



New Zealand Universities' Superannuation Scheme

Direct Dial: (04) 819 4056
Fax: (04) 472 0100
cheryl.styles@aonhewitt.com

6 September 2011

Investment Law Team
Competition, Trade and Investment Branch
Ministry of Economic Development
P O Box 1473
WELLINGTON

By email: investment@med.govt.nz

Dear Sirs/Mesdames

Financial Markets Conduct Bill - Submission

The New Zealand Universities Superannuation Scheme (the Scheme) is one of the largest employer sponsored superannuation schemes in New Zealand. At 30 June 2011 the assets under management were \$367 million representing the savings of almost 7,000 of the approximately 10,000 staff employed by eight New Zealand universities.

Our submission makes specific comments about areas of concern in respect of the Scheme. There may be other issues, and we trust that there will be other opportunities to comment in more depth on the implications of what is a very broad and far reaching change in the manner in which employer sponsored superannuation is governed in New Zealand.

Yours sincerely

Cheryl Styles
Secretary to the Trustees

FINANCIAL MARKETS CONDUCT BILL

SUBMISSION ON EXPOSURE DRAFT

New Zealand Universities' Superannuation Scheme

Clause Number	Clause heading	Submission
Part 4	Preliminary provisions	
Clause 113(1)(d)	Additional initial and ongoing registration requirements for superannuation schemes	Benefit payments are restricted to redemption or withdrawals for retirement purpose except in defined circumstances, for example financial hardship or ceasing employment. There is no provision for benefits payable in the event of death or disablement that latter of which may not lead to cessation of employment.
Clause 113(2)	Additional initial and ongoing registration requirements for superannuation schemes	<p>This clause is of major concern for the reasons stated below.</p> <p>The eight New Zealand universities employ approximately 10,000 academic staff and recruitment to almost all of these positions is by international search. About half of the new appointees to academic positions are resident outside NZ at the time of their appointment. Although some are New Zealanders returning after completing a higher degree at an overseas university or after a period employed outside NZ, many are foreign nationals.</p> <p>The market for academic staff is increasingly a global market and New Zealand's major competitors in that market are Australia, Canada, the US and the UK. New Zealand's academic salaries are considerably lower than those of Australia, Canada and the US on a comparative basis.¹ Given the range of employment benefits that are routinely included with the remuneration offered in these competitor countries it is essential that the NZ universities are able to offer membership of a superannuation scheme with a significant (in NZ terms) employer contribution. The NZ Universities Superannuation Scheme was established by the NZ universities in 1993 to meet that need and has grown to become one of the largest employer sponsored schemes in NZ.</p> <p>Restricting membership of NZ superannuation schemes to those who have permanent residence would therefore severely impact on the ability of the NZ universities to recruit academic staff in the global market. The impact would be particularly serious at a time when NZ needs to recruit even more academic staff over the next 10 years than it has done in the past, largely due to the proportion of the current academic workforce moving towards retirement age. The scenarios developed in a recently completed research report indicate that a minimum of 560 new academic hires and potentially up to 920 new hires will be required each year to 2021.² This increased demand for academic staff is also a feature of the countries with whom NZ competes for its academic staff,</p>

¹ *University Staff Academic Salaries & Remuneration – A Comparison of New Zealand and Selected International (Australia, Canada, England, USA) Data, Commissioned by the New Zealand Vice-Chancellors Committee on behalf of the Tripartite Forum Working Group, Deloitte, May 2008*

² *Academic Workforce Planning – Towards 2020, BERL Economics, November 2010*

Clause Number	Clause heading	Submission
		<p>particularly Australia whose government has committed to a significant expansion of student places in universities. This makes it even more imperative that NZ maintains its competitive position by continuing to offer an attractive superannuation scheme to all new academic hires, whatever their nationality.</p>
Clause 114(1)(b)	Additional ongoing registration requirements for restricted scheme	<p>The lack of clarity on which schemes will qualify as restricted schemes makes it difficult to comment in a meaningful way on the impact, if any, of this clause.</p>
Clause 117(1)(f)	Contents of governing document for registered scheme	<p>Insert after the first word “type of” so it reads:</p> <p>“the type of fees that can be paid ...”</p> <p>This will ensure the clause is not interpreted as meaning the governing document is required to specify the amount of fees that can be paid out of the scheme property.</p>