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Report of the  
**Government  
Superannuation Fund  
Department**

for the year ended  
31 March 1990

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*Presented to the House of Representatives Pursuant to  
Section 30 of the State Sector Act 1988*

Price Code: 21—CY

## **POLICY OVERVIEW**

1989/90 was the Department's first full year of operation as an independent entity. The Department's operations have been dominated by the completion of two major reviews of the Government Superannuation Fund.

The first review resulted from the Government's changes to the taxation regime for superannuation funds. Under the new regime employer contributions are subject to withholding tax, funds' investment income is taxed, and all benefits are paid tax free. The introduction of this regime led to major changes in the pension benefits offered by the Government Superannuation Fund. These were given legislative form in the Government Superannuation Fund Amendment Act 1990 which received the Royal Assent on 1 April 1990.

The second review completed this year was an overall review by the Government of the way it provides superannuation for its employees. The outcome of this review was set out in a Supplementary Order Paper introduced to Parliament on 7 March 1990 and will have long term implications for the future operations of the Department. The Supplementary Order Paper proposed the closure of the Fund's voluntary General Scheme to new contributors from 1 July 1991. Chief Executives of Government departments and agencies would be able to establish new superannuation schemes under criteria set out and there would be provision for voluntary transfer from the Government Superannuation Fund to new schemes. At reporting date the Supplementary Order Paper was being considered by Parliament's Finance and Expenditure Committee.

Regardless of its long term future the Department's present role remains to fulfill its purpose and the outcomes set for it by the Government. The report on these follows:

## **PURPOSE STATEMENT**

The purpose of the Department is to manage, in a cost effective manner, schemes constituted under the Government Superannuation Fund Act 1956.

## **OUTCOME STATEMENTS**

### **Policy Advice**

This outcome produces superannuation schemes for state sector employees that reflect the Government's role as a good employer and its ability to attract and retain appropriate staff.

### **Investment Management**

This outcome results in the earnings of the Fund being maximised, consistent with the Crown's risk preferences, resulting in the least possible funding from the Crown.

### **Schemes Management**

This outcome results in superannuation schemes that enable the Government to attract and retain appropriate staff.

## OUTPUTS, OBJECTIVES AND SERVICE PERFORMANCE STATEMENT

### OUTPUT: POLICY ADVICE

This output provides policy advice on matters relating to the Government Superannuation Fund Act 1956 and matters affecting the Government Superannuation Fund, including advice and the criteria for management of its investments and the functions and administration of the Department.

#### Quality, Quantity and Cost of Policy Advice

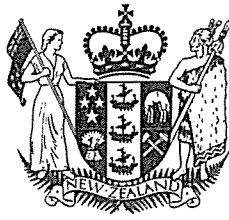
- 1 The Department aimed to provide advice on all matters affecting the existing superannuation arrangements of and for state sector employees.
- 2 The quality and nature of the advice to be provided was to be agreed with the Minister and the output provided by specified dates.
- 3 The policy advice will be provided within the appropriated sum of \$64,000.

During the year the Department worked closely with Mr Allan Archer of Mercer Campbell Cook and Knight, consulting actuaries, to arrive at satisfactory formulae to adjust existing pensions and future benefits to give effect to tax changes relating to superannuation. These consultations were completed and the results incorporated into the Government Superannuation Fund Amendment Act 1990 enabling the payment of tax free pensions from 1 April 1990.

Treasury engaged consulting actuaries to advise on changes to state sector superannuation provisions in keeping with principles established by the State Sector Act 1988 and the Public Finance Act 1989. The Department was involved in providing data and comment on recommendations. The result of this review was the subject of Ministerial announcements on the future of the Fund and provision of superannuation by Departments which were included in the Government Superannuation Fund Amendment Act (No 2) 1990 passed following budget night.

#### Output Statement of Revenue and Expenditure for period 1 April 1990 to 30 June 1990

					Actual \$	As per Estimates \$
Revenue from Crown	..	..	..	..	63,866	64,000
Expenditure—						
Personnel	..	..	..	..	21,970	20,000
Operating	..	..	..	..	41,824	43,000
Provisions	..	..	..	..	1,199	1,000
Total Expenditure	..	..	..	..	\$64,993	\$64,000
Deficit	..	..	..	..	\$1,127	-



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Report of the  
**GOVERNMENT  
SUPERANNUATION  
FUND DEPARTMENT**

for the half year ended  
31 December 1990

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*Presented to the House of Representatives Pursuant to  
Section 39 of the Public Finance Act 1989*

Price Code: 20—CY

**PURPOSE STATEMENT**

The purpose of the Department is to manage, in a cost effective manner, schemes constituted under the Government Superannuation Fund Act 1956.

