

RPRC Update

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Changes to RPRC in 2022

The Retirement Policy and Research Centre was established as a virtual centre in 2006 by part-time co-directors Susan St John and Michael Littlewood. Valuable support was provided by the Matthew Abel Trust to enable the eventual establishment of the RPRC as a real presence in the Business School. Dr M.Claire Dale joined the RPRC in 2008 as a Research Fellow. Michael Littlewood retired in 2015, maintaining interest as a Research Associate and in pension reforms.

The RPRC has evolved over the 15 years with support from the University of Auckland Business School to offer a trusted, researched, independent voice in superannuation policy and pension design. It has been a labour of love driven by a passion for good pensions policy, and recognition of the changes wrought by an ageing population. We reflect on 15 years in which the RPRC has run many forums and other events, produced numerous working papers and policy documents, been a strong voice in successive Retirement Income Policy Reviews, collaborated with ACC Futures Coalition, and submitted on many pieces of legislation. Our work forms a valuable archive of pensions policy activity. We thank the many who have contributed and particularly thank David Harris, TOR consulting, for his interest and support.

The nation is over half-way through the baby boom retirement, and in 8 years the first of the baby boomers turn 85. From then on, this cohort born after World War 2 will swell the ranks of those whose healthcare needs are high, including the need for long-term care. This perfect storm of demographic change collides with growing chasms in the wealth and income distribution, including the impossibility of affordable and secure housing for increasing numbers of older people. Fiscal pressures are unavoidable, and despite the rhetoric, [the NZ Super Fund](#) will not alleviate the pressures on real resources.

New Zealand is fortunate to have NZ Super for all as an inclusive and non-conditional income that has largely prevented elder poverty since its introduction in the 1970s. But this rosy picture is now changing. Anything above a bare minimum standard of living will require older people to have substantial extra resources to call on. More older people are coming into retirement with very little extra after years spent with inadequate low paid work or

caregiving, and now face a lifetime of renting in a precarious housing market. Women, Māori, Pasifika and the disabled are becoming strong voices, questioning whether the retirement policy framework actually works for them.

After 15 years it is time for the RPRC to reflect on its positioning in the early to mid 21st century. Retirement is almost an outmoded notion for many while others cannot support themselves much beyond 55. The threats of international political instability as societies fracture along wealth and class lines, the lingering and painful effects of the pandemic, rising concerns about climate change and re-emergence of shortages and price rises make it critical to look at the whole picture, not just narrowly at retirement income policies.

It is becoming clear that policy issues need to be seen as cross-disciplinary and the fortunes of all generations are highly-interconnected. More competition for scarce resources will be the norm and the quality of the later years of life are intertwined with the quality of investment we make today in the young. In the new year the RPRC will transition to a different format that recognises intergenerational equity issues as paramount.

We wish you all a Mere Kirihimete and a bright 2022,
Susan and Claire

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Financial Services Council Conference,
6 – 7 December, Susan St John, Director RPRC,
contributed to the Key Note panel discussion.

KiwiSaver 2.0

Are we moving the dial or moving the deckchairs?

Panel discussion with Paul Gregory (Financial Markets Authority), Susan St John (University of Auckland), Adam Boyd (ASB), David Boyle (Mint Asset Management), Andrew Inwood (CoreData) led by Corin Dann (RNZ)



The panel rated KiwiSaver 6-7 out of 10 and discussed areas of improvement, including improving the nature of and access to reputable financial advice, improved financial literacy and more understanding of the drivers of non-contributions. Tamsyn Parker NZ Herald [PAYWALL] 8 December reported: "[Experts divided on how to get more saving in KiwiSaver](#)" "KiwiSaver has attracted more than 3.09 million members since its launch in 2007 with nearly \$90 billion invested. But only 1.88 million members contributed to their account in the last year."

David Boyle, head of sales and marketing at Mint Asset Management, said KiwiSaver appeared to be doing okay looking at the number of members but when the layers were peeled back the thing that concerned him were contribution rates.

"There are a significant number of KiwiSaver members not contributing or contributing very little. Some 380,000 were children while others were retired and some that were unemployed or had gone through Covid and had seen a reduced income. But when you add that up there is a still a large number not making any contributions at all. If people aren't getting their member tax credits, not contributing, it doesn't matter how good that platform is around cost and delivery. That is going to have a massive impact on their financial wellbeing when they reach their non-working years or retirement years."

