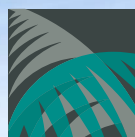


Statement of Performance Expectations

1 July 2025 to 30 June 2026



**GOVERNMENT
SUPERANNUATION FUND
AUTHORITY**



GOVERNMENT SUPERANNUATION FUND
Te Pūtea Penihana Kāwanatanga





COVER IMAGE: Cover photo shows Picton township aerial view. Shakespeare Bay (left), Picton harbour and Waikawa Bay and town (right). Marlborough Sounds, Grove Arm (left) and Queen Charlotte Sound right, Picton, New Zealand. Photography by Rob Suisted (www.naturespic.com)

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This Statement of Performance Expectations is presented to the House of Representatives pursuant to section 149C of the Crown Entities Act 2004.

Statement from the Board

The Government Superannuation Fund Authority (**the Authority**, “**we**”, “**our**”) is an autonomous Crown Entity established under the Government Superannuation Fund Act 1956 (**the Act**).

The functions of the Authority are to manage and administer the Government Superannuation Fund (**GSF** or **the Fund**) and the GSF superannuation schemes (**the Schemes**) in terms of the Act.

In carrying out our functions, we have established two desired outcomes:

1. Improve the Crown's economic position by minimising its contributions to the Fund.
To do this, we seek to maximise the net-of-costs returns of the Fund without taking undue risk.
We take a long-term view when developing our investment strategy because the Fund is expected to pay entitlements for approximately 50 years.
2. Meet the needs and reasonable expectations of stakeholders.

Our key stakeholders and their reasonable expectations are as follows:

- Members – for entitlements to be calculated correctly and to be paid on time.
- Employers – for contributions to be minimised.

More information on the Authority, its policies and operations is available on our website www.gsfa.govt.nz.



Anne Blackburn
Chair



Michael Sang
Chair, Audit and Risk Review Committee

June 2025



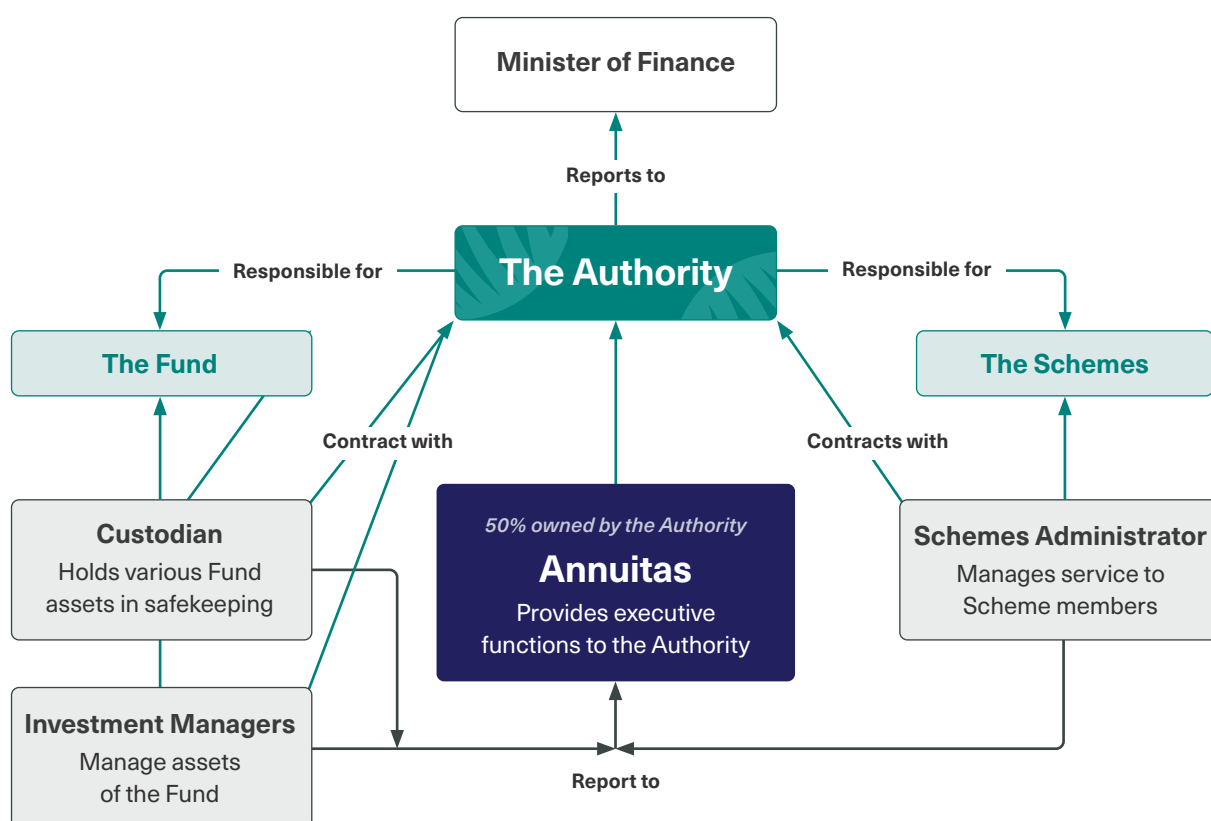
The Authority

Nature and Scope

The Authority was established in 2001 to manage and administer the assets of the Fund and the Schemes, in accordance with the Act.

