme management services for the GSF. Outputs to be delivered under this class include:

- policy advice on the operation of the Government Superannuation Schemes
- the exercise of the statutory powers of the Superintendent of the GSF
- management of the investment and custody of the assets of the GSF
- management of the contract between the Crown and the Administrator of the Government Superannuation Schemes.

Quantity, quality, timeliness and cost

Performance Measures	1999/00 Performance Standards
<p><i>Policy advice</i></p> <p>Quantity</p> <p><i>Work programme</i></p> <p>Policy advice and briefings will be delivered in accordance with the prioritised requirements of a work programme negotiated with the Minister.</p>	<p>Delivery of policy advice in accordance with the terms of the work programme agreed with the Minister.</p>
<p><i>Coverage</i></p> <p>Provision of a comprehensive service which has the capacity:</p> <ul style="list-style-type: none"> • to react promptly • to offer timely and relevant briefings on significant issues • to give ministerial services and support as required. 	<p>The Minister's feedback (see note 8) is within the range (4) "met expectations" to (5) "fully met" in the quarterly review of the Ministry's performance.</p>

Performance Measures	1999/00 Performance Standards
<p data-bbox="225 275 316 304"><u>Quality</u></p> <p data-bbox="225 338 766 443">The Ministry's policy framework provides that advice has the following quality characteristics:</p> <ul data-bbox="225 479 766 1760" style="list-style-type: none"> <li data-bbox="225 479 766 584">• Purpose - the aim of the advice is clearly stated and it answers the questions set <li data-bbox="225 620 766 725">• Logic - the assumptions behind the advice are explicit and the argument is logical and supported by the facts <li data-bbox="225 761 766 866">• Accuracy - the facts in the papers are accurate and all material facts are included <li data-bbox="225 902 766 1081">• Options - an adequate range of options is presented and the benefits, costs and consequences of each option to the Government and the community are assessed <li data-bbox="225 1117 766 1296">• Consultation - the Ministry has consulted with other government agencies and other affected parties and possible objections to proposals are identified <li data-bbox="225 1332 766 1473">• Practicality - the problems of implementation, technical feasibility, timing and consistency with other policies have been considered <li data-bbox="225 1509 766 1760">• Presentation - the format meets Cabinet Office requirements; the material is effectively, concisely and clearly presented, has short sentences in plain English and is free of spelling or grammatical errors. 	<p data-bbox="796 331 1308 479">The Minister's feedback (see note 8) is within the range (4) "met expectations" to (5) "fully met" in the quarterly review of the Ministry's performance.</p>
<p data-bbox="225 1798 766 1901">Ministerial servicing in the form of letters and parliamentary questions is undertaken as required by the Minister.</p>	<p data-bbox="796 1798 1334 1861">An acceptance rate of 100% is achieved in respect of first drafts.</p>

Performance Measures	1999/00 Performance Standards
<p><u>Timeliness</u></p> <p>All reports and verbal advice to the Minister are delivered within the timeframes required by, and agreed with, the Minister.</p> <p>Draft ministerial correspondence is submitted to the Minister within 10 working days of receipt in the Ministry.</p> <p>Where only an interim reply is possible a final reply shall be provided within the following timeframes.</p>	<p>100%</p> <p>100%</p> <ul style="list-style-type: none"> • 90% within 20 working days of the original receipt in the Ministry • 100% within 30 days of receipt in the Ministry.
<p><i>Investment management</i></p> <p><u>Quantity</u></p> <p>All GSF assets, valued at \$3.5 billion, invested in accordance with the Minister's investment policies.</p>	<p>100% compliance at Investment Committee Review.</p>
<p><u>Quality</u></p> <p>The return achieved on Fund assets.</p>	<p>Meet or exceed the relevant agreed industry benchmarks.</p>
<p><u>Timeliness</u></p> <p>Six-monthly reports on compliance and performance submitted to the Minister.</p>	<p>By 20 October 1999 and 20 February 2000.</p>
<p><i>Exercise of statutory powers</i></p> <p><u>Quantity</u></p> <p>All cases referred to the Superintendent for determination by the Schemes' Administrator.</p>	<p>Demand driven; it is estimated that 700 cases will be dealt with.</p>
<p><u>Quality</u></p> <p>Compliance with the Act and Regulations, and with published policies.</p>	<p>All decisions referred to Appeals Board upheld.</p>
<p><u>Timeliness</u></p> <p>Cases referred to the Superintendent.</p>	<ul style="list-style-type: none"> • 90% determined within 5 working days of receipt • 100% determined within 30 days of receipt.

Performance Measures	1999/00 Performance Standards
<p><i>Contract management</i></p> <p><u>Quantity</u></p> <p>Comprehensive management of the administration contract.</p>	All contractual requirements met as evidenced in monthly and quarterly reports.
<p><u>Quality</u></p> <p>Ensuring compliance by the Schemes' Administrator with contractual provisions.</p>	Performance report required by section 32A of the Public Finance Act 1989 gives an unqualified audit opinion.
<p><u>Timeliness</u></p> <p>Advice to the Minister on non-compliance is timely.</p>	Within 5 working days.

Cost

This output class will cost \$3.145 million (GST exempt).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1999/00	3,145	3,145	3,145	1,283	1,862
1998/99	3,495	3,495	3,495	1,086	2,409

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.

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.

Year		Cost \$000
1999/00	Total output class to cost	3,167
1998/99	Total output class to cost	3,167

Part D - Explanation of Appropriations for Other Operating Flows

Part D1 - Benefits and Other Unrequited Expenses

As administrator of the Act, the Ministry is responsible for paying, from public money, the Government's subsidy (including withholding tax) to beneficiaries of the GSF Schemes established by the Act. 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 Part D2.

Part D3 - Other Expenses

There is no appropriation for Part D3.

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital Contributions

There is no appropriation for Part E1.

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

There is no appropriation for Part E2.

Part E3 - Repayment of Debt

There is no appropriation for Part E3.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	1998/99		1999/00	Description of 1999/00 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Current Revenue				
Non-Tax Revenue				
Employers' Superannuation Contribution	119,200	119,200	94,989	The notional subsidy payable by specified employers on the superable salary of staff who are members of the Fund.
Total Non-Tax Revenue	119,200	119,200	94,989	
Total Current Revenue	119,200	119,200	94,989	
Total Crown Revenue and Receipts	119,200	119,200	94,989	