Boyle said one area of concern was how people were employed and if people were becoming contractors they were missing out on the employer contribution. A lot of New Zealand has been moved from salary and wages to contract roles and may have missed the point they are not getting employer contributions and are not contributing themselves.

Susan St John, director of the RPRC, said it was time for a gender and ethnicity lens to be applied to KiwiSaver.

"KiwiSaver is not designed well for women. When we look at that conventional 40-year career path for men that is

not the typical one for women. Between the age of 20 and 40 women typically took time off for caregiving and also later in life to look after parents. One in three women work part-time compared to one in 10 men. What we are finding is when women enter retirement there is a considerable gender pensions gap."

St John said the Government should change its contributions to extend them beyond the age of 65, allocating people 40 years of contributions so that women working after the age of 65 could also enjoy the same level of contributions as others. She said employers should also have to contribute to KiwiSaver regardless of whether their employee was contributing to it and she also urged the reinstatement of the \$1000 kickstart subsidy. "That was a very useful signal that they should be in KiwiSaver. Abolition of the kickstart in 2015 meant the baby boomers had creamed the best off KiwiSaver."



BUSINESS SCHOOL

Retirement Policy and Research Centre

A commentary from the Retirement Policy and Research Centre

PensionCommentary 2021-04 by Dr M.Claire Dale

A Commission for the Future - again

A critical issue not addressed by the roles of Retirement Commission, Aged Care Commission or any other Commission is intergenerational equity and future-proofing our rapidly changing society. Given the number and range of Commissions established in Aotearoa New Zealand (see Appendix 1), that is a remarkable oversight that could be addressed by instituting a new, revised Commission for the Future.

The original Commission for the Future was set up in 1977 and abolished by the Government in 1982. The Commissions functions were: to study the possibilities for the long-term economic and social development of New Zealand, with particular reference to developments in science and technology and trends and events here and overseas; to inform members of Parliament; and to publish and promote public discussion and education about the future.

The remit of that Commission was in stark contrast to the legislation introduced by the Welsh Government's 'Well-being of Future Generations (Wales) Act 2015'. There, the focus is on intergenerational equity and working toward the well-being goals including prosperity, resilience, health and equality and being globally responsible. The also established a statutory Future Generations Commissioner whose roles include acting as a guardian for the interests of future generations in Wales.

New Zealand could learn from Wales and consider future generations, ensuring that rights of today are not unduly valued over rights of tomorrow.

See the full PensionCommentary [here](#).



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Retirement Policy and Research Centre

A Briefing from the Retirement Policy and Research Centre

PensionBriefing 2021-3, Susan St John & M.Claire Dale

KiwiSaver what it is, what we know, what we need to know

New Zealand's KiwiSaver can be described as an extremely successful branding exercise, widely supported with 3.1 million members in a national population of 4.9 million. Members have accrued \$81.6 billion since the scheme began in 2007. This PensionBriefing specifically focusses on the important data gaps in KiwiSaver reporting. New Zealand has very little in depth analysis of KiwiSaver: who benefits and who loses. The information on superannuation schemes available in New Zealand is compared with that available in Australia.

Over time, as KiwiSaver supplants the traditional company Defined Benefit schemes, almost all of which are closed to new members, there will be vastly fewer retirees with supplementary income that protects them from longevity risk.

There may be, as RPRC argues, a case for a maximum value, inflation-adjusted 'KiwiSpend' annuity default option in the KiwiSaver space. Instead of everyone saving the lumpsums for a 'no frills' or 'choices' retirement, and some dying asset rich while others outlive their lumpsum saving, there could be a sharing from those who die early to those who live longest through the annuity mechanism. If this case is further developed, good data on median and mean balances in KiwiSaver by age and gender will be required.

Data on who accesses KiwiSaver early and why is also essential, especially in light of the unequal economic impact of Covid. To address issues of inequality in retirement and pensions gaps, data by gender and ethnicity is required.

Better data could signal where policy changes to KiwiSaver can be made to achieve better outcomes across different genders and ethnicities. Consistent, regular and statistically reliable figures should be available on the full range of issues surrounding KiwiSaver.

See the full PensionBriefing [here](#).



United Nations

Sustainability at the University of Auckland - SDG 1 (No poverty)

Susan St John speaks to the goal of SDG 1: No Poverty, and how the Retirement Policy and Research Centre sees that goal being achieved. "We have good policies in place for older people" she said, "but we need to address the widespread child poverty if we are going to end poverty in Aotearoa New Zealand." See the youtube video [here](#).