**OUTCOME STATEMENTS****Policy Advice**

This outcome produces superannuation schemes for state sector employees that reflect the Government's role as a good employer and its ability to attract and retain appropriate staff.

**Investment Management**

This outcome results in the earnings of the Fund being maximised, consistent with the Crown's risk preferences, resulting in the least possible funding from the Crown.

**Schemes Management**

This outcome results in superannuation schemes that enable the Government to attract and retain appropriate staff.

**POLICY OVERVIEW**

In the July–December 1990 period the Department focussed primarily on the internal development of its systems and structures. As noted in the last annual report legislative finality had been reached in the then Government's state sector superannuation policy and the Department's concentration was on implementation rather than policy development.

Following the change of Government in October 1990 the Department fully briefed the incoming Government on all Government Superannuation Fund matters and has continued to assist it in its assessment of existing policy.

## **STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE**

### **OUTPUT: POLICY ADVICE**

This class of output provides policy advice on matters relating to the Government Superannuation Fund Act 1956 and matters affecting the Government Superannuation Fund, including advice and the criteria for management of its investments and the functions and administration of the Department.

### **MEASURES**

#### **Quality, Quantity and Cost of Policy Advice**

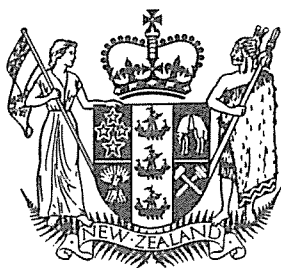
- 1 The Department will provide advice on all matters affecting the existing superannuation arrangements of and for state sector employees.
- 2 The quality and nature of the advice to be provided was to be agreed with the Minister and the output provided by specified dates.
- 3 The Policy Advice will be provided within the appropriated sum of \$253,000.

### **PERFORMANCE**

1. During the period the Department provided advice on request in respect of superannuation and related matters. Details of significant advice follow:

During the period the Department advised the Minister on matters arising from the decision to close the General Scheme from 1 July 1991. It advised on policy and devised procedures for the collection of subsidy from Departments from 1 July 1990 and issued instructions to Departments advising them of action to be taken resulting from the passing of the Government Superannuation Fund Amendment Act (No. 2) 1990. It prepared briefing papers on the Government Superannuation Fund and the Government Superannuation Fund Department for the incoming administration and the new Minister. A paper on recommendations to proceed with the development of a computerised contributor database and record keeping system was submitted to Cabinet and expenditure was approved to proceed with the second stage of this development.

2. The quality, nature and form of advice was agreed with the Minister. The Department, principally the Chief Executive, undertook sufficient internal review work over the quality of advice provided. No advice was received from the Minister that his required standards had not been met.



Report of the  
Government  
Superannuation Fund  
Department

for the year ended  
30 June 1991

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*Presented to the House of Representatives Pursuant to  
Section 30 of the State Sector Act 1988*

Price Code: 22—CY

## **PURPOSE STATEMENT**

The purpose of the Department is to manage, in a cost effective manner, schemes constituted under the Government Superannuation Fund Act 1956.

## **OUTCOME STATEMENTS**

### **Policy Advice**

This outcome produces superannuation schemes for state sector employees that reflect the Government's role as a good employer and its ability to attract and retain appropriate staff.

### **Investment Management**

This outcome results in the earnings of the Fund being maximised, consistent with the Crown's risk preferences, resulting in the least possible funding from the Crown.

### **Schemes Management**

This outcome results in superannuation schemes that enable the Government to attract and retain appropriate staff.

## **POLICY OVERVIEW**

In the 1990/91 year the Department focused primarily on the internal development of its systems and structures. As noted in the last annual report legislative finality had been reached in the then Government's state sector superannuation policy and the Department's concentration was on implementation rather than a policy development. This implementation has included the planning and introduction of systems to equip the Department to handle new statutory reporting requirements, the changed structure of state sector employers and to meet the service requirements of a modern superannuation fund manager.

Following the change of Government in October 1990 the Department fully briefed the incoming Government on all Government Superannuation Fund matters and has continued to assist in its assessment of existing policy which in general terms has not changed. There has however been timing changes — the Fund is to remain open to new members until 30 June 1992 — and reviews have been instituted to determine the effects of the extension of this policy to the compulsory schemes.



## **STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE**

### **OUTPUT: POLICY ADVICE**

This class of output provides policy advice on matters relating to the Government Superannuation Fund Act 1956 and matters affecting the Government Superannuation Fund, including advice and the criteria for management of its investments and the functions and administration of the Department.

