New Zealand Superannuation is not a 'Sacred Cow', but change needs great care

PIE Commentary 2026-6
Alec Waugh[1]

PIE invited commentaries on an issue topical to this year's budget, and to inform election debates.

Alex Waugh is a PIE research associate who brings a lifelong involvement in pension, superannuation and retirement income policy. He developed the Police and Families Credit Union in the 1980s and Police Retirement schemes, with GSF Board membership in same period. In 2013 he created a consumer group representing retirees, [Kaspanz](), that publishes regularly on superannuation issues.

New Zealand Superannuation (NZS) should not be viewed, as some do, as a Sacred Cow. It is a big-ticket cost item, deserving of scrutiny, but in that scrutiny let's not lose sight of the critical public policy role it plays to provide the safety platform for all New Zealanders from age 65.

NZS provides a basic income floor that addresses poverty prevention better than any alternative scheme I have examined. The protection it provides will be needed even more in the future. Younger New Zealanders are facing a rapidly changing world of job insecurity and less likelihood of a debt free home on retirement. They are going to need a pension scheme similar to NZS as an income platform for their senior years to prevent poverty.

I have described NZS elsewhere as "a generational transfer entitlement wrapped around family, equity, and well-being principles. It is there already for future generations, supported by Kiwi Saver"

KiwiSaver is not a replacement for NZS, it's the important secondary income tier, not an alternative. David Harris, Director of TOR Financial Consulting, praised New Zealand as the "smart country"[2], supported by Alex Malley, former CEO of CPA Australia[3], describing New Zealand as "the lucky country", both praising the system for being simple,

---

[1] This series of our research associates' commentaries may or may not be the consensus view of the PIE hub.
[2] David Harrris, seminar Akl https://www.auckland.ac.nz/assets/business/about/our-research/research-institutes-and-centres/RPRC/presentations/3-Acting-local-thinking-global-david-harris-April2017.pd
[3] 'NZ the lucky country when it comes to superannuation' Alec Malley NBR Sun, 9 Aril 2017.

equitable, and cost-effective. The Retirement Commission[4] supported by comments by recently retired Commissioner Jane Wrightson and the Society of Actuaries published research, are great starting places to assess NZS.

One common denominator applies in economic and retirement income policy, the gap between rich and poor has increased markedly over the last 45 years, those with housing wealth have been advantaged over the same period. There will be policy changes, but it is important they are not knee-jerk reactions.

[The NZ Society of Actuaries] have proffered principles to guide reform of equity, adequacy, empowerment to plan retirement saving with confidence, sustainability, simplicity and ease of access.

Here is their view about the purpose of NZS:

> **RIIG's view is that the primary purpose of New Zealand Superannuation (NZS) is to protect the population against longevity risk (living longer than expected)**.
>
> **NZS will remain the most important tool for income in the near future and will always be important for managing longevity risk** – for ensuring that everybody has the backstop income in later life, even if their savings run out.
>
> **The importance of NZS could grow** if younger generations turn out to have saved less than older generations, as seems likely.

They concluded;

> *All proposed reforms to NZS are problematic, and none are simple enough to be "silver bullets" to any perceived problem with retirement income policy. We see means-testing and flexible age of eligibility as fails when assessed against RIIG's principles for reform.*[5]

Those advocating a single-issue fix to NZS e.g. to increase the current age of eligibility of 65 years, have scant regard for the unintended consequences /costs associated with change e.g. increasing unemployment benefits, more demand for the accommodation supplement, and heavy costs for women, Māori and low paid.

Next is the failed policy of "means testing". Superficially attractive, it is often suggested by those who are able to disguise their income and assets by trusts or similar. Means testing is complex, involving both income and assets. Means testing is difficult to target accurately, expensive to administer, and fails the public good test creating an environment of "them and us".

Peter Dunne[6] put it this way:

> *… what we know about means testing is that it tends not to be efficient, fair or in the interests of the most disadvantaged.*

Those who suggest we adopt the Australian Superannuation Guarantee approach to private saving or retirement are essentially arguing for a means test on NZS. Impossible to implement efficiently, the Australian system is full of complexity including controversial exemptions and expensive tax concessions.

[4] Focussing on the Future: Report to Government 2013, Review of Retirement Income Policies 2025
[5] An actuarial view on reform RIIG-NZS-Reform-Jan24.pdf
[6] https://newsroom.co.nz/2026/02/19/time-to-stop-this-sterile-status-quo-on-superannuation/.

Critics seldom address rising cost options for big-ticket items yet more revenue options are available. New policy should have productivity, equity, and fairness as their primary ingredients, but frequently don't. The National party proposes just one policy for NZS: "raise the age of access", rather than integrated and equity-based decisions.

Some economists, without much background, proffer advice based on the numbers alone. Beware too of the powerful lobby groups, self-interest commentators, and talk-back radio hosts with little research knowledge or assessment of policy cost implications.