Office for Seniors: Older workers employment action plan (OWEAP)

An inter-sectoral approach:

In 2018 a working group

convened by the Employers and Manufacturers Association, and including business, union and government agency representatives, called for a national strategy on the ageing workforce. Effective implementation of this plan will require participation by a similarly wide range of labour market actors.

A 'living plan': The OWEAP has no timeframe or end point. It aims to ensure that an older workers employment lens is placed across the Government's entire employment and training work programme.

Objective one Employment-related services are effective, accessible, and meet the needs of older workers

Objective two The labour market supports the needs of older workers

Objective three Labour market actors involved in different sectors and regions are collaborating to maximise the opportunities of their ageing workforces

Objective four The needs of older workers who experience multiple disadvantages in the labour market are addressed in all aspects of the Government's response to labour market disadvantage.

How we will implement the plan

The OWEAP is a part of the Government's Employment Strategy, as well as the Better Later Life Strategy.

The desired outcome of the action plan is to ensure that all older workers, both those aged 50 – 64 and those aged 65+, are able to access work that meets their needs so that they are valued and thrive in the workplace and can transition away from paid employment when they are ready; and they can contribute fully to the economy.

A labour market supporting the needs of older workers does not discriminate against older workers; has jobs that are flexible and responsive to the needs of older workers; and enables older workers in employment to continue to upskill or retrain and supports them to change career.

See the consultation document [here](#).

See the summary [here](#).

Some relevant research:

A 2016 survey by (then) CFFC found 54% of those still working aged 65+ were working because they financially needed to continue working. See [here](#).

A 2019 survey by (then) CFFC found New Zealand has one of the highest rates of people aged 65+ still working: 24%. This compares to the UK rate of 10%, Australia 12%, USA 19%, Japan 20% and Iceland 35%. Among New Zealanders aged 65-69, 44% still have jobs. See [here](#).

New Zealand has no compulsory retirement age and record numbers of Kiwis are working beyond 65 and facing an uncomfortable truth: they may have to keep



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working until the grave. Statistics NZ figures show 24% of those 700,959 eligible for superannuation - just over 168,000 people - still work. The data, published in April in North & South magazine, show this percentage has nearly tripled from 9% just 30 years ago. See [here](#).



More and more older entrepreneurs

Many entrepreneurs are older, and making money is not always their prime motivation. Some just want to stop working for someone else, COVID has pushed more people into their own business, and some are out to improve the lives and economy of their whānau, hapū, & local communities.

Dr Judith Davey, a senior associate at Victoria University, interviewed 20 senior entrepreneurs for a study that was part of the MBIE-funded research programme "Maximising Workforce Participation for Older New Zealanders".

Older people are mainly seen as a problem to be solved - but what's often missing for them is support. The hurdles include going to the bank to ask for money, knowing how to deal with multiple agencies and organisations, and strengthening digital skills. See NewsRoom article [here](#).

Massey University Fin-Ed Centre 2021 Retirement Expenditure Guidelines 'Retirement needs \$800k savings'

Two levels of expenditure are included in the guidelines. The No Frills guidelines reflect a basic standard of living that includes few, if any, luxuries. The Choices guidelines represent a more comfortable standard of living, which includes some luxuries or treats. The No Frills Guidelines are based on the average expenditure of the second quintile of the Household Economic Survey (HES) for the year ended 30 June 2019 for retired households, while the Choices Guidelines are based on the average expenditure of the fourth quintile of the HES for retired households.

THE NEW ZEALAND RETIREMENT EXPENDITURE GUIDELINES AS AT 30TH JUNE 2021

	ONE-PERSON HOUSEHOLDS		TWO-PERSON HOUSEHOLDS	
	Metro	Provincial	Metro	Provincial
WEEKLY NZ SUPER RATES After tax	\$436.94		\$672.22	
Total Weekly Expenditure				
No Frills budget	\$726.19	\$604.92	\$864.94	\$746.81
Choices budget	\$1028.89	\$1116.23	\$1470.26	\$1176.14

While the sums are large, people able to work past age 65 can get away with saving less, says the report's author. Susan St John, Director of the RPRC, believes it's easier said than done, and an increased reliance on people's own savings could also exacerbate inequalities. See [here](#). See the FinEd report [here](#).

