

RPRC Update

March 2019 | Volume 12, Issue 1 of the quarterly RPRC Update

Summit 26 April: 2019 Retirement Income Policy Review and You

Event details

Date: Friday 26 April 2019

Time: 8.30am-5pm

Venue: University of Auckland Business School, Level 0, Case Room 3, 12 Grafton Road, Auckland, 1010

Registration: \$65 (includes lunch, refreshments)

Parking: \$12 at the Business School



Summit sponsored by RPRC, Department of Economics, Public Policy Institute and TOR Financial Consulting Ltd UK.

The 2019 Retirement Income Policy Review terms of reference have been released by the Government, and the public summit at the University of Auckland Business School will explore some of the issues raised. These include the fiscal impact of ageing, the possible future shape of the age pension, KiwiSaver, intergenerational equity, the changing nature of work, the capacity of the health sector, the health of the financial sector, and lessons for New Zealand from international developments in finance and pensions.

New Zealand experts on retirement income policy issues will share their thinking on the various issues set out in the Terms of Reference. Among these are Diana Crossan, former Retirement Commissioner; Matthew Bell, Treasury; Professor Ngaire Kerse, Joyce Cook Chair in Ageing Well and Head of the School of Population Health at the University of Auckland; Judith Davey, Institute for Governance and Policy Studies; Richard Klipin,

EO Financial Services Council; Len Cook, former Chief Statistician for New Zealand and the UK. International speakers, including David Harris, MD TOR Financial Consulting Ltd; Hon Nick Sherry, Australia's former Minister for Superannuation & Corporate Law and Deputy Finance Minister; and Calvert Duffy, an Australian Governance, Risk and Compliance consultant, will comment on likely implications and possible lessons from overseas events including the Australian Royal Commissions.

[Learn more and register for the 2019 Retirement Income Policy Review and You.](#)

The terms of reference for the Retirement Income Policy Review are:

1. An assessment of the effectiveness of current retirement policies for financially vulnerable and low-income groups, and recommendations for any policies that could improve their retirement outcomes.
2. An update and commentary on the developments and emerging trends in retirement income policy since the 2016 review, both within New Zealand and internationally.
3. An assessment of the impact that the following will have on government retirement income policies, including KiwiSaver and New Zealand superannuation: The changing nature of work, including the increasing number of people who are self-employed and/or working in temporary and flexible jobs; Declining rates of home ownership; and changes in labour market participation of those 65 years and older.
4. Information about, and relevant to, the public's perception and understanding of KiwiSaver fees, including: The level and types of fees charged by KiwiSaver providers and the impact that fees may have on KiwiSaver balances.
5. Information about the public's perception and understanding of ethical investments in KiwiSaver, including: The kinds of investments that New Zealanders may want to see excluded by KiwiSaver providers and the range of KiwiSaver funds with an ethical investment mandate.
6. An assessment of the impact of current retirement income policies on current and future generations, with due consideration given to the fiscal sustainability of current New Zealand superannuation settings.
7. Information about the public's perception of the purpose and principles of New Zealand superannuation.
8. An assessment of decumulation of retirement savings and other assets, including how the Government can ensure New Zealanders make the most of their money in the decumulation phase.

Contents

Page 2

[Vietnamese Officials visit the RPRC's Susan St John](#)

[RPRC welcomes the terms of reference for the 2019 Retirement incomes review](#)

[Opinion: It's time the government listened to advice and introduced pension policies appropriate for our rapidly ageing population](#)

Page 3

[Drawn from the ballot: New Zealand Superannuation and Retirement Income \(Fair Residency\) Amendment Bill](#)

[The Tax Working Group should not venture into retirement policy](#)

Page 4

[Seminar, Auckland, 5 March 2019: The Ageing Workforce: Policy Dilemmas and Choices](#)

[Submission to Finance and Expenditure Select Committee](#)

[PensionReforms re-booted August 2018](#)

Page 5

[Media, presentations and contributions](#)

Vietnamese Officials visit the RPRC's Susan St John



16 January 2019

The photo is of four Vietnamese officials from the Vietnam Social Security (VSS): Mr Phan Dinh Thang, Official, Department of International Cooperation, VSS; Mr Nguyen Dinh Khuong, Deputy Director General, VSS (Head of the Delegation) in charge of training and human resource development; Mr Bui Dinh Cu, Deputy Editor-in-Chief, VSS newspaper; and Mrs Doan Thi Lan, Director, VSS Lai Chau province.