We oversee the management of the Fund and the Schemes and have outsourced the daily activities in relation to Schemes administration and investment management, including custody of the Fund's assets.

Our organisational structure is set out in the diagram below.



Functions and Operations

Our functions are to manage and administer the Fund and the Schemes in accordance with the Act. All decisions relating to the business of the Authority are made under the authority of the Board.

Our key activities fall into the following two broad categories:

Investment

- Managing the investment assets of the Fund.

Schemes

- Managing and administering the Schemes
- Interpreting the provisions in the Act and exercising discretionary powers in relation to any Schemes matters.

We provide details of the outputs and performance measures for these activities on page 4 (**Investment**) and page 9 (**Schemes**).

Investment

Objectives and Strategy

Our investment responsibilities under the Act are to:

- invest the Fund on a prudent, commercial basis, in a manner consistent with best practice portfolio management
- maximise returns without undue risk to the Fund as a whole and
- avoid prejudice to New Zealand's reputation as a responsible member of the world community.

We meet these responsibilities by developing and implementing:

- principles for best practice portfolio management
- an investment strategy centred on a defined return objective over the long term consistent with a defined risk limit and
- responsible investment policies to meet the requirement to avoid prejudice to New Zealand's reputation as a responsible member of the world community.

How we do this is described in our Statement of Intent 2023, which covers the period from 2023 to 2027.

Investment Performance Expectations for 2025/2026

We have defined our Investment Objective as follows:

The Authority aims to maximise the Fund's excess return relative to NZ Government Bonds (before New Zealand tax) without undue risk of underperforming NZ Government Bonds measured over rolling ten-year periods.

For the purposes of producing our performance expectations for this document and our Statement of Intent, we use a 5-year forecast horizon. In line with this, over the next five years, we expect the Fund to achieve an average return of 6.74% p.a., before tax and investment costs, comprising:

- an expected return of 4.70% p.a. from NZ Government Bonds
- an expected return of 0.92% p.a. from additional risk in the Reference Portfolio
- an expected return of 0.14% p.a. from alternative market exposures
- an expected return from active management of 0.99% p.a. before investment costs.

The volatility of market prices for risky assets like equities means the actual return in any single year may vary widely from the five-year expected average. The range of potential average returns is much narrower over rolling five-year periods, however, than for any single year.

Our forecast return for the year ended 30 June 2026 is 6.74% before tax and investment costs (see Table 1 on page 5). This translates to forecast gross investment income, including valuation changes, of \$393 million. After costs and tax, forecast net investment income is \$272m.

Table 1: Projected Investment Performance for the year ended 30 June 2026

Investment Performance	Actual Portfolio		Reference Portfolio	
	\$m	Return % p.a.	\$m	Return % p.a.
Gross Investment Income	393	6.74	328	5.62
Total Investment Costs	45	0.76	20	0.35
Net Investment Income	348	5.98	308	5.27
Tax	76	1.29	74	1.28
Forecast Net Investment Income After Tax	272	4.69	233	4.00

Investment Costs	Actual Portfolio		Reference Portfolio	
	\$m	Cost % p.a.	\$m	Cost % p.a.
Investment Management Base Fees	28	0.48	17	0.30
Investment Management Performance Fees	12	0.21	0	0.00
Custody Expenses	1	0.02	1	0.02
Overheads (investment related share of Authority's operating expenses)	3	0.05	2	0.03
Total Investment Costs	45	0.76	20	0.35

Numbers may not add due to rounding.

Outputs and Performance Measures

In addition to setting the Investment Objective, we set specific outputs and performance measures for investment. These assist us to achieve the investment outcomes we have established. Some outputs are ongoing, while others reflect specific projects that may be completed over a period beyond one year.