Ageing Internationally

Mexico. Pensions will consume 16.5% of the federal budget next year About one-sixth of the 2022 federal budget will be used to pay pensions as a record 1.17 trillion pesos (US \$56.6 billion) will go in the pockets of

retired workers next year. According to the budget approved, outlay on pensions will increase 6.2% in 2022

Spain to raise social-security payments to fund coming pensions boom Spain's government has agreed with unions to raise social-security contributions by 0.6% between 2023 and 2032 to help pay for the pensions of an upcoming wave of retirees, the Social Security Ministry said last Monday.

Experts Concerned About Senior Poverty in S. Korea as Aging Society Takes Speed Experts are increasingly concerned over the issue of senior poverty caused by a lack of pension programs and other senior welfare policies as South Korea is becoming an aging society at twice the speed of Japan.

New Zealand Superannuation law change

On 10 November, a bill to increase the residency requirement for NZS from 10 years to 20 years passed into law. [New Zealand Superannuation and Retirement Income \(Fair Residency\) Amendment Act 2021](#), RPRC has lobbied for an increase in the residency requirement for many years and welcomes this policy change.

The time requirement will increase gradually over the course of 10 years. The majority of immigrants who are already residents will not be affected by these changes. Those who are will have plenty of time to prepare, due to the delayed commencement of the Bill.

Allowance has been made for refugees, and for time worked in the Cook Islands, Niue, and Tokelau to count toward the 20 year residence requirement.



The National Strategy for Financial Capability

was launched at Parliament on 15 April by the Minister for Commerce and Consumer Affairs, Dr David Clark. The Strategy is the result of six months of talks led by Te Ara Ahunga Ora Retirement Commission. More than 300 people, representing commercial, non-profit and government agencies, including all the major banks, insurance companies, the FinCap budgeting network, iwi, and financial advisers, contributed.

Retirement Commissioner Jane Wrightson said the strategy's goals included ridding the language of jargon, and replacing it with clear, accessible messages that recognise New Zealanders' varied cultural contexts. Read the Strategy [here](#).



New Zealand Health Survey 2020/21 Results

The 2020/21 New Zealand Health Survey findings have been published on the Annual Data Explorer, the Ministry's interactive web tool. Results are available by gender, age group, ethnic group, disability status and neighbourhood deprivation. Data were collected via face-to-face surveying between September 2020 and August 2021 from 9,709 adults and 2,954 children. The survey was suspended when there were known community outbreaks of COVID-19 in an area. Key insights from the 2020/21 Health Survey include:

- 9.6% adults experienced psychological distress, up from 7.5% the previous year. Adults living in the most deprived areas had higher rates of distress (15.2%) than those living in the least deprived areas (6.1%).
- 10.2% adults reported cost as a barrier to seeing a GP. Māori (15.7%) and Pacific (15.2%) adults were more likely to report cost as a barrier.
- Obesity has increased in both adults and children. About one in three adults (34.4%) were classified as obese in 2020/21, up from 31.2% in 2019/20. Nearly one in eight children aged 2-14 (12.7%) were classified as obese, up from 9.5% in 2019/20.
- About one in seven children (14.9%) lived in households where food runs out sometimes or often. This is down from 20% in 2019/20.

For further details: [Annual Update of Key Results](#)
[2020/21: New Zealand Health Survey](#)



The right to a decent home

The first report in the Human Rights Commission's on-going inquiry into the right to a decent home has called for new accountability measures to track whether the right is being realised for everyone in Aotearoa New Zealand. "*Decades of failure, neglect, and broken promises by successive governments have created a failure of public policy and democracy,*" said Chief Human Rights Commissioner Paul Hunt.

The Commission's report calls for:

- an Act of Parliament which sets out key principles and Tiriti o Waitangi obligations to guide all housing initiatives

- an independent accountability mechanism for constructively holding decision-makers to account and to encourage continuous progress
- an independent advisory and advocacy group – grounded on Te Tiriti o Waitangi – to support informed and evidence-based participation in housing policy, including those affected by the housing crisis.

In August the Commission announced it would be holding an inquiry into the right to a decent home and published *Framework Guidelines on the right to a decent home in Aotearoa: Aratohu tika tangata ki te whai whare rawaka i Aotearoa*.

Many people continue to live in degrading, unaffordable and unhealthy conditions despite successive governments' repeated commitments under specific human rights treaties – for example for children, indigenous and disabled people.

The Commissioner said "*For Māori, insecure housing is too often a legacy of the seizure and purchase of land by the Crown during colonisation. As such, governments have been failing to deliver what was pledged to their partner in Te Tiriti. The Government has a legal duty to honour its international commitment to the right to a decent home and must deliver on this for all New Zealanders.*"

Aotearoa's housing system needs mechanisms for meaningful accountability and public participation grounded on statutory principles. Without these, New Zealanders' right to a decent home would continue to be denied. See more [here](#).

