The ACC Group

In association with

ACC Forum

15 December 2009
2.00 pm – 5.00 pm
Case Room 4, Level 0
Owen G. Glenn Building
The University of Auckland
12 Grafton Road, Auckland

The ACC debate: how do we pay for ACC?

In the late 1990s, it was decided that ACC should become fully pre-funded. Is that the best way of financing the scheme?

The ACC Forum will focus primarily on the reasons for using the ACC’s levies to increase the pool of assets held by ACC.

Hosted by: The ACC Group, in association with the Retirement Policy and Research Centre.

Co-sponsored by: Department of Economics, Business School, The University of Auckland.

The objective of the ACC Forum

In the early 1990s, the government as a whole decided to adopt “generally accepted accounting practice” (GAAP) as the basis on which it presented its accounts. In the mid 1990s, ACC’s own accounting information was incorporated on a ‘line by line’ basis.

Then, in 1998, the government decided that the annual levies collected by ACC should be calculated on a basis that would fully pre-fund all ACC’s accrued obligations by 2014. As a result, ACC started to accumulate financial assets that at 30 June 2009 totalled $10.4 billion. However, for various reasons, including the application of the current accounting standard ‘NZ IFRS 4’, it is clear that the objective of full pre-funding by 2014 needed extending, along with an increase in levies (and reduction in some benefits).

From the historical record, it appears that the designers of ACC never intended for its obligations to be fully pre-funded. The decision to move towards full pre-funding was seemingly not subjected to a research-based debate. Applying NZ IFRS 4 to the ACC’s accounts has created an apparent accounting shortfall of $16 billion at 30 June 2009, based on ACC’s current benefit design. The only way to achieve full pre-funding by 2019 is to reduce benefits, improve the investment performance of the ACC Fund or to increase levies (or a combination).

However, the first question should be whether the NZ IFRS 4 requirements are appropriate for an organisation like ACC. Then, should ACC receive any more in levies over the coming 12 months than it needs to meet the outgoings on the next 12 months? That specific question is the topic of this ACC Forum.
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Chatham House rule
The ACC Forum will operate under the Chatham House rule so the discussion can be free and unattributed. Any presenter may give permission for papers to be published and those, as well as historical and other background material, will be available here.

Outline of the Forum

1.45 – 2.00  Registration

2.00 – 2.20  Welcome – Susan St John (Co-director, Retirement Policy and Research Centre)

Dr Grant Duncan, ACC Group
Introductory comments: Setting the scene; recent events and the purpose of the ACC Forum.

2.20 – 2.45  ACC’s funding position
Mark Weaver Actuary and director, Melville Jessup Weaver
A review of the main ACC accounts and the implications on the levy rates of the decision to fully fund the Scheme. Why fully funding of the ACC’s accounts levies is important.

Chair: Dr Claire Dale (Research Associate, Retirement Policy and Research Centre)

2.45 – 3.10  Why does ACC need a fund? Isn’t PAYG better?
Michael Littlewood (Co-director, Retirement Policy and Research Centre)

The ACC is a department of the government so why not run its finances in the same way as other government departments? Each year, the government collects enough tax that, with borrowings, pays for its activities in that year (‘pay-as-you-go’). Why is ACC different? More specifically, why must ACC comply with the accounting standard NZ IFRS 4?

Chair: Dr Grant Duncan (Senior Lecturer, Massey University; ACC Group)

3.10 – 3.35  What can history and politics teach us? Perhaps there need to be some ‘reserves’ after all.
Associate Professor Susan St John (Co-director, Retirement Policy and Research Centre)

We must not forget where we have come from. The Woodhouse vision was never one of full prefunding, but the role of the reserves has been contentious and misunderstood. History shows a pattern of political behaviour with the current talk of crisis a variant of this. Does our history suggest that some reserves are necessary to limit political opportunism?

Chair: Dr Grant Duncan (Senior Lecturer, Massey University; ACC Group)
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..... outline of the Forum (cont’d)

3.35 - 4.15  Accounting for Accidents: Social Costs of Personal Injuries
Professor Richard Gaskins (Brandeis University, Massachusetts)
The ACC is a unique international institution and deserves the best
opportunity to succeed. How are we perceived internationally? Some
reflections on the funding issue from abroad.

Chair: Associate Professor Susan St. John

4.15 – 5.00  Discussion: Where to from here?
Final Comments Dr Brian Easton

Chair: Dr Claire Dale

5.00 – 6.00  Drinks and discussion at Spicers Restaurant, Level 3,
Owen G. Glen Building

About the ACC Group
The ACC Group is a joint venture between the University of Auckland and Victoria
University of Wellington. It comprises nationally and internationally recognised
academics and practising lawyers who have an interest in New Zealand’s unique
system of accident compensation, called ACC. This ground-breaking social-
insurance scheme was set up following the famous Woodhouse Report:
Compensation for Personal Injury in New Zealand, Report of the Royal
Commission of Inquiry 1967. ACC Group media enquiries: Dr Grant Duncan

About the Retirement Policy and Research Centre (RPRC)
The RPRC is an academically focused centre specialising in the economic issues
of demographic change. The centre's sphere of interest includes:
- public provision of retirement income (New Zealand Superannuation)
- private provision (including KiwiSaver)
- the accumulation and decumulation phases of retirement saving
- accident compensation
- tax and transfer policy.
There is more information on the RPRC here.

Registration
Please complete the following if you want to attend the ACC Forum.
There is no cost to attending.

Alternatively, please email the following details to Dr M.Claire Dale, as below.
Family name: ..............................................................
First name: ..............................................................
Title:...........................................  Institutional affiliation: ...........................................
Email address: ..............................................................

For further information please contact:
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