They were at the RPRC to learn about New Zealand's retirement incomes policies. They found the non-contributory, universal and comparatively generous NZ Superannuation a novel idea. For comparison, Vietnam has a minimal social insurance scheme with three obligatory social security (SS) systems: social insurance, health insurance and unemployment insurance. Those with minimal or no social insurance entitlement may be covered in limited circumstances by an old-age social pension (social assistance): 405,000 dong a month is paid if aged 60 to 79, needy, and living alone without family support; 540,000 dong a month if older than age 80; 675,000 dong if aged 60 or older with an assessed reduced working capacity of at least 81%; 1,080,000 dong a month if aged 60 or older, needy, and with an assessed reduced working capacity of at least 81%, or aged 60 or older and living in extremely difficult circumstances.

Given an exchange rate of VND/NZD = 15,767/1 it can be understood how astonishing the NZS scheme looks.

RPRC welcomes the terms of reference for the 2019 Retirement incomes review

The Retirement Commissioner has a statutory obligation to produce a report on retirement incomes policies every three years. This year's review has had little fanfare so far and [the terms of reference](#) have only just been released. The report is expected by December 2019.

“Will there be enough time to examine in depth the pressing issues of suitable policies for a rapidly ageing population?” asks Dr Claire Dale, Research Fellow RPRC.

As in previous reviews, much attention is given to KiwiSaver, including the level and types of fees charged by KiwiSaver providers, the impact that fees may have on KiwiSaver

balances, and ethical investments. Other topics include: the impact of current retirement income policies on current and future generations, fiscal sustainability of current New Zealand superannuation settings, and decumulation of retirement savings and other assets.

“Let us hope the policy to abandon the kickstart for newly enrolled adult KiwiSavers is reassessed along with attention to the need for recognition of the unpaid work of caregiving that affects the ability of caregivers to accumulate wealth for retirement. Caregivers are predominantly women” says Dale.

While strident in its criticism in opposition of some of the aspects of New Zealand's treatment of those with overseas pensions, the Labour led government has so far refrained from making any changes, and this topic is absent from the terms of reference. “.... The glaring anomaly of the treatment of spouses who lose part or all of their New Zealand Superannuation merely because they are married to someone with a large overseas pension should have been dealt with long ago” says Dale.

“After past reviews, recommendations have largely been ignored. We hope that this time the Review is substantial, its recommendations are debated widely, and policies appropriate for a rapidly ageing population are introduced.”

[View the full press release.](#)

Opinion: It's time the government listened to advice and introduced pension policies appropriate for our rapidly ageing population

Dr Claire Dale, 4 February 2019

The 2019 review of retirement income policies has had little fanfare so far and the terms of reference have only just been released. The report is expected by December 2019, which allows little time to properly examine the pressing issue of suitable policies for our rapidly ageing population.

With respect to retirement income policies - the crux of the review - an Official Information Act request to the Ministry of Social Development revealed that more than 41,000 of people receiving New Zealand Superannuation also need the Accommodation Supplement to pay their private rental costs. They join with the other 249,000 people receiving the supplement, costing the Government more than \$27 million a week. This suggests both that NZS is inadequate and private rents are too high.

There are some useful topics around the changing nature of work, changes in labour market participation by those aged 65 and older, and declining rates of home ownership. Also, as in previous reviews, much attention is given to KiwiSaver, including the level and types of fees charged by KiwiSaver providers, the impact that fees may have on KiwiSaver balances, and ethical investments.

Critically important topics include the impact of current retirement income policies on current and future generations, and the fiscal sustainability of current NZS settings. An

ageing population means a shrinking number of working-age people to support a growing number of old and increasingly frail people, which imposes obvious fiscal challenges.

The international environment needs to be brought into any discussion of these topics, as many countries, including Australia, have already increased their qualifying age for the pension above 65 and are in the process of increasing it further. Any discussion of this needs to recognise that not all sectors of the population have the option or ability to work past 65.

