



BUSINESS SCHOOL

Retirement Policy and Research Centre

The process of decision-making for pensions policy in New Zealand

University of Auckland, 20 April 2017

<http://www.rprc.auckland.ac.nz>

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Changes to NZ Superannuation

- The latest changes in a long line:
 - 1977: National Superannuation
 - 1984: the ‘Surcharge’
 - 1989: ‘Guaranteed Retirement Income’ and ‘Retirement Tax’
 - 1991: state pension age starts increase; ‘National Superannuation’; surcharge tightened
 - 1993: ‘Accord’
 - 1997: Referendum
 - 1998: Surcharge abolished
 - 2001: New Zealand Superannuation Fund
- The government’s March announcements

The government's March decisions

- State pension age increases from 65 to 67 between 2037 and 2040
- 10 years' residence for NZS will be 20 years
 - Average in OECD is 26 years
- “...to improve its long-term fairness and sustainability.”
- NZSF contributions will resume in 2021
- Review in 2030
- It's about politics, not superannuation

What's not changing

- Link to the average wage
- 'Universal entitlement (no income or assets tests)

New Zealand Superannuation

- Universal or means-tested?
- State pension age, currently 65
- Minimum residency period, currently 10 years
- Couple's rate
- Revaluation basis
- Pre-funded or PAYG (the role of the Superannuation Fund)?
- Single rates – living alone and sharing
- Overseas pension deductions (section 70)
- ACC relationship
- 'Approved' absences overseas
- 'Hospital rate'
- Pensions to overseas residents
- Review process
- Transition period to new arrangements

What should we talk about?

- We must discuss NZ Superannuation – that hasn't happened
- Today's savers need the clearest possible picture of tomorrow's NZS – we don't have that
- We need more and better information about how citizens are responding
- ...not to say that NZS will or needs to change but to allow savers to assess the risks of a lower (or higher) amount

In the end...

- The annual amount of NZS in 2037 will be:
 - The total amount that 2037 taxpayers decide to spend on income for the old in 2037
 - Divided by the total number of old people entitled to receive it in 2037
- Nothing that today's savers, taxpayers or politicians do or promise will have any effect on that calculation
- The same will be true in 2066, 2086 and 2106

In summary

“A politician is an animal which can sit on the fence and yet keep both ears to ground.”

H.L. Mencken