### **MEASURES**

#### **Quality, Quantity and Cost of Policy Advice**

- 1 The Department will provide advice on matters affecting the existing superannuation arrangements of and for state sector employees.
- 2 The quality and nature of the advice to be provided was to be agreed with the Minister and the output provided by specified dates.
- 3 The Policy Advice will be provided within the appropriated sum of \$145,000 exclusive of GST.

### **PERFORMANCE**

1. During the period the Department provided advice on request in respect of superannuation and related matters. Details of significant advice follow:

During the period the Department advised the Minister on matters arising from the decision to close the General Scheme from 1 July 1991 and the subsequent postponement of this date to 1 July 1992. It advised on policy and devised procedures for the collection of subsidy from Departments from 1 July 1990 and issued instructions to Departments advising them of action to be taken resulting from the passing of the Government Superannuation Fund Amendment Acts (No. 2) 1990 and 1991. It prepared briefing papers on the Government Superannuation Fund and the Government Superannuation Fund Department for the incoming administration and the new Minister. A paper on recommendations to proceed with the development of a computerised contributor data base and record keeping system was submitted to Cabinet and expenditure was approved to proceed with the second stage of this development. Consultants were commissioned to report on an appropriate commercial charging structure for the Department's services and a report based on this work has been proposed for Treasury.

2. The quality, nature and form of advice was agreed with the Minister. The Department, principally the Chief Executive, undertook sufficient internal review work over the quality of advice provided. All requests for advice were met within stated time frames and the Minister's required standards were met as indicated by the lack of advice to the contrary.



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Report of the  
**GOVERNMENT  
SUPERANNUATION  
FUND DEPARTMENT**

for the half year ended  
31 December 1991

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*Presented to the House of Representatives Pursuant to  
Section 39 of the Public Finance Act 1989*

Price Code: 22—CY

**PURPOSE STATEMENT**

The purpose of the Department is to manage, in a cost effective manner, schemes constituted under the Government Superannuation Fund Act 1956.

**OUTCOME STATEMENTS****Policy Advice**

This outcome produces superannuation schemes for state sector employees that reflect the Government's role as a good employer and its ability to attract and retain appropriate staff.

**Investment Management**

This outcome results in the earnings of the Fund being maximised, consistent with the Crown's risk preferences, resulting in the least possible funding from the Crown.

**Schemes Management**

This outcome results in superannuation schemes that enable the Government to attract and retain appropriate staff.

**POLICY OVERVIEW**

In the six months under review the Department continued to focus on the internal development of its systems. Detailed planning and review of the proposed solutions that the Department's systems development offers have been carried out to ensure they properly identify the present shortcomings and that the solutions are appropriate and cost effective.

The Department is continuing to assist in planning for superannuation provision in the public sector that will replace the GSF.

## **STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE**

### **OUTPUT: POLICY ADVICE**

This class of output provides policy advice on matters relating to the Government Superannuation Fund Act 1956 and matters affecting the Government Superannuation Fund, including the criteria for management of its investments, the functions and administration of the Department and the Government's review of superannuation arrangements in the state sector.

#### ***Measures***

##### **Quality, Quantity and Cost of Policy Advice**

1. The Department will provide advice on matters affecting the existing superannuation arrangements of and for state sector employees.
2. The quality and nature of the advice to be provided was to be agreed with the Minister and the output provided by specified dates.
3. The Policy Advice will be provided within the appropriated sum of \$118,000 exclusive of GST.

#### ***Performance***

1. During the period the Department provided advice on request in respect of superannuation and related matters. Details of significant advice were given as follows:

In the six months ended 31 December 1991 the Department advised the Minister and a committee of officials on matters related to the closure of the compulsory schemes, the replacement of these and the general scheme with a series of individually tailored schemes for each employer and option regarding the form this may take. The Department commissioned a report by consulting actuaries on ruling New Zealand rates for schemes management and their possible application to GSF and advised that GSF systems were not sufficiently developed for it to implement such charges. A further paper was submitted to Cabinet for a capital injection to complete stage III of systems development. The decision on this has yet to be made.

2. The quality, nature and form of advice was agreed with the Minister. The Department, principally the Acting Chief Executive, undertook sufficient internal review work over the quality of advice provided. All requests for advice were met within stated time frames and the Minister's required standards were met as indicated by lack of advice to the contrary.



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Report of the  
**Government  
Superannuation Fund  
Department**

for the year ended  
30 June 1992

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*Presented to the House of Representatives Pursuant to  
Section 30 of the State Sector Act 1988*

Price Code: 23—CY

## **PURPOSE STATEMENT**

The purpose of the Government Superannuation Fund Department (**the Department**) is to manage, in a cost effective manner, schemes constituted under the Government Superannuation Fund Act 1956 (**the Act**) and to provide advice to the Government on matters related to that Act.

