

# RPRC Update

Retirement Policy and Research Centre

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## Retirement Commissioner's Review of Retirement Incomes, 2016



The Retirement Commissioner's role and the Commission, now called the Commission for Financial Capability (CFFC) were established under the New Zealand Superannuation and Retirement Income Act 2001. That Act requires the Retirement Commissioner to review retirement income policies every three years. The terms of reference are set by the government. The 2016 [Terms of Reference for the 2016 Review](#) are available here.

Previous Reviews have been research-based and collaborative, involving contributions of reports from many academics and experts. For example, the [2013 Review Report](#) from the Commission was informed by commissioned [background papers](#), [public submissions](#), and [policy position papers](#) exploring the eight objectives of the review.

The RPRC's [submission](#) noted that of the seventeen recommendations arising out of the 2010 Review, the Government had acted on six, at least in part, and ignored the other 11 recommendations. The Government's lack of response to the 2010 recommendations did not deter the Retirement Commissioner in 2013. However, of the 17 Recommendations contained in the [2013 Report](#), including 4 relating to overseas pensions, it is difficult to locate even 3 that the Government has adopted.

For the 2016 Review, the Retirement Commission has focused on 7 topics as shown below, one per month from April till October, and promoted public debate on and engagement with, those topics. The Commission has hosted forums for industry and people engaged in the sector on the first three topics, including overseas experts as guest speakers to promote understanding of the international context, and comparison. A dedicated [Year of the Review](#) website has been developed by the Commission. In June, over 3,000 people completed the [Ageing Workforce Survey](#), a clear indication that there is public interest in retirement issues and policies.



Susan St John, Director RPRC is writing an opinion piece relating to each of the Review themes. In *PensionCommentary 2016-1*, [KiwiSaver: A world-class savings plan](#), St John concludes that KiwiSaver "has achieved remarkable acceptance, low administration costs and wide transparency." Concerns remain with low levels of contribution, its use for housing, too many in default schemes, low default contribution rates, and lack of decumulation policies and products. *PensionCommentary 2016-2*, [KiwiSpend: How to spend like a kiwi](#), focuses on the problem that under KiwiSaver, potentially costly risks of ageing, especially outliving one's savings, are shifted on to the individual. New Zealand lacks a simple, secure income insurance option above the base annuity provided by New Zealand Superannuation.

Join the Retirement Incomes Review conversation at <http://www.cffc.org.nz/retirement>, or make a submission at [review@ccfc.org.nz](mailto:review@ccfc.org.nz).

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## **PensionCommentary 2016-1: KiwiSaver: A world-class savings plan**

This *PensionCommentary* draws on RPRC Director Susan St John's article published in UK's [AARP Journal](#), Spring edition. She concludes that while KiwiSaver "has achieved remarkable acceptance, low administration costs and wide transparency... low levels of contribution, its use for housing, too many in default schemes, low default contribution rates, and lack of decumulation policies and products remain as concerns." This opinion piece is a contribution the Retirement Commissioner's 2016 review of retirement income policies.

*PensionCommentary* 2016-1 is available [here](#).

## **PensionCommentary 2016-2: KiwiSpend: How to spend like a kiwi**

This *PensionCommentary* by RPRC Director Susan St John notes the lack of a simple, secure income insurance for middle income New Zealanders over and above the base annuity provided by New Zealand Superannuation. The problem is that under KiwiSaver, potentially costly risks of ageing, especially outliving one's savings, are shifted on to the individual. This opinion piece is a contribution the Retirement Commissioner's 2016 review of retirement income policies.

*PensionCommentary* 2016-2 is available [here](#).