RPRC Media mentions and public presentations:

2 September 2021, Dominion Post, Radio NZ, Magic Talk, Stuff.co.nz, Taxing pensioners' other income at higher rate 'could be better way to make super affordable' Susan St John commented on the issue of affording to pay New Zealanders superannuation as the number of pensioners is expected to double.

6 September 2021, Stuff.co.nz, Southland Times, Timaru Herald, Waikato Times, Manawatu Standard, Taranaki Daily News, Higher tax for working pensioners: 'There's no easy solution'. Susan St John released a briefing which updated work done in 2019 in the context of Treasury's fiscal projections for the superannuation scheme. 'One option would be to reduce the appeal of the pension for those with significant other sources of income.'

7 September 2021, Taxpayers' Union NZ, Taxpayer Update: A new tax grab | Grant's confession | Super tax An Auckland University academic is promoting a new plan to offset rising superannuation costs: Susan St John wants to hike taxes on superannuants, with a 39% flat rate tax on any income additional to NZS.

19 September 2021, Interest.co.nz, Te Wiki o te Take, The Week in Tax; Susan St John has released a briefing paper updating an idea she'd first proposed back in 2019. It treats the pension as a basic income and then taxes pensioners' other income at a higher rate.

21 September 2021, RNZ, Susan St John comments on retirement issues.



23 September 2021, Dominion Post Weekend, Northern Advocate, Taranaki Daily News, Manawatu Standard, Waikato Times, Timaru Herald, Nelson Mail, Stuff.co.nz, Southland Times, Susan St John comments on the Government's Temporary assistance for low-income workers, saying the increase would not help the people who were most in need. "It doesn't fix anything systemic and it's temporary, it's just a one-off temporary Band-Aid..."

16 October 2021, NZH, Mary Holm references RPRC.

21 October 2021, Stuff.co.nz, Rob Stock quotes Susan St John in '[KiwiSaver not enough: New Zealand slips in world pension ranking](#)'

21 October 2021, NZH, Dialogue, Susan St John [Time for bold action for children](#).

21 October 2021, RNZ Audio Mercer's pensions index, Susan St John in [The Panel with Andrew Hoggard and Mihingarangi Forbes \(Part 2\)](#).

22 October 2021, Waatea Radio, Susan St John interviewed [here](#) on Working for Families policy changes.

8 November 2021, Interest.co.nz, Susan St John writes [Urgent reform of Working for Families needed – not tinkering](#).

15 November 2021, Daily Blog, Susan St John writes [Let them eat cake](#).

18 November 2021, CPAG, Susan St John & Caitlin Neuwelt-Kearns (2021) [Australia and NZ tax credits for children. A 5-year comparison: July 2018- July 2023– Part 2, Rethinking Income Support for Children series](#)

27 November 2021, Daily Blog, Susan St John writes [What could possibly go wrong next?](#)

2 December 2021, Waatea Drive, Interview on Working for Families with [Dr Susan St John | Child Poverty Action Group](#).

3 December 2021, Stuff.co.nz, Max Rashbrooke in [If Luxon's looking for a new direction, he could start by investing in our kids](#) quotes Susan St John's proposals: increase the tax rate paid by wealthy superannuitants who are still in work, shaving \$1 billion from New Zealand Super without harming anyone's well-being.

8 December 2021, Newstalk ZB, Susan St John joined Heather du Plessis-Allan in [Calls to extend KiwiSaver contributions beyond the age of 65 for women](#)

8 December 2021, NZH, Tamsyn Parker in [Experts divided on how to get more saving in KiwiSaver](#) quotes Susan St John, "time for a gender and ethnicity lens to be applied to KiwiSaver".

8 December 2021, National Business Review, Hamish McNicol quotes Susan St John in [Shifting the KiwiSaver dial: lower tax, matching contributions mooted](#).

9 December 2021, The Panel with Catherine Robertson and Conor English (Part 2) Susan St John said it was time for a new lens to be applied to KiwiSaver.

10 December 2021, NZH, Thomas Coughlan quotes Susan St John [Welfare debts pushing thousands into 'poverty trap'](#).

17 December 2021, RNZ, M.Claire Dale interviewed by Naomi Arnold [on the gender pension gap and what can be done to close it](#).



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