For the 2025/2026 year we have adopted the following service performance outputs and performance measures for investment:

Goal			
Minimise the Crown's contributions to the Fund			
Performance Expectations	Invest the Fund on a prudent, commercial basis, in a manner consistent with best practice portfolio management.	Maximise returns without undue risk to the Fund as a whole.	Avoid prejudice to New Zealand's reputation as a responsible member of the world community.
Outputs	Best Practice <ul style="list-style-type: none"> • Clear objectives. • Strong governance. • Sound investment programme. 	Return and Risk <ul style="list-style-type: none"> • Fund risk consistent with objective and any Ministerial direction. • Fund outperforms benchmark with similar risk. • Cost-effective management. 	Avoiding Prejudice <ul style="list-style-type: none"> • Investments consistent with relevant law, New Zealand's international agreements and Government policy.
Key Activities	<ul style="list-style-type: none"> • Maintain and adhere to up-to-date Statement of Investment Policies, Standards and Procedures. • Manage Fund to outperform return benchmarks. • Review and evaluate strategies and incumbent asset managers against expected outcomes. • Identify and evaluate new strategies and managers with potential to improve outcomes. • Monitor custodian performance against KPIs. • Closely monitor all costs to ensure they represent value for money. • Collaborate with peer funds. 		

Goal	Minimise the Crown's contributions to the Fund		
Measures	Best Practice Measured by: <ul style="list-style-type: none"> • 5-yr Statutory Review finds that GSFA meets its obligations. • Annual independent review finds GSFA has complied with evaluated SIPSP elements in all material respects.¹ • Quarterly review of custodian performance against agreed service standards. • Investment managers always comply with mandates.² • Annual review of peer collaboration. 	Return and Risk Measured by: <ul style="list-style-type: none"> • The Reference Portfolio outperforms NZ Government Bonds over rolling 10 years • The Fund outperforms the Reference Portfolio over 3-, 5- and 10-year periods. • The Fund's risk of underperforming NZ Government Bonds over a 10-year period is always within the risk tolerance set by the Board.³ • Fund ex-ante active risk relative to the Reference Portfolio is always within the risk tolerance set by the Board. • Annual independent benchmarking of investment costs versus peers finds costs to be comparable when measured like for like in terms of size and risk.⁴ 	Avoiding Prejudice Measured by: <ul style="list-style-type: none"> • Triennial independent review finds GSFA has complied with its Responsible Investing (RI) Policy in all material respects. • Carbon intensity of aggregate equity portfolios (listed and private) is consistent with net zero by 2050 trajectory.⁵ • No material negative publicity regarding the Authority arising from Fund investments.⁶
Strategic Objectives	Adhere to principles of best practice portfolio management.	Manage an investment strategy within a defined risk limit to achieve a desired return objective over the long term.	Adhere to RI policies.

Notes:

1. SIPSP compliance is reviewed on a staggered 3-year cycle, with one-third of SIPSP elements reviewed each year.
2. Excludes "passive" breaches caused by changes in security valuations.
3. The Board may vary its risk tolerance at any time. Changes are recorded in an update to the SIPSP when they occur.
4. "Comparable" with respect to investment cost benchmarking means "total excess cost" is within +/- 5 basis points of the peer median as measured by CEM benchmarking after deducting differences for 1) how much active management is used within the implementation style and 2) global active equities performance fees (which are closely linked to 1 and are highly variable).
5. "Consistent with" means no more than 5% above projected intensity at financial year end.
6. "Material" with respect to negative publicity means having an adverse reputational consequence rated moderate or above as per the Authority's risk policy.

Significant Assumptions used in the Forecast of the Fund

Table 2 sets out the assumptions used for the asset allocation of the Fund and the Reference Portfolio.

Table 2: Assumed Asset Allocations of the Fund and the Reference Portfolio as at 30 June 2025

Asset Class	Fund % ¹	Reference Portfolio %
International Equities	70	70
Public	55	
Private	15	
New Zealand Equities	10	10
Public	7	
Private	3	
Global Fixed Interest	15	20
New Zealand Fixed Interest²	0	
Catastrophe Risk	3	
Life Settlements	2	
Total	100	100
Foreign Currency Exposure	(20)	(20)

Notes:

1. The Fund's actual exposures may differ from those set out above. Limits on the degree to which they can vary are set out in the Authority's Statement of Investment Policies, Standards and Procedures.
2. We intend to add an allocation to New Zealand Fixed Interest in the 2025/26 financial year. This will be funded out of the Global Fixed Income allocation.

Other assumptions

- Asset values at 30 June 2025 are projected from a starting point of 31 January 2025.
- The Board's forecast of the performance of the Actual Portfolio depends on assumptions with respect to the returns (before tax) from each asset class. Actual returns from each asset class may vary from the long-term return assumptions used and asset class exposures may vary over time.
- The assumed returns for the Reference Portfolio are the Authority's 5-year forecasts.
- The assumed returns for the Actual Portfolio include expected added value from active divergences from the Reference Portfolio.
- Actual investment management fees may vary from those projected because asset values may vary significantly from expected levels and performance fees are paid to some managers if agreed performance targets are exceeded.
- Projected entitlement payments from the Fund are \$20.5 million per month.
- Taxation assumptions are summarised in Table 3 on page 9.