## **NORTH & SOUTH**



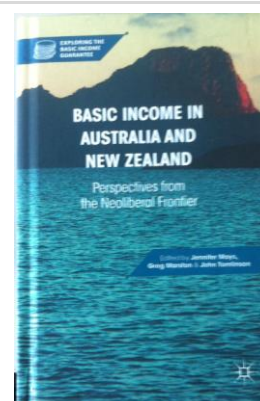
In the May 2016 edition of *North & South*, Dr M. Claire Dale, RPRC Research Fellow, was one of a group of people of all ages recognised for going 'Beyond good intentions', fighting for positive changes locally and nationally. Written by Maria Hoyle who argues that decency, solidarity, compassion and the basic human rights of food and shelter are not luxuries, the article celebrates people implementing large and small radical solutions to today's problems. The other battlers and their projects are Professor Philippa Howden-Chapman of the University of Otago and her research on housing – problems, and solutions to those problems; champions of the elderly, Whare Aroha's Deanna Smit and Therese Jeffs; James Crow and his Gimme Shelter app to determine the number of homeless in New Zealand; James Flynn, Emeritus Professor of Otago University and climate change crusader. Dale was included for her work establishing the no interest, no fees, microfinance company, Nga Tangata Microfinance, with loan capital provided by Kiwibank. Visit the Nga Tangata Microfinance website [here](#).

## **Basic Income in Australia and New Zealand. Perspectives from the Neoliberal Frontier, 2016**

(Eds) Mays, Marston & Tomlinson.

This book asks whether a basic income offers a viable solution to the income support systems in Australia and New Zealand. Dominated by neoliberal transformations of the welfare state, both countries have great potential to advance debates on the topic. The contributors' essays and case studies explore the historical basis on which a basic income program might stand in these two countries.

RPRC Director Dr Susan St John's chapter, 'Can Older Citizens Lead the Way to a Universal Basic Income?' begins "...few ask the practical question of how we get from where we are to an ultimate basic income "nirvana"... the essential trade-off is that a level of basic income for all that removes poverty would be very expensive... Thus, while the idea of a basic income is intellectually appealing, unless we can realistically show how to get there, it will remain in the textbooks."



## **RPRC extends international connections**

### **USA's Retirement Income Industry Association (RIIA): View Across the Silos<sup>SM</sup> Includes Industries and Countries**

USA-based Retirement Income Industry Association, RIIA®'s post on 7 June 2016 by Kim McSheridan: *Our membership is mostly U.S.-based but includes strong Australian and Canadian chapters. We have Retirement Management Analyst® (RMA®) graduates in unexpected countries such as Thailand.*

*We also have regular communications with colleagues in the United Kingdom, France, Germany and New Zealand.*

*In particular, the Retirement Policy and Research Centre (RPRC) at the University of Auckland Business School regularly shares its [research updates](#) with us.*

*Interested in some of these international insights? Contact Claire Dale, [m.dale@auckland.ac.nz](mailto:m.dale@auckland.ac.nz), to receive RPRC information. [www.riia-usa.org](http://www.riia-usa.org).*



# RPRC Submission: Social Security Legislation Rewrite Bill

The RPRC, with the Human Rights Commission, has produced numerous publications backgrounding the history, context, issues and inequities in current policy and legislation surrounding the treatment of overseas pensions. Current interpretation and practise of legislation imposes injustice and inequities and consequent hardship on many older returning or new New Zealand citizens who, during their employment overseas, saved carefully and consistently, only to find that the New Zealand Government would capture those private and employer-contributed savings under the framing of the section 70 of the current legislation.

Under the current legislation, for immigrants and returning citizens, private retirement savings are too often lumped in with public provision and the New Zealand government captures those private savings under section 70 of the 1996 Social Security Act. The reality of consequent hardship, despite their considered contribution to their retirement income, are both heartbreaking and shameful.

The Rewrite Bill does nothing to address the inequities associated with private savings during overseas employment for retirement.

New Zealand's first Social Security Act in 1938 was founded on the belief that the community is responsible

for ensuring that people are not overwhelmed by circumstances against which they cannot protect themselves, and every citizen has a right to a reasonable standard of living. This cohesive and egalitarian approach is severely threatened by the Social Security Legislation Rewrite Bill. The New Zealand Parliament [website](#) states: "This bill repeals and replaces the Social Security Act 1964 and the Social Welfare (Reciprocity Agreements, and New Zealand Artificial Limb Service) Act 1990, provides an improved legislative structure, and reduces the level of detail in primary legislation to enhance clarity, coherency, and consistency."



The RPRC is concerned that the Bill does both more and less than this statement claims: it introduces new policies, and it does not resolve existing inequities, particularly in relation to overseas age pensions.