It is good to see that a topic included is: “An assessment of decumulation of retirement savings and other assets”. (Decumulation is the process of drawing down assets in retirement). The RPRC has written and lobbied extensively on the importance of the availability of decumulation instruments, and argue that the benefits of KiwiSaver are undermined by the lack of viable, reliable options for spending those savings over the remaining uncertain lifetime.

It would have been helpful to take this opportunity to have a proper evaluation of total remuneration toward standardisation of employer KiwiSaver contributions for employees. This issue is increasingly important as people continue in employment beyond the qualifying age for NZS. Currently, the legislation says an employer does not have to pay their contribution to an employee’s KiwiSaver account once they turn 65, with the result that the 65-year-old employee may be paid less than their 64-year-old colleague.

The topic: “Information about the public’s perception of the purpose and principles of NZS” creates the opportunity to discuss NZS, and compare it with other welfare benefits. It is also an opportunity to propose pathways to ensure the continued universality of NZS.

[View the full article.](#)

Drawn from the ballot: New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Bill



[This bill](#), drawn from the ballot on 22 October 2018, raises the minimum residency qualification for New Zealand Superannuation (NZS) from 10 years to 20 years after age 20.

Raising the NZS residency requirement to 20 years ensures a resident must have lived in New Zealand for a substantial part of their adult lives, whether consecutively or cumulatively to qualify.

Currently, a resident of 10 years qualifies for NZS on a non-contributory basis. Globally, 10 years is an unusually short time for full entitlement to a universal, non-means tested pension at age 65. At the average life expectancy, NZS would be paid for around 20 years, giving between \$375,000 and to

\$494,000 per person at current rates depending on marital status and living arrangements.

While this proposed Amendment may address fairness to New Zealand superannuitants who have lived in New Zealand their entire lives, the RPRC would like to see the issue of higher residency reviewed alongside a review of the way superannuitants and their spouses are treated when there is an overseas pension that results in a lower rate of NZS (section 70 SSA).

[View RPRC press release.](#)

The Tax Working Group should not venture into retirement policy

The Retirement Policy and Research Centre (RPRC) cautions against tinkering with retirement savings policies to solve problems of introducing a comprehensive capital gains tax (CGT). “Retirement incomes policies are complex and should be reviewed holistically. We have the process to do that in the Retirement Commissioner’s three yearly review” says Susan St John, director of the RPRC.

The tax working group (TWG) has acknowledged that the introduction of a capital gains tax on shares will have a negative effect on the savings of low income people in KiwiSaver. “This has led the TWG to require complicated policy changes to provide compensation. This is one of the many reasons to doubt the wisdom of a CGT that includes shares” says St John.

The TWG has proposed that low income KiwiSavers should be compensated with one or more of 4 options. All of the options are problematic. Here is the fourth one:

“Reducing the lower portfolio investment entity (PIE) rates for KiwiSaver funds (10.5% and 17.5%) by five percentage points each.”

It would be a great pity to introduce these selective tax incentives with no analysis as to their impact or effect. One obvious problem is that to constrain the lower PIE rates to KiwiSaver alone would mean that people would potentially have two PIE rates. There would be inevitable pressure to extend the favourable treatment to all PIES schemes which would be very expensive and compound the inequity between PIE and non-PIE saving.

“None of these suggestions has been analysed for its distributional or gender effects. Retirement income policy should be left to the experts in retirement income policy” says Claire Dale, research fellow in the RPRC.

To highlight the key issues in the forthcoming 2019 Retirement Incomes Policy Review, the RPRC is holding a one-day summit at the Auckland Business School on 26th of April.

[Read the full press release.](#)

Seminar, Auckland, 5 March 2019: The Ageing Workforce: Policy Dilemmas and Choices

ANZSOG

Susan St John, moderator and commentator at The Australia and New Zealand School of Government (ANZSOG) seminar on the ageing workforce. Guest speaker: Peter Gahan, The University of Melbourne.

Across the developed world, population ageing is changing our societies as well as the size and composition of the workforce. New Zealand is no exception to this trend, which is an opportunity and a marker of success as well as a challenge to existing systems and policies.

