

OIA 20210251

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Reference: T2021/385

CM-1-3-22-11

Date: 25 February 2021

To: Minister of Finance (Hon Grant Robertson)

Deadline: 1 March 2021

Aide Memoire: Meeting with Government Superannuitants Association**Purpose:**

On 1 March, you are meeting with the Government Superannuitants Association (GSA), represented by:

- Tony Hamilton (President)
- Karen Knobloch (Executive Officer)
- GSA Board member (to be determined)

The purpose of this meeting is to discuss the GSA Cost of Living Adjustment issue and its inclusion in the Budget 21 process.

The GSA advocates on behalf of members of the Government Superannuation Fund (GSF) schemes and the National Provident Fund (NPF). They aim to safeguard the existing provisions of the schemes and remove what they consider to be scheme deficiencies and anomalies.

Background

The GSA submitted a petition to Parliament in July 2018, essentially requesting a backdating of the Cost of Living Adjustment (COLA) increase that was introduced in 2009.

In 2009, the COLA adjustment was raised from 90% to 100% of CPI (following changes made in 2006, 1985, 1976 and 1969). The 2008 Cabinet paper introducing the change included two potential methods of increasing COLA from 90% to 100%.

- Scenario A - increasing COLA to 100% from the date of the legislative change (i.e. no backdating), and

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- Scenario B - increasing COLA to 100% from the annuitant's date of retirement (i.e. backdating the calculation, as per earlier legislative changes).

The Cabinet paper was clear that the intention of the 2008 legislative change was to implement the changes based on Scenario A and not to repeat the (backdated) approach taken in previous COLA changes.


In considering the GSA's petition, the Finance and Expenditure Committee found that "the indexation formula...appears to be a different formula to that used in previous iterations" and recommended to the Government that it "take note of this finding and consider options for addressing the resultant lesser payments received by contributors and beneficiaries of the fund".


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Ben Roberts, Analyst, Financial Institutions, 

Joseph Sant, Manager, Financial Institutions, 

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From: Paul Young <Paul.Young@parliament.govt.nz>
Sent: Wednesday, 31 March 2021 2:03 pm
To: Ben Roberts [TSY] <Ben.Roberts@treasury.govt.nz>
Cc: Joseph Sant [TSY] <Joseph.Sant@treasury.govt.nz>
Subject: RE: GSA COLA options

Thanks Ben

I will have a chat with Talei about this.

Ngā mihi

Paul

From: Ben Roberts [TSY] [<mailto:Ben.Roberts@treasury.govt.nz>]
Sent: Wednesday, 31 March 2021 1:39 PM
To: Paul Young <Paul.Young@parliament.govt.nz>
Cc: Joseph Sant [TSY] <Joseph.Sant@treasury.govt.nz>
Subject: RE: GSA COLA options

Hi Paul,

GSA have now provided an update on the questions below:

- the number of pre 1985 retirees still alive in the scheme. = 1790 former contributors
- The average age of the pre 1985 retirees. = 85.6 years old
- the number of surviving spouses of pre-1985 retirees. = 2450 spouses
- The average age of the surviving spouses of pre 1985 retirees. = 88 years old
- The total amount paid to pre 1985 retirees in the most recent year. = \$27.1 million
- The total amount paid to surviving spouses of pre 1985 retirees in the most recent year. = \$23.2 million

TOTAL	No	Total Annual Pension 2020/21	Total Annual Pension 2021	Average annual pension 2020/21	Average annual pension 2021/22	Average Age
Former contributors	1790	\$27,115,154	\$27,505,612	\$15,148	\$15,366	85.6
Spouses	2450	\$23,169,513	\$23,503,154	\$9,457	\$9,593	88.0
	4240	\$50,284,667	\$51,008,766	\$11,860	\$12,030	86.9

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It would be useful to get some direction from you on how to proceed here / how best to incorporate the revised figures into the budget process?

Cheers,
Ben

From: Paul Young <Paul.Young@parliament.govt.nz>
Sent: Thursday, 11 March 2021 1:34 PM
To: Ben Roberts [TSY] <Ben.Roberts@treasury.govt.nz>

Cc: Joseph Sant [TSY] <Joseph.Sant@treasury.govt.nz>
Subject: RE: GSA COLA options

Thanks Ben.

Can I please ask you to get them to provide some numbers to support the logic because I am struggling a bit to feel comfortable with telling the MoF that the numbers are safe. I hope this won't be too arduous. Can I please get:

- the number of pre 1985 retirees still alive in the scheme.
- The average age of the pre 1985 retirees.
- the number of surviving spouses of pre-1985 retirees.
- The average age of the surviving spouses of pre 1985 retirees.
- The total amount paid to pre 1985 retirees in the most recent year.
- The total amount paid to surviving spouses of pre 1985 retirees in the most recent year.

Can we also get the actuarial assumptions around age of death being applied and an example of the how much impact the COLA adjustment has – could just be an example of one person. I understand that currently the pre 1985 retirees will be getting about 92% of the COLA applied so this would be an increase of about 8% of the COLA.

Ngā mihi

Paul

Paul Young

Revenue and Finance Advisor

Office of the Hon Grant Robertson | Minister of Finance, Minister for Infrastructure, Minister for Sport and Recreation, Minister for Racing

7.6 Executive Wing, Parliament Buildings, PO Box 18041, Wellington

Phone: s9(2)(k)

| Mobile: s9(2)(g)(ii)

Email: Paul.Young@parliament.govt.nz

From: Ben Roberts [TSY] [<mailto:Ben.Roberts@treasury.govt.nz>]

Sent: Thursday, 11 March 2021 1:08 PM

To: Paul Young <Paul.Young@parliament.govt.nz>

Cc: Joseph Sant [TSY] <Joseph.Sant@treasury.govt.nz>

Subject: RE: GSA COLA options

[UNCLASSIFIED]

Hi Paul,

Just following up on conversation from earlier, I can confirm the following after talking with GSFA:

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Regards,
Ben

From: Paul Young <Paul.Young@parliament.govt.nz>
Sent: Wednesday, 10 March 2021 2:35 PM
To: Ben Roberts [TSY] <Ben.Roberts@treasury.govt.nz>
Cc: Joseph Sant [TSY] <Joseph.Sant@treasury.govt.nz>
Subject: RE: GSA COLA options

Hi Ben

I'm working on it but haven't managed to actually talk with Tony yet – the GSA office hours are quite limited. I'll get back to you on this as soon as I can.

Thanks

Paul

From: Ben Roberts [TSY] [<mailto:Ben.Roberts@treasury.govt.nz>]
Sent: Monday, 8 March 2021 2:47 PM
To: Paul Young <Paul.Young@parliament.govt.nz>
Cc: Joseph Sant [TSY] <Joseph.Sant@treasury.govt.nz>
Subject: RE: GSA COLA options

Hi Paul,

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Did you get anything back from the GSA on what they were exactly after?

It would be great to get a response back on this as soon as possible.

Thanks,
Ben

From: Ben Roberts [TSY]
Sent: Monday, 1 March 2021 5:22 PM
To: ^Parliament: Paul Young <paul.young@parliament.govt.nz>
Cc: Joseph Sant [TSY] <Joseph.Sant@treasury.govt.nz>
Subject: GSA COLA options

[UNCLASSIFIED]

Hi Paul,

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Cheers,
Ben



**TE TAI OHANGA
THE TREASURY**

Ben Roberts | Analyst Financial Institutions | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s9(2)(g)(ii) | Email/IM: Ben.Roberts@treasury.govt.nz

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