## **OUTCOME STATEMENTS**

### **Policy Advice**

This outcome produces sound high quality advice on superannuation matters affecting the Government Superannuation Fund (**the Fund**).

### **Investment Management**

This outcome results in the earnings of the Fund being maximised, consistent with the Crown's risk preferences, resulting in the least possible funding from the Crown.

### **Schemes Management**

This output results in the efficient management of superannuation schemes for state sector employees in a way that meets the requirements of the Superannuation Schemes Act 1989.

## **POLICY OVERVIEW**

In the year under review the Department continued to focus on the internal development of its systems. Detailed planning and review of the proposed solutions that the Department's systems development offered was carried out to ensure they properly identify the present shortcomings and that the solutions were appropriate and cost effective. The development was commenced after funding was approved and a capital injection received. At year end the project was 33% completed and on budget. The Department assisted in planning and the preparation of legislation for superannuation provisions in the public sector that will replace the Fund.

## **STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE**

### **Output: POLICY ADVICE**

This class of output provides policy advice on matters relating to the Act and matters affecting the Fund, including the criteria for management of its investments, the functions and administration of the Department and the Government's review of superannuation arrangements in the state sector.

### **MEASURES**

#### **Quality, Quantity and Cost of Policy Advice**

- 1 The Department will provide advice on matters affecting the existing superannuation arrangements of and for state sector employees.
- 2 The quality and nature of the advice to be provided was to be agreed with the Minister and the output provided by specified dates.
- 3 The Policy Advice will be provided within the appropriated sum of \$78,000 exclusive of GST.

### **PERFORMANCE**

- 1 During the period the Department provided advice on request in respect of superannuation and related matters. Details of significant advice were as follows:

During the year the Department advised the Minister and a committee of officials on matters related to the closure of the compulsory schemes and the replacement of them and the general scheme with a series of individually tailored schemes for each employer and options regarding the form this may take. Advice was also sought on the effect of the closure of the schemes and changes to the age of eligibility for national superannuation will have on members. Parliament passed the Government Superannuation Fund Amendment Act (No. 2) 1992 in June to close the compulsory schemes and introduce provisions to address the matters for which the above advice was requested.

The Department commissioned a report by consulting actuaries on ruling New Zealand charges for schemes management and their possible application to the Fund and advised that Fund's systems were not sufficiently developed for it to implement such charges. A further proposal was submitted to Cabinet for a capital injection to complete stage III of systems development. This recommendation was accepted and as a result a capital injection of \$1,213,000 was made in the 1992 fiscal year with a further \$300,000 being injected in the 1993 fiscal year.

- 2 The quality, nature and form of advice was agreed with the Minister. The Department, principally the Acting Chief Executive, undertook sufficient internal review work over the quality of

advice provided. All requests for advice were met within stated time frames and the Minister's required standards were met as indicated by lack of advice to the contrary.

### 3 OUTPUT STATEMENT FOR POLICY ADVICE REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 1992

1991/92 Estimates			Actual to 30 June 1992	Actual to 30 June 1991
\$			\$	\$
78,000	Revenue from Crown	.. ..	78,000	145,000
	Operating Expenses			
	Personnel Costs	.. ..	46,151	80,132
	Operating Overheads	.. ..	27,349	54,908
	Provisions	.. ..	1,537	2,904
	Capital Charge	.. ..	2,533	4,925
<u>78,000</u>	Total Expenditure	.. ..	<u>77,570</u>	<u>142,869</u>
<u>-</u>	Surplus	.. ..	<u>430</u>	<u>2,131</u>

### Output: INVESTMENT MANAGEMENT

This class of output provides management of cash resources in the Fund through the selection and maintenance of a portfolio of investments to meet the criteria established by the Government Superannuation Board and the Minister of Finance. Investment decisions are made within the parameters set out in the Trustee Act.

#### MEASURES

##### Quality, Quantity and Cost of Investment Management

- 1 All available funds are invested at all times, confirmed by daily monitoring of the bank accounts.
- 2 The investment portfolio at all times complies with the criteria agreed with the Minister of Finance.
- 3 The average yield of the Fund is comparable with other large funds as disclosed by market statistics.
- 4 The security trading activities minimise the effect of market fluctuations as measured by comparing stock yields to quoted yields.
- 5 The cost of Output: Investment Management will be \$550,000 which will be partly offset for the year through fees charged of \$300,000.

#### PERFORMANCE

- 1 During the year, management received daily reports on cash flows and projections enabling all available funds to be placed in income earning investments each day. This was confirmed by reports showing the bank account balances.
- 2 The investment portfolio complied with agreed criteria. No investments were made outside of those criteria of the law.