Kiwis are entering older age better educated and in better health than ever before. Logically, as life expectancy extends, so should our working lives. But do we have the range and sensitivity of policy settings to ensure that older people who want to keep working, are able and encouraged to do so?

[Read more of Peter's talk.](#)

Submission to Finance and Expenditure Select Committee



28 February 2019

Hon Assoc Prof Susan St John and Dr Steve Poletti (Economics Department) met with the Finance and Expenditure Select Committee in Auckland to present a Child Poverty Action Group (CPAG) submission on the Budget Policy Statement. The presentation included RPRC concerns, and among the issues discussed were the lack of action on section 70 and the outstanding anomaly of the spousal provision. Also highlighted was the inappropriateness of the current fiscal rules around spending and debt while there are clear social deficits in housing healthcare and the benefit system. The view was put that it made little sense in the light of the need for so much urgent spending for there to be continuing contributions (currently around \$1 billion per year) to the NZ Super Fund. Currently, working age people are being taxed twice- once to pay for the generation that have already retired, and then more for their own retirement when far too many families can't afford to eat properly.

PensionReforms re-booted August 2018

pensionreforms

Promoting high quality international debate on pension issues

veritas propter investigationem [truth through research](#)

Since August 2018, a total of 55 new abstracts have been loaded. There are now a total of 787 reports summarised, reviewed and accessible from 1,023 authors, at 274 institutions, covering 71 countries and 6 international groupings of countries.

All reports can be sorted by 174 different topics as well as by author, country, institution and year of publication.

The most recent abstract was from the International Labour Organisation (ILO):

The ILO reports that, of 30 countries that started compulsory Tier 2 schemes between 1981 and 2014, 18 have gone back (partly or fully). Compulsory 'private' provision has mostly failed ("Three decades of failure"). A 're-reform' blueprint is suggested.

[View more.](#)

Principal editor:

Michael Littlewood

michael@pensionreforms.com

Ph: +64 21 677 160

Media, presentations and contributions

11 January 2019, GoodReturns, Susan St John quoted in [“Govt needs to step in to annuity market: Researcher”](#) A New Zealand academic has renewed her call for government intervention to fix a “serious hole” in the country’s retirement income policies.

26 January 2019, NZHerald, Mary Holm quotes M.Claire Dale in her Q & A column.

12 February 2019, DailyBlog, Susan St John writes [“Justice delayed is democracy’s undoing”](#)

18 February 2019, NewsRoom, Susan St John writes [“State failure to right clear wrongs”](#)

25 February 2019, Scoop, [Susan St John and M.Claire Dale respond to the Tax Working Group’s report](#)

26 February 2019, GoodReturns, [Susan St John’s and M.Claire Dale’s response to the Tax Working Group’s report](#)

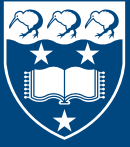
28 February 2019, NZHerald, Tamsyn Parker quotes Susan St John in [“Warnings over proposed tax changes to KiwiSaver”](#)

11 March 2019, Public event, Auckland. [Susan St John, economist; Dominick Stephens Westpac’s chief economist; Terry Baucher, tax consultant; and Geoff Simmons, leader of The Opportunities Party, critically examine the findings of the Tax Working Group](#)

27 March 2019, NZHerald, Tamsyn Parker quotes Susan St John in [“Capital Gains Tax: what it means for KiwiSaver and direct share investment”](#)

28 March 2019, Interest.co.nz, [Susan St John says the minority report from the Tax Working Group should be taken seriously if the desire is to reduce inequality and improve housing affordability](#)





THE UNIVERSITY OF
AUCKLAND
Te Whare Wānanga o Tāmaki Makaurau
NEW ZEALAND

RETIREMENT POLICY AND RESEARCH CENTRE

Retirement Policy and Research Centre
The University of Auckland Business School
Owen G Glenn Building
12 Grafton Road, Auckland 1010

Director:

Honorary Associate Professor Susan St John
s.stjohn@auckland.ac.nz
09 923 7432

Research Fellow:

Dr M Claire Dale
m.dale@auckland.ac.nz
09 923 6968

Now based in the Centre for Applied Research
in Economics (CARE)

Visit the [RPRC's facebook page](#) for local
and international news items, and add your
comments.

www.rprc.auckland.ac.nz