Table 3: Taxation Assumptions

Asset Class	Tax treatment
International Equities and most Alternative Assets	28% on 5% of the average value of the portfolios during the year.
New Zealand Equities	28% on dividends, allowing for imputation credits of 80% of the maximum imputation credits.
Global Fixed Interest, NZ Fixed Interest and some Alternative Assets	28% on accounting profit or loss.

Schemes

Background

There are seven Schemes. The Schemes were established in 1948 to provide a way for public-sector employees to save for their retirement. They were largely closed to new members from 1 July 1992.

At 30 June 2024, the Schemes had 45,540 members, made up of 4,754 contributory members and deferred annuitants (e.g. members who have elected to receive their entitlements from a future date) and 40,786 annuitants. We expect that entitlements will continue to be paid by the Fund for the next 50 years or so.

Contributory members contribute a defined percentage of their superable salaries (which may be different to their total remuneration) to the Fund on a regular basis. In return, they receive a retiring entitlement based on their average superable salary for the last five years of contributory service, years of service and age at retirement.

Certain non-Government employers contribute the balance of the accruing cost of their employees' retirement entitlements to the Fund. The Government, as an employer, meets its share of members' retirement entitlements as they fall due for payment. Therefore, the Schemes are only partially funded, with the accumulated employee contributions, investment returns and employer contributions (from non-Government employers) being deemed by the Authority's Actuary to be sufficient to meet 38.2% of the entitlements as at 30 June 2024.

The actual and projected present values of the Unfunded Past Service Liabilities (**UPSL**) of the Fund have been calculated by the Authority's Actuary in the actuarial valuation, as at 30 June 2024. The results are set out in Table 4. The UPSL values are estimates of the Crown contributions required to meet the past service liabilities of the Fund.

Table 4: Actual and Projected Unfunded Past Service Liabilities

	Actual 30 June 2024 \$m	Projected 30 June 2025 \$m	Projected 30 June 2026 \$m
Past Service Liabilities	12,184	11,810	11,418
Net Assets	5,504	5,453	5,399
Unfunded Past Service Liabilities	6,680	6,357	6,019

Table 4 Notes:

- Numbers may not add due to rounding.
- The actual and projected unfunded past service liabilities were calculated by the Authority's Actuary using a net of tax investment rate. The UPSL, calculated using a gross discount rate, are recorded in the Crown's financial statements.
- Projected Net Assets are those calculated by the Authority's Actuary at 30 June 2024. Note that these will differ from those used in the Forecast Financial Statements as those are projected starting from the actual Fund net assets as at 31 January 2025.

We are responsible for managing and administering the Schemes in accordance with the Act. The daily administration of the Schemes is outsourced to Datacom Connect Limited (**Datacom**).

The overall expected costs for Schemes of \$7.5 million include the Schemes expected administration expenses, estimated actuarial costs and approximately 30% of the Authority's projected operating expenses (see page 12).

Objectives and Strategy

We aim to ensure sustainable, cost-effective management of the Schemes to enable accurate calculation, payment and reporting of members' entitlements. The Authority does this by ensuring:

- contributions are collected and entitlements are calculated and paid correctly, in terms of the Act and the policies maintained by the Authority, and in a cost effective and timely manner; and
- service levels agreed with Datacom are met.

Also key in achieving the Schemes' outcome is the performance of Datacom. We have established and maintain a co-operative relationship with Datacom to ensure all issues relating to the administration of the Schemes are communicated early to us and are managed and resolved in an open and collaborative manner, taking into account the interests of the members of the Schemes and the Crown.

The Actuary we appoint undertakes actuarial examinations of the Fund on a regular basis. Based on these examinations, we report to the Crown on the value of the liabilities of the Fund, as required by section 94 of the Act.

In communicating with members and employers, we seek to ensure information provided is both of a high standard and timely. This includes information on member entitlements and on our activities.

We interpret the provisions of the Act and the Policies, and exercise our discretionary powers, in relation to matters raised by members. We seek to achieve equity and consistency in our application of the provisions of the Act and the Policies.

Forecast Service Performance for 2025/2026

Our key activities in relation to the Schemes are:

- managing and administering the Schemes, including the agreement between the Authority and the Schemes Administrator; and
- interpreting the provisions in the Act and the Policies and exercising discretionary powers (set out in the Act).

We describe these activities further in our Statement of Intent 2023 which covers the period from 2023 to 2027.

