Minister | Hon Iain Lees-Galloway | Portfolio | ACC
---|---|---|---
Title of Cabinet paper | Changes to ACC Funding Settings | Date to be published | 24 July 2020

List of documents that have been proactively released

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 December 2019</td>
<td>Changes to ACC Funding Settings</td>
<td>Office of Minister for ACC</td>
</tr>
<tr>
<td>11 December 2019</td>
<td>Cabinet Economic Development Committee Minute of Decision, Changes to ACC Funding Settings (DEV-19-MIN-0348)</td>
<td>Cabinet Office</td>
</tr>
</tbody>
</table>

Information redacted  YES / NO (please select)

Any information redacted in this document is redacted in accordance with MBIE’s policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of free and frank opinions and legal professional privilege.

© Crown Copyright, Creative Commons Attribution 4.0 International (CC BY 4.0)
Changes to ACC Funding Settings

On 11 December 2019, the Cabinet Economic Development Committee:

1 noted that:
   1.1 the ACC’s Non-Earners’ Account funding position has now fallen to 55 percent against a target of 88 percent, which represents around a $5.8 billion funding gap including the risk margin;
   1.2 this raises concerns about transparency, an increasing burden for future taxpayers, and a shift away from the full funding model without an informed, explicit decision from Cabinet;
   1.3 ACC levies are significantly below new-year costs as the Accounts were previously overfunded, and levies were therefore charged below new-year costs to reduce the funding position;
   1.4 levy increases will likely be required even if the funding target is reduced, as funding levels have deteriorated significantly since the last levy round, although it is expected that these increases will be lower on average in the short to medium term with a lower funding target;
   1.5 current levy rates are low compared to historical averages;

2 agreed to treat cost pressures in the Non-Earners’ Account as a forecast adjustment, in order to improve transparency, better align with the fiscal management approach, uphold the commitment to funding the Scheme, and improve wellbeing by supporting intergenerational equity;

3 agreed that the Non-Earners’ Account funding for 2020/21 should meet new-year costs, estimated at $285 million as at September 2019, to maintain the current funding ratio and avoid the selling of investment assets;

4 agreed to introduce a 7.5 percent cap on future year-on-year appropriation increases for the Non-Earners’ Account to provide assurance on the maximum annual fiscal impact, and to further support intergenerational equity;

5 noted that as at September 2019, the net debt impact of paragraphs 2, 3, and 4 above is estimated to be $1.965 billion over the forecast period;
6 authorised the Minister of Finance and the Minister for ACC to approve changes to the Non-Earners’ Account appropriations as a forecast adjustment, subject to the funding policy [SEC-17-MIN-0028] and paragraphs 3 and 4 above;

7 agreed to set the funding target for the Levied Accounts at 100 percent of liabilities excluding the risk margin, to improve intergenerational equity and send a better price signal;

8 invited the Minister for ACC to publish an updated Funding Policy Statement in the Gazette to include the change referred to in paragraph 7 above;

9 agreed to set levies for one year only at the upcoming levy round in 2020;

10 noted that officials will provide further advice to the Minister of Finance and the Minister for ACC on moving to a three yearly levy setting cycle after the next levy round;

11 noted that in early 2020, officials will provide further advice to the Minister of Finance and the Minister for ACC on Funding Policy Statement amendments to the funding adjustment approach that returns one-tenth of the surplus or deficit to the levy rates for each year in any levy round.

Janine Harvey
Committee Secretary

Present:  
Rt Hon Winston Peters  
Hon Kelvin Davis  
Hon Phil Twyford  
Hon Dr Megan Woods (Chair)  
Hon David Parker  
Hon Nanaia Mahuta  
Hon Stuart Nash  
Hon Iain Lees-Galloway  
Hon Jenny Salesa  
Hon Kris Faafoi  
Hon Shane Jones  
Hon Eugenie Sage

Officials present from:  
Office of the Prime Minister  
Officials Committee for DEV

Hard-copy distribution:  
Minister of Finance  
Minister for ACC