

PIE Quarterly Newsletter July-Sept 2026

PIE contends the fortunes of the old and the young are inextricably linked and that intergenerational equity requires a fair sharing of resources between and among the generations now, and in the future.

PIE supports the progressive evolution of New Zealand's major social insurance programmes to meet the needs of a changing society: pensions for those over 65 (NZ Superannuation (NZS) (with KiwiSaver), Working for Families (WFF) for children, welfare benefits for working age, and accident compensation (ACC) for the injured. A fair and efficient tax and transfer system is of critical importance. To achieve intergenerational equity, strong social programmes are essential, but they become threatened in bad times, the very time they are most needed.

In this issue we farewell Dr Claire Dale who steps down as PIE's research fellow. While the university provides the basic infrastructure for the PIE hub, we are not funded and run largely on passion and goodwill. Claie's many honorary contributions over the years have been deeply valued. Her latest work with Professor Ngaire Kerse, the Joyce Cook Chair in Ageing Well also a PIE research associate, contributes to the important development of policy around aged care, especially housing issues. She remains a PIE research associate.

We welcome PIE's new co-leader, Dr Jeremy Beckham, PhD who has been contributing tax expertise as a PIE research associate. He is a Senior Lecturer at the University of Auckland and an experienced tax professional with more than a decade in big-four advisory firms. His research focuses on the intersections of tax and social policy, particularly the intergenerational effects of tax and transfer settings. He is actively engaged in New Zealand tax policy discussions through a range of voluntary roles and academic contributions. He has previously chaired the Young IFA Committee in New Zealand and currently serves on the committee of the Tax Policy Charitable Trust and is a regular presenter at conferences and industry events.

In the last quarter PIE has progressed work in several interest areas and contributed to pre-election debates.

Intergenerational equity

Susan St John reflects here on how Child Poverty doesn't register for this election and why macroeconomics needs to return to its roots) Does distribution matter in macroeconomics? She argues there is more to economics than efficiency and accounting. Clearly the wealth distribution is widening with wealth compounding at the top and debt

compounding at the bottom. It is time growing inequality was recognised as a very dangerous and disruptive risk.

PIE congratulates research associate Tayla Forward on her recent timely report, *Income, Wealth and Tax at the Top: Bridging Bespoke Wealth Surveys and Distributional National Accounts in New Zealand*, Tax Justice Aotearoa, Better Taxes for a Better Future. Interview with public interest here. Globally renowned economist Thomas Piketty has endorsed her report that 'shows the very wealthy paid less than half the tax rate of the median-wealth New Zealander (8.1%: 17.4%), costing New Zealand billions in foregone revenue and increasing wealth inequality'.

Fiscal affordability of NZS

For many years, the former RPRC and now PIE has drawn attention to the fiscal impact of the ageing of the baby boom cohort. It is alarming that it is almost always **the gross** cost of NZ Super that is quoted in the media. For example: NZ's retirement time bomb: Why we must redefine retirement today | The Post.

> *The numbers are stark. New Zealand currently spends around $26 billion a year on NZ Super, equal to around five per cent of GDP and almost one-fifth of all tax collected. Within two decades, that cost is projected to almost triple to $73 billion a year, consuming 8 per cent of GDP and around 30 per cent of tax revenue.*

While the Budget section on social security and welfare expenses, along with core welfare benefits, records the cost of NZS as gross, PIE argues that NZS is a transfer, like a negative tax, and **its true cost is the net or after-tax amount**. It is not payment for a service or good i.e. it is not a part of GDP and inclusion in the ratio of government spending as % GDP makes no sense. While making gross NZS part of an individual's taxable income allows some of the cost to be clawed back through the progressive tax system, NZS could be treated like Working for Families which is a non-taxable grant, subject to abatement.

Economist Bill Rosenberg in Reasons not to panic over future costs of NZ super explains that spending on the state pension is very low on OECD standards. He also rightly questions the use of the gross measure.

Using the net NZS measure, former RPRC co-director, PIE research associate Michael Littlewood asks: On the long-term costs of New Zealand Superannuation: more affordable now? And notes how each years alarmist projections have been revised downwards over time:

> *Over the last 25 years the current year's cost of NZS has risen by 19% (0.7% a year) but over the same 25 years (2000-2025), the expected net cost of NZS in 2050 has actually fallen from 9.0% of GDP to 5.4% (down 40%).*

Furthermore, the net cost is an MSD payout figure that depends on the tax rate the superannuitant gives the MSD. If that rate is too low, there will be a tax bill at the end of the year. As Treasury noted in PIE paper, NZ Superannuation as a basic income, p23-4.