Outputs and Performance Measures

For 2025/2026, we have identified the following outputs and performance measures to assist in achieving the Schemes' outcome:

Goal	Manage and administer the Fund and the Schemes in accordance with the Act		
Performance Expectations	Meet the reasonable expectations of stakeholders		
Output	Effective Management of the Schemes		
Key Activities			Interpretation of the Act and exercise of discretionary powers
	Pay entitlements	Systems and technology	
	<ul style="list-style-type: none">• Ensure all contributions and entitlements are processed correctly and on time.	<ul style="list-style-type: none">• Maintain relevant business systems• Maintain cyber security controls• Ensure privacy of member information• Maintain business continuity plans.	<ul style="list-style-type: none">• Interpretation of the provisions of the Act and exercise of discretionary powers set out in the Act.• Timely response to all requests for information from stakeholders and meeting deadlines.
Measures	<ul style="list-style-type: none">• 100% of all annuities paid on time, all contributions banked on receipt and allocated as soon as verified as being correct.• 98% of routine correspondence responded to within 5 working days.	<ul style="list-style-type: none">• No permanent loss or corruption of data.• Business system is available 98% of the time in any given month.• No critical business system request outstanding for more than 3 months without appropriate remedial action in place.• No material cyber events¹• No notifiable breach of member privacy²• Business continuity plans in place.	<ul style="list-style-type: none">• Compliance with legislative requirements.• SLAs in place for requests for information and monitored.• Average satisfaction score above 60% in the biennial survey of members and employers³
Strategic Objectives	Strong external relationships and agreed service levels with external providers.	Business system that is relevant and sustainable with robust business continuity plans in place.	Appropriate resourcing in place, fully documented policies, procedures, and processes.

Notes

1. "Material" with respect to cyber events means having an adverse financial impact rated moderate or above as per the Authority's risk policy.
2. "Notifiable breach" has the meaning as defined in the Privacy Act 2020.
3. Measured across those questions where satisfaction is measured.

Forecast Financial Statements

for the year ending 30 June 2026

The Fund

Forecast Statement of Changes in Net Assets

Forecast Statement of Net Assets

Forecast Statement of Cash Flows

Forecast Reconciliation of Net Changes in Net Assets to Net Operating Cash Flows

Statement of Accounting Policies

The Authority

Forecast Statement of Comprehensive Revenue and Expense

Forecast Statement of Financial Position

Forecast Statement of Cash Flows

Forecast Reconciliation of Net Operating Result to Net Cash Flows from Operating Activities

Statement of Accounting Policies

Government Superannuation Fund

Forecast Statement of Changes in Net Assets

	Estimate 2024/2025 \$000	Forecast 2025/2026 \$000
Increase in assets from:		
Investing activities	719,947	393,121
Operating activities		
Expenses ¹	(56,938)	(52,988)
Surplus before tax and membership activities	663,009	340,133
Tax	(10,000)	(75,448)
Surplus after tax and before membership activities²	653,009	264,685
Membership activities		
Contributions – Crown	730,000	681,000
Contributions – members	10,000	6,000
Contributions – other entities	5,000	5,000
Benefits paid	(1,027,000)	(1,025,000)
Net membership activities	(282,000)	(333,000)
Surplus/(deficit) after tax and after membership activities	371,009	(68,315)
Opening assets available to pay benefits	5,504,211	5,875,220
Net assets available to pay benefits	5,875,220	5,806,905

Notes:

1. Expenses: This amount is transferred from the Fund to the Authority to meet the investment, scheme administration and operating expenses of the Authority (see page 19).
2. Surplus: The surplus in the Forecast Statement of Changes in Net Assets is lower than the projected Forecast Investment Income in Table 1, (on page 5), as the Forecast Statement of Changes in Net Assets above includes all the costs for the Authority.

Forecast Statement of Net Assets

	Estimate as at 30 June 2025 \$000	Forecast as at 30 June 2026 \$000
Investments	5,648,551	5,715,439
Other assets:		
Cash and cash equivalents	266,768	274,909
Receivables, prepayments and other assets	562,472	411,446
	829,240	686,355
Total assets	6,477,791	6,401,794
Less		
Payables	602,571	594,889
Net assets available to pay benefits	5,875,220	5,806,905
Estimated actuarial present value of Promised Retirement Benefits	11,810,000	11,418,000
Deficit ³	5,934,780	5,611,095
Net assets available to pay benefits	5,875,220	5,806,905

Notes:

