REWARDING SERVICE: A HISTORY OF THE GOVERNMENT SUPERANNUATION FUND by NEILL ATKINSON

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This slim volume, *Rewarding Service*, published by the Otago University Press, documents the history of the Government Superannuation Fund from its establishment in 1948 through a host of reforms, and concludes with remarks on the environment facing the scheme in 2002.

Neil Atkinson has managed to enliven the potentially dull material by two methods. Firstly, he has included some fascinating photographs, largely from the Alexander Turnbull Library's collections, and recounted anecdotes concerning the various political and non-political personalities and events connected with the scheme. So a Colonel T. W. McDonald stands at attention beside an outline of the Colonel's unrelenting 46-year campaign seeking redress for his claim of being owed £467 unpaid salary following his dismissal from the defence forces in 1922.

The second way in which the material avoids dullness is by the careful tracing of the scheme's connections to political issues and aims.

The title of the volume invites reflection on how much the scheme has served to reward the service of public sector employees and how much the scheme reflects other aims. To read the book is to have one's eyes opened to the way in which the scheme has been used as an instrument to serve government purposes. Only rarely have good-employer objectives been a prime concern when there have been changes to the scheme. For example (p.14) "the reintroduction of government superannuation in 1886 … was specifically designed to facilitate retrenchment in the civil service".

Given this insight into the scheme, the reader might expect that more recent reforms might have been aimed at providing some incentive to the baby-boom generation, or at least those members of that cohort employed by the government itself, to save for their retirement. Alternatively, reforms might have been aimed at providing a State model showing private sector employers the way to encourage and support their employees to provide for their later years. Instead the scheme was closed to new members in 1992 and recent evidence from the Office of the Retirement Commissioner has shown that saving for retirement is dropping rather than increasing as the baby boomers head into retirement.

The book concludes at a time when the government's April 2000 reforms to the scheme had been passed to allow funds to be invested "on a sound commercial basis", including offshore and in a wider range of other schemes than had previously been possible. Neill Atkinson notes, "it is estimated that this will enable the Crown to reduce its share of deferred employer contributions by between $14 million and $44 million a year". The initial results of this change in policy have been unpromising, to say the least. The first report by the new GSF Authority appointed to manage the fund in October 2001 reported an after-tax loss of $76 million for the year to 30 June 2002. The negative return was attributed to the collapse in the international equity markets in the June 2002 quarter (Government Superannuation Fund Authority Press Release 14 October 2002).

A review of the scheme ensued and the select committee report makes an interesting postscript to the book. It is available on http://www.clerk.parliament.govt.nz/. The committee noted, "In hindsight we can see the Authority was unfortunate to enter the market when it was subject to its worst performance since 1929, but this could not have been foreseen" (Finance and Expenditure Committee 2002).

More recent news is less dismal. For the year ended 30 June 2003 the scheme returned a $33 million profit, showing a net return at a modest 1% on the assets in the fund (Government Superannuation Fund Press Release 2 October 2003). In superannuation schemes one must take a long-term view and it is to be hoped that the scheme will show better returns to the savings of its members in future.

The book is what it promises to be, a history. It does not attempt to look at the current circumstances of those who have retired with their superannuation income, nor does it review the attitudes and hopes of those still contributing to the scheme, an increasingly small minority of the total membership. In addition, it does not look at what has been done by the State for its more recent employees who were unable to join the scheme. There is ample scope for further investigation and reflection on the example the government is setting in looking after the retirement prospects of its own workforce.

For example, I am aware that the "total remuneration" approach has effectively removed the dollar-for-dollar subsidy from the contributions of many of the current contributors still in the public service. This has led to bitterness and anger from that group, who feel that the conditions under which they joined the scheme have been breached – their total contribution including the so-called "employer contribution" is deducted from the remuneration they would receive if they were not members of the scheme.

A further possible avenue to explore is the choices made by retiring members on their option to cash up a proportion of their contributions rather than receive it all as an ongoing superannuation. It would be interesting to see whether there are any discernible trends in that decision over maximising superannuation or cashing up savings.

A report by the Ministry of Social Policy (2001) showed that older people with more income had increased wellbeing. Clearly, savings towards retirement will increase wellbeing in retirement. However, the signals that the government has given in its own handling of retirement provisions for State employees have been mixed. It will be interesting to see what conclusions are reached in the periodic review of retirement provisions (due to report under the terms of the Retirement Income Act 1993).

The publicity surrounding the losses on invested funds created uncertainty and fear in those who have retired and are dependent on the returns and the government subsidy. Who knows better than the public service that legislated provisions can be changed? Previous governments guaranteed the scheme; recent governments have distanced themselves from it. Will future governments acknowledge that the membership of the scheme did forgo income on the promise of a retirement income and respect that promise? In an atmosphere of increasing uncertainty over the future of the scheme, the title *Rewarding Service* has a hollow tone.

REFERENCE

Finance and Expenditure Committee (2002) *2001/02 Financial Review Of The Government Superannuation Fund Authority*, report of the Finance and Expenditure Committee, Wellington.

Ministry of Social Policy (2001) *Living Standards of Older People*, Ministry of Social Policy, Wellington