



## **Guardians of New Zealand Superannuation**

**Feedback on the 2013 discussion document ‘Focusing on the Future’ by the Commission for Financial Literacy and Retirement Income**

1 November 2013

## Introduction

This submission is made on behalf of the Guardians of New Zealand Superannuation, the Crown entity that manages the New Zealand Superannuation Fund (the Fund).

The Fund invests money, on behalf of the New Zealand Government, to help pay for the increased cost of New Zealand Superannuation (NZS) in the future.

By doing this the Fund adds to Crown wealth, improves the ability of future Governments to pay for superannuation, and ultimately reduces the tax burden of the cost of superannuation on future New Zealanders.

For further information about the Guardians and Fund, see [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz). For further information on the public funding formula for the NZSF, see <http://www.treasury.govt.nz/government/assets/nzsf/contributionratemodel>.

## Our Feedback

1. The Guardians has published updated performance figures for the Fund since the research for the discussion document was undertaken. A summary of the Fund's performance as at 30 September 2013 (its first 10 years) can be found on [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz). Over this period the Fund returned 9.13% p.a. (after costs, before NZ tax) and exceeded the cost of Government debt (as measured by the 90 day Treasury Bill return) by 4.26% p.a. (\$7 billion) i.e. the return achieved is nearly double the cost of Government debt. The Fund also exceeded its passive Reference Portfolio benchmark by 1.06% p.a. (\$2 billion).
2. We note the point made by the Commission that, given the suspension of Government contributions to the Fund in 2009, the Fund's continued payment of New Zealand tax since then now represents a net outflow of funds (funds which had supposedly been ring-fenced for funding the future cost of superannuation).
3. It is our understanding that the Fund's funding formula, when being utilised, was originally intended to be tax neutral in impact, as it was based on gross returns. The requirement that the Fund pay tax in its home jurisdiction is unusual among its peers in the international sovereign wealth fund community. We note also that neither ACC nor the Earthquake Commission are required to pay New Zealand tax on their investment funds.
4. We note the Commission's statement that delays in resuming contributions to the Fund have the effect of shifting the cost of NZS further onto future taxpayers, thus compromising intergenerational equity. Given the strength of this statement it seems unusual there is no associated recommendation.
5. It would be very helpful to stakeholders if the Commission was able to quantify the relative impact of each of its recommendations, some of which appear to us to be significantly larger and more impactful economically than others. In this context, the relative impact of the resumption of contributions to the Fund under different time frames could be presented, in order to ensure stakeholders have an accurate understanding of how the Fund fits in to the overall SAYGO/PAYGO picture.