3. Deficit

- The estimated actuarial present value of Promised Retirement Benefits (Gross Liability) is the present value of the expected payments by the Fund to existing and past members, attributable to the services rendered. The present value was estimated by the Authority's Actuary at 30 June 2024 using a net of tax discount rate.
- The Deficit shown in the Forecast Statement of Net Assets differs from that estimated by the Authority's Actuary in the actuarial valuation of the Fund as at 30 June 2024, under NZ IAS 26: Accounting and Reporting by Retirement Benefit Plans (NZ IAS 26), dated August 2024 (refer page 10). The Authority's estimate at 30 June 2025 includes actual investment income to 31 January 2025.
- There is no requirement on the Crown to fully fund the Deficit in relation to the Schemes and the Crown pays its share of the Deficit on a cash flow (pay as you go) basis.
- The Authority relies on the provisions of section 95 of the Act which requires the Minister to appropriate funds from public money to ensure that sufficient funds are available, or will be available, to pay entitlements as they fall due.

Forecast Statement of Cash Flows

	Estimate 2024/2025 \$000	Forecast 2025/2026 \$000
Cash flows from operating activities		
<i>Cash provided from</i>		
Contributions – Crown	738,628	678,450
Contributions – members	10,005	6,000
Contributions – other entities	3,928	4,279
Interest	148,478	97,280
<i>Cash disbursed to</i>		
Benefit payments	(1,026,956)	(1,025,000)
Income tax	(78,014)	(61,271)
Operating expenses	(57,374)	(52,488)
Net cash (outflows) from operating activities	(261,305)	(352,750)
Cash flows from investing activities		
<i>Cash provided from</i>		
Maturities and sales of investment assets	4,869,028	5,176,930
<i>Cash disbursed to</i>		
Purchase of investment assets	(4,753,862)	(4,816,039)
Net cash inflows from investing activities	115,166	360,891
Net (decrease)/increase in cash held	(146,139)	8,141
Opening cash brought forward	412,907	266,768
Closing cash balance	266,768	274,909

Forecast Reconciliation of Net Changes in Net Assets to Net Operating Cash Flows

	Estimate 2024/2025 \$000	Forecast 2025/2026 \$000
Net increase/(decrease) in net assets	371,009	(68,315)
<i>Add non-cash items</i>		
Amortisation of Business System	2,575	2,575
Change in deferred tax	(721)	(721)
Total non-cash items	1,854	1,854
<i>Add/(less) movements in working capital items</i>		
Movement in receivables and prepayments	(243,207)	148,450
Movement in other payables	139,984	(9,898)
Total movement in working capital items	(103,223)	138,552
<i>Add/(less) items classified as investing activities</i>		
Movement in net investment assets	(572,022)	(294,841)
Movement in investment receivables	246,508	(150,000)
Movement in investment payables	(205,431)	20,000
Total movement in investing activities	(530,945)	(424,841)
Net cash (outflows) from operating activities	(261,305)	(352,750)

Statement of Accounting Policies

Reporting entity and statutory base

The Fund was established by section 13 of the Act. It consists of the assets held in respect of various defined benefit superannuation schemes prescribed in the Act. Pursuant to section 19H of the Act, each of the Schemes must be treated as if it is registered on the register of managed investment schemes under the Financial Markets Conduct Act 2013 as a superannuation scheme, but Part 4 of the Financial Markets Conduct Act 2013 otherwise does not apply to it.

The Fund is managed by the Authority. The Authority was established as a Crown entity by section 15A of the Act and became an autonomous Crown entity under the Crown Entities Act 2004.

As the primary objective of the Fund is to make a financial return, the Authority has determined the Fund is a profit-oriented entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**).

Basis of preparation

Statement of Compliance

The forecast financial statements meet the requirements of section 15N of the Act and comply with New Zealand Generally Accepted Accounting Practice (**NZ GAAP**).

The forecast financial statements also comply with New Zealand equivalents to NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements comply with International Financial Reporting Standards (**IFRS**).

These forecast financial statements have been prepared for the Statement of Performance Expectations of the Authority commencing on 1 July 2025 and for the Minister of Finance. They are not prepared for any other purpose and should not be relied upon for any other purpose.

Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

Measurement Base

The forecast financial statements have been prepared on the basis of historical cost with the exception of investment assets, including derivatives, which have been measured at fair value.

Functional and presentation currency

The reporting currency of the Fund is New Zealand dollars. All values are rounded to the nearest thousand dollars (**\$000**). The functional currency of the Fund is New Zealand dollars.

Particular accounting policies

The following particular accounting policies, which significantly affect the measurement of changes in net assets, net assets and cash flows, have been consistently applied:

a. Reporting requirements

The forecast financial statements have incorporated the requirements of NZ IAS 26 with the provisions of relevant legislative requirements.

b. Investments

Investments projected are stated at fair value.

c. Promised retirement benefits

The actuarial present value of promised retirement benefits is the present value of the expected payments by the Fund to existing and past members, attributable to the services rendered.

d. Financial instruments

The Fund is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, receivables and payables. All financial instruments are recognised in the Statement of Net Assets and all revenues and expenses in relation to financial instruments are recognised in the Statement of Changes in Net Assets. Financial instruments are shown at their estimated fair value.

e. Receivables

Receivables are carried at amortised cost.

