NEWSLETTER NO. 44: MARCH 1999

This newsletter contains:

1. Statistics for Registered Superannuation Schemes

The attached Tables 1 to 5 **(*The tables are excluded from this website version. Please contact the Government Actuary if you would like a copy of the Tables)***.

provide an update of some of the statistical information contained in my most recent annual Report to the Minister.

If you compare the Tables with the figures contained in the 1998 Report you will see that:

- Table 1 shows that the number of registered superannuation schemes continues to fall (1312 down to 1184). The fall can in part be attributed to the movement of employer schemes to Multi Employer schemes to reduce compliance costs, and in part to a continuing trend of terminations.
- Table 3 identifies that there is also a decline in membership within private sector employer sponsored schemes. Membership now stands at 269,418, compared with 277,514 in the 1998 report, and 310,741 in 1990.
- Table 5 demonstrates how the small employer superannuation schemes have been the most affected. The number of those with asset values less than $1 million is now down to 397 schemes, from 484 in the 1998 report and 863 in the 1994 report.

When looking at these statistics please bear in mind that the definition of a Master Scheme used for the purposes of the Tables does not relate to Multi Employer superannuation schemes sold by various institutions, but rather to those schemes which only allow the trustees of other registered superannuation schemes to invest.

2. Client Survey

In September the Insurance and Superannuation Unit (ISU) commissioned June Hamilton of Hamilton Miller Partnership to conduct the first client satisfaction survey of the superannuation related services provided through the Unit. Thank you to those who participated in this survey.

The mail survey produced an 80% response rate and clients gave the ISU an overall satisfaction rating of 7.1 out of 10.

Good communication was identified as important to clients, together with more consultation, and this message has been taken on board. The survey highlighted a definite need for some clarification of Unit policies and processes, particularly in relation to the winding up of superannuation schemes.

There was appreciation expressed of the technical assistance and general helpfulness of staff in the Unit, which was pleasing. There did appear some general understanding that as the regulator the Government Actuary can sometimes have a difficult role to play, and that finding the right balance is not always easy.

3. Who's Who

To assist in making enquiries, you may care to note the following as first points of contact on the matters stated:

Geoff Rashbrooke	Decisions and directions of the Government Actuary, matters involving actuarial valuation and related technical issues. Direct line (04) 495 1261. Email rashbrg@companies.govt.nz
Gavin Quigan	Technical Advisor for the Unit, registration of new schemes, reviewing membership transfer documentation, dealing with member complaints, and providing a help desk facility. Direct line (04) 495 1268 Email quigang@companies.govt.nz
Alan Leahey	Auditing of trust deed amendments, management of superannuation scheme windups and cancellations, and providing a help desk facility. Direct line (04) 495 1251 Email leaheya@companies.govt.nz
Lesley Carrig	Auditing of superannuation scheme trustee annual reports to ensure compliance with the Act, processing classification requests in terms of section GD8 of the Income Tax Act 1994. Direct line (04) 495 1259. Email carrigl@companies.govt.nz
Dominic Wright	Responsible for the accounts receivable system, invoicing, billing schedule maintenance and monitoring and follow up of arrears. Direct line (04) 495 1262.

If you have any queries about any other matter, please initially refer to Gavin Quigan.

4. Scheme Terminations - Section 21 of the Act

As will be gathered, increasing numbers of resolutions are coming in from trustees (and their advisers on their behalf) for the purpose of winding-up registered superannuation schemes. The Client Survey referred to above identified that some of those involved did not understand the ISU role in this process and were getting frustrated by what they saw as the somewhat drawn out requirements of the Act. To assist - and to hopefully reduce frustrations experienced by one and all – I have set out below what continue to be the four most common problems we encounter. Some of you may recall seeing this back in October 1992, in Newsletter 24.

(a) Winding-up resolutions (s.21(1)(a))

A copy of the winding-up resolution must be lodged with the Government Actuary within 14 days after the resolution is passed.

Please ensure that the resolution is passed by the person(s) with the power to do so in terms of the trust deed. This is not always the trustee(s).

(b) Final accounts (s.21(1)(b) and 21(1)(d)(i)

The final accounts are to show the position of the scheme as at the <u>effective</u> wind up date. This is the date stipulated in the resolution or, if the effective date is not stated, the date on which the resolution is passed.

A copy of the final accounts is to be forwarded to the Government Actuary and to each person who was a member of the scheme immediately before it was wound-up.

(c) Written advice regarding the basis of distribution of assets (s.21(1)(d)(ii)

The Government Actuary and the members are to be given a written statement of the manner in which the assets of the scheme are to be distributed.

We do not usually require a list of the individual amounts. Note that the Act refers to the manner in which the assets <u>are to be</u> distributed. Therefore, this information and the final accounts should be supplied <u>prior</u> to the distribution of assets.

(d) Date of the final distribution of assets (s.21(1)(e)

This is the last date on which the scheme had any assets and is the date on which the registration is deemed to be cancelled (s.21(3)).

The information should be sent promptly to me. Please keep me informed of the reason for any delays in distributing the assets.

5. Financial Reporting Act

Just prior to Christmas we were alerted to some concern that some small employer sponsored superannuation schemes might be affected by the definition of "Issuer" in the Financial Reporting Act. Having consulted with the Association of Superannuation Funds of NZ, the matter was referred to our Corporate Office Legal Manager who, after consultation with the Registrar of Companies, interprets section 4(1)(a)(i) of the Financial Reporting Act 1993 as follows.

Superannuation schemes which were covered by the exemption in section 5(2B) of the Securities Act 1978, as it was prior to 1 October 1997, and which have not offered membership to individuals after that date, would appear not to be covered by the definition of "issuer" in the Financial Reporting Act.

I trust the above statement is of general assistance.

6. Trustee Annual Report Reminder Letters

Some of you may have noted that in my 1998 Report to the Minister I indicated that I had reviewed the process of sending out reminder letters to Trustees regarding the lodgement of annual reports.

With effect from the end of February we reduced the number of reminder letters to two. The first letter will continue to be sent out shortly prior to the balance date of the scheme and the second letter will go out to those schemes for which no trustees annual report has been received by the 25th of the fifth month.

Your attention is drawn to the second to last paragraph of the revised second letter which states: "If a copy of the report has not been given to each member of the scheme and a copy of the report and the filing fee not received within six months of the close of the financial year, I will consider taking action in terms of sections 20, 24 and 25 of the Superannuation Schemes Act 1989". We are always prepared to listen sympathetically where circumstances beyond the control of those involved leads to delay, but our sympathy tends to be greater where we are told beforehand of any difficulties being encountered.

I would also record that we expect all correspondence from us addressed to trustees, when sent care of an administrator or advisor, to be passed on promptly to the trustees.

7. Human Rights Act

I have been asked my opinion as to the implications for provision of insured death and disability benefits within superannuation schemes as a result of the removal of an upper limit for age discrimination which became effective from 1 February of this year. I have not (as yet) taken legal advice, but I note that the exemptions given by Section 70 of the Human Rights Act would appear unaffected. In particular, Section 70(5)(e) would appear to allow death and disability benefits to continue to decrease in value as the age of members increases.

G D Rashbrooke
Government Actuary