> *The actual aggregate tax on NZS is the sum over all NZS recipients of the difference between tax levied on their total taxable income, which includes their gross NZS entitlement, and that levied on their taxable income excluding NZS. The aggregate net NZS amount derived from subtracting this tax amount difference from aggregate gross NZS is the actual cost to the taxpayer of funding NZS.*

This accurate net cost requires modelling using administrative data as was done by Treasury in PIE's basic income approach. The official net cost for 2025/6 (MSD) was $20.52 billion or 4.5% of GDP. In the modelling this fell to $18.96 billion or 4.2% of GDP.

This lower net cost could be even less if higher income people paid their correct marginal tax rate instead of the tax advantaged PIE rate of 28% on investments.

While there is clearly no need to panic PIE argues there is an intergenerational equity argument for more to be clawed back through the tax system and used to improve other welfare transfers that have fallen behind. The basic income approach essentially reinvents the old surcharge (1975-1998) for the 21st century so that those who opt into superannuation at age 65 pay a more progressive tax on their other income.

That maybe as far as an income test should go without damaging the core of our retirement incomes policies. It may also be an approach that makes political agreement around superannuation after the election more possible. To this end PIE republishes the background to the 1993 ACCORD Revisiting the 1990s history of superannuation policy. In that agreement the surcharge became the compromise that held the left and the right together.

Once we have moderated the immediate inequities, PIE has argued we should not expect NZS to do the heavy lifting of tackling long term problems such as climate change and health cost pressures. For those longer-term issues, we need a pragmatic wealth-based tax that is simple to implement and will quickly raise meaningful revenue, such as outlined in PIE Commentary 2024-9, Time to check out the Fair Economic Return

Treatment of ACC as private insurance
In Financial, Actuarial, & Levy Policies, Report for the ACC Futures Coalition Sept 30th 2026, Susan St John argues that New Zealand's two main social insurance programmes, ACC and NZS are treated very differently in the Crown accounts. St John outlines and critiques the fully funding arrangements for ACC, including setting levies, experience rating and the impact on safety. Current accounting conventions for ACC imply it is just state-run private insurance. This is unusual treatment for social insurance and has profound impacts on the Crown's balance sheet and OBEGAL balance contributing to making fixed targets for debt and size of state even more uncertain and unhelpful.

In the changed environment of the 21st century, she argues it would be better to treat ACC as social insurance as first conceived by architect of ACC Sir Owen Woodhouse. There is little justification for ACC's outstanding claims liability sitting on the Crown balance sheet. Moreover, the complex system of different levies for ACC supposedly to reflect the risk of different industries, and experience rating designed to reward and punish safe and unsafe practices is profoundly disconnected from outcomes. It is past time to modernise, simplify and implement meaningful and effective ways to prevent accidents.

Media and publications

September 2026

- St John, S (2026) Does distribution matter in macroeconomics? PIEcomentary-14, 30th Sept 2026
- Crampton, E (2026) Migration policies wander into the fraught area of 'citizens-only super PIE Commentary 2026-13 September 2026
- St John, S. Financial, Actuarial, & Levy Policies. Report for the ACC Futures Coalition Sept 30th 2026.
- St John panellist with Bill Rosenberg and Cameron Bagrie, "should the age for NZ Super be raised?" chaired by Max Rashbrooke. IDEA Foundation forum, 21st September Wellington.
- Kerse, N, Dale, C. Supporting-our-elderly-starts-childhood The Post and Waikato Times, and Sunday Star-Times on 20 Sept 2026. Ageing-well-starts-at-birth.

- Revisiting the 1990s history of superannuation policy PIE Briefing 2026-12, republished 14th September 2026
- St John, S (2026) Migrants shocked by NZ First's superannuation policy 8th Sept, Radio NZ, Will it save any money and what should be done instead? The Platform 8th Sept, Interview snip.
- ACC Futures Coalition, Motorcycle Levy Approach Unfair and Contrary to Woodhouse Principles, 7th September 2026

August 2026

- St John, S (2026) Giving a lie to the claim 'work is the way out of poverty' and a flawed child benefit system NZ Herald 27th August and contributor to CPAG's 'A Manifesto to reduce child poverty'
- St John, S (2026) Interview Labours Fiscal strategy and the return to better measure of net debt TransTasman Political Podcast Episode 24, 26th August
- St John, S (2026) Should New Zealand Superannuation be just a welfare benefit? SubStack 22 August 2026
- Susan St John: Our actual problems won't be solved by baby bonus scheme Interview with Dale Husband, Waatea News, 4th August 2026

July 2026

- St John, S (2026) Interview on NZ Super issues with Anne-Marie Corby, Community Development Adviser Age-Friendly Advocate Producer – Senior Focus, Listening on Planet FM 104.6 FM | Auckland New Zealand 26th July.
- Pensions and Intergenerational Equity hub, Newsletter June quarter Economic Policy Centre
- St John, S (2026) ACC Motor Levies – The motorcyclists have a point ACC Futures Coalition, 6th July.

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