Assets that are stated at amortised cost, are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised as the difference between the asset's carrying amount and the present value of the recoverable amount.

f. Other assets

Other assets include the Business System. The Business System is being amortised over ten years. Amortisation is being recovered from the Authority as the user of the Business System.

g. Investment income and expenses

Dividend income is recorded on the ex-dividend date. Interest is recorded on an accrual basis.

Gains and losses on the sale of equities are determined by using the average cost of equities sold and are recorded on the settlement date.

All realised and unrealised gains and losses, at the end of the year (including those arising on translation of foreign currencies), are included in the Statement of Changes in Net Assets.

Costs of administration of the Fund, including investment management and custodian fees, are paid out of the Fund and recovered from the Crown in accordance with section 15E of the Act.

h. Operating revenue

In terms of section 15E (1) of the Act, the administration expenses of the Authority, including investment management and custody expenses, are reimbursed by the Fund. Employer subsidy payments made to the Fund by the Crown and other employers include a share of the expenses.

i. Contributions and benefits

Contributions are recognised in the Statement of Changes in Net Assets, when they become receivable, resulting in a financial asset for amounts receivable from both members and employers.

Entitlements are recognised in the Statement of Changes in Net Assets when they become payable.

Contribution and entitlement projection numbers are taken from the PBE IPSAS 39: Employee Benefits actuarial valuation prepared for the Crown financial statements as at 31 January 2025.

j. Taxation

For tax purposes, the Fund is classified as a portfolio investment entity (PIE). Income taxation expense includes both the current year's provision and the income tax effects of temporary differences (if any).

The Fund is not registered for Goods and Services Tax.

k. Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

- Cash and other cash equivalents include cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Fund and its managers invest as part of its day to day cash management. Only items that have a maturity of three months or less, from balance date, are classified as cash and cash equivalents.
- Investing activities are those activities relating to the acquisition, holding and disposal of investments. Investments include securities not falling within the definition of cash, including cash flows from the settlement of forward foreign exchange contracts.
- Operating activities include all transactions and other events that are not investing or financing activities.

l. Consolidation

The Fund's financial statements include the Judges' Superannuation Account and the Parliamentary Superannuation Account.

Changes in accounting policies

All policies have been applied on bases consistent with those used for the year ended 30 June 2024.

Government Superannuation Fund Authority

Forecast Statement of Comprehensive Revenue and Expense

	Estimate 2024/2025 \$000	Forecast 2025/2026 \$000
Transfer from the Fund	56,938	52,988
Other revenue	100	80
Total revenue	57,038	53,068
Schemes administration	(5,991)	(5,879)
Investment management	(46,362)	(42,048)
Operating expenses	(4,685)	(5,141)
Total expenses	(57,038)	(53,068)
Net operating result	–	–

Forecast Statement of Financial Position

	Estimate as at 30 June 2025 \$000	Forecast as at 30 June 2026 \$000
Taxpayers' equity		
General funds	–	–
Total taxpayers' equity	–	–
<i>Represented by:</i>		
Current assets		
Cash	650	850
Receivables and prepayments	4,500	4,000
Total assets	5,150	4,850
Current liabilities		
Payables and accruals	5,150	4,850
Total liabilities	5,150	4,850
Net assets	–	–

Forecast Statement of Cash Flows

	Estimate 2024/2025 \$000	Forecast 2025/2026 \$000
Cash flows from operating activities		
Cash was provided from:		
Government Superannuation Fund	8,000	8,000
Interest	100	80
Cash disbursed to:		
Operating expenses	(8,288)	(7,880)
Net cash flows from operating activities	(188)	200
Net (decrease)/increase in cash held	(188)	200
Opening cash brought forward	838	650
Closing cash balance	650	850

Forecast Reconciliation of Net Operating Result to Net Cash Flows from Operating Activities

	Estimate 2024/2025 \$000	Forecast 2025/2026 \$000
Net operating result	–	–
<i>Add/(less) movements in working capital items</i>		
(Decrease)/increase in receivables and prepayments	(930)	500
Increase/(decrease) in payables and accruals	742	(300)
Net cash flows from operating activities	(188)	200

Statement of Accounting Policies

Reporting entity and statutory base

The Authority was established as a Crown entity by section 15A of the Act. The core business of the Authority is to manage and administer the Fund and the Schemes (see below).

The Fund was established by section 13 of the Act. It consists of various defined benefit superannuation schemes as prescribed in the Act. A separate financial forecast has been prepared for the Fund. Pursuant to section 19H of the Act, each of the schemes must be treated as if it is registered on the register of managed investment schemes under the Financial Markets Conduct Act 2013 as a superannuation scheme, but Part 4 of the Financial Markets Conduct Act 2013 otherwise does not apply to it.

The forecast financial statements have been prepared on the basis that the Authority is a going concern. The Authority is an Autonomous Crown Entity for legislative purposes and, as the primary objective is not to make a financial return, the Authority has designated itself a Public Benefit Entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**).

Basis of preparation

Statement of compliance

The forecast financial statements have been prepared in accordance with section 142 of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (**NZ GAAP**). The forecast financial statements comply with other applicable Financial Reporting Standards, as appropriate for Public Benefit Entities.

These forecast financial statements have been prepared for the Statement of Performance Expectations of the Authority commencing on 1 July 2025 and for the Minister. They are not prepared for any other purpose and should not be relied upon for any other purpose.

Actual financial results achieved for the period are likely to vary from the information presented.

Measurement base

The forecast financial statements are prepared on the historical cost basis.

Functional and presentation currency

The reporting currency of the Authority forecast financial statements is New Zealand dollars and all values are rounded to the nearest thousand dollars (**\$000**). The functional currency of the Authority is New Zealand dollars.

Particular accounting policies

The following particular accounting policies, which significantly affect the measurement of financial performance, financial position, and cash flows, have been consistently applied:

a. Forecast figures

The forecast figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Authority for the preparation of the financial statements.

b. Revenue and expenses

Revenue and expenses are recognised on an accrual basis.

Revenue is measured at the fair value of consideration received/or receivable. Revenue from the Fund is recognised as earned and reported in the financial period to which it relates.

Expenses paid in foreign currency are recorded at the rates of exchange prevailing at the date of the transactions and there are no currency gains or losses.

c. Goods and Services Tax

The Authority makes principally exempt supplies for Goods and Services Tax (**GST**), as it manages superannuation schemes. GST is imposed on imported services if those services would be a taxable supply in New Zealand. The affected transactions for the Authority are fees incurred in relation to the custody of assets and investment reports undertaken overseas. GST on services is not reclaimable and GST is therefore included in expenditure.

d. Statement of Cash Flows

The Forecast Statement of Cash Flows has been prepared using the direct approach.

e. Taxation

As a Public Authority, in terms of section CW 38(2) of the Income Tax Act 2007, the Authority is exempt from income tax.

f. Accounting for Joint Ventures

The Authority has a 50% ownership in Annuitas Management Limited (Annuitas). Staff employed by Annuitas act in management roles on behalf of the Authority. Reimbursement of Annuitas' costs, calculated on a time basis, are included in the operating expenses of the Authority. The Authority does not equity account for Annuitas as this is deemed to be immaterial.

Changes in accounting policies

All policies have been applied on bases consistent with those used in the year ended 30 June 2024.

Investment management expenses

Investment management expenses (including custody costs) are forecast to decrease from the estimate of \$46.362 million in 2025 to a forecast of \$42.048 million in 2026. This is predominantly due to a reduction in the estimated performance fees.

Schemes administration expenses

The forecast Schemes administration expenses include reimbursement to the Fund for amortised expenditure on the Business System owned by the Fund.

Recovery of expenses

The forecast expenses of the Authority, for the management and administration of the Fund and the Schemes for the 2025/2026 year, are \$53.068 million. These expenses, net of other revenue of \$0.080 million, are recovered from the Fund in accordance with section 15E of the Act.

The Fund then recovers payments made to the Authority (forecast at \$52.988 million) partly from the Crown under a Permanent Legislative Authority and partly from non-Government employer contributions.

The payments to the Authority by the Fund are recovered from the Crown and from non-Government employer contributions in proportions determined by the Authority's Actuary.

The Authority's appointed Actuary has determined that, from 1 July 2025, the Crown's share will be 99% (forecast \$52.458 million) and the share to be met from the non-Government employer contributions 1% (forecast \$0.530 million).

The expenses of the Authority include:

- Management of the GSF assets (**the Fund**).
- Expenses related to investment management, custodial arrangements and responsible investment fees.
- Management of the Schemes, including the agreement between the Authority and the Schemes Administrator (**Datacom**).
- Interpretation of the provisions of the Act and the Policies and the exercising of discretionary powers (set out in the Act).
- The fee paid to Annuitas under the management services agreement between the Authority and Annuitas.



GOVERNMENT SUPERANNUATION FUND
Te Pūtea Penihana Kāwanatanga



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