The focus of the Dr M.Claire Dale's submission for the RPRC is on two recommendations regarding the inequitable treatment of some overseas-based age pensions, and the minimal requirements for access to New Zealand Superannuation.

The full RPRC submission is available [here](#).

## RPRC in the media and public presentations and contributions

**29 April 2016, Daily Blog**, Susan St John writes: [Good Policy is rarely done on the run](#).

**1 May 2016, South China Morning Post**, Michael Littlewood writes: ['Hong Kong should abolish tax breaks on MPF to fund universal pension scheme](#).

**19 May 2016, Otago University**, Susan St John, Workshop: "Fix Working for Families", Department of Social Work.

**17 May 2016, Interest.co.nz**, Susan St John says ['altering NZS to a basic income could save 10% of the net cost'](#).

**25 May 2016, Stuff.co.nz**, Susan St John quoted in ['Budget 2016: Can we afford the superannuation status quo?'](#)

**26 May 2016, NZHerald**, Tamsyn Parker quotes Susan St John in ['Experts call for stronger KiwiSaver'](#).

**30 May 2016, Daily Blog**, Susan St John writes: ['The rules for the old too good for children?'](#)

**1 June 2016, Nelson**, Susan St John & Innes Asher, Keynote speakers, *CPAG Post-Budget Breakfast*.

**2 June 2016**, Ministry of Social Development, Wellington, Susan St John and Michael Timmins, MSD Evidence Seminar: "Welfare provisions for the 21st century".

**26 June 2016, Stuff.co.nz**, Susan Edmunds interviews Susan St John for: ["Small number of taxpayers bear the brunt of New Zealand tax bill"](#).

**26 June 2016, NZHerald**, Simon Collins interviews Susan St John for: ["Why you'll never be able to retire"](#).

## Hong Kong Workshop

RPRC's Dr M.Claire Dale is part of a Worldwide University Network (WUN) research project, *Provision of health services and community care for the elderly: intergenerational roles and equity*, that aims to explore intergenerational roles and equity in health service and community care for the elderly from the perspectives of service delivery, financing and policy across varying health systems in different countries.

By conducting cross-national comparative analysis, the findings will provide insights on similarities and differences among countries with various levels of income and cultural contexts, facilitating policy-makers' policy formulation and implementation according to the need of their nations.

The study brings a new angle on 'preventive' health service delivery models that considers interventions at an early age and incorporates the intergenerational role. This strengthens the lifecourse approach on population health



**WORLDWIDE UNIVERSITIES NETWORK**  
and provides an alternative way to sustain healthy ageing. The findings will address issues of intergenerational equity, toward improving intergenerational solidarity.

Led by Associate Professor Eliza Lai Yi of the Chinese University of Hong Kong's Jockey Club School of Public Health & Primary Care, university researchers based in Hong Kong and Auckland (RPRC, Compass, Schools of Nursing and Medicine), Bergen, Singapore, Sheffield and Western Australia, met in Hong Kong in April 2016 for a 2-day workshop, with Dale representing the University of Auckland research team.

The next workshop is in Hong Kong in February 2017.



## Rethinking retirement income doesn't require superpowers



This article by Associate Professor Susan St John, Director RPRC, in the [Autumn issue of the UABR](#), draws on her [2015-1 RPRC Working Paper](#).

Under existing policy settings, the costs of retirement income, health, and welfare for the rapidly growing older population lift markedly over the next decades both in absolute terms and relative to other state spending. Society must adapt to the inevitable demographic changes and may be willing to bear the costs without policy change. But 'affordability' is a loaded term. While there may be debates about whether the increasing costs are manageable, they may entail the opportunity cost of other more desirable spending, at least at the margin. If there is a reluctance to tax or borrow for the growing cost, then the 'affordability' of New Zealand Superannuation (NZS) may be improved by using one or more of three main levers: the qualifying age, the level of the payment, and the degree of targeting.

## Congratulations!

Previous RPRC Research Assistants have gone on to positions in Statistics NZ, Treasury, Department of Internal Affairs, and other exciting careers. SiuYuat Wong, our current RA, has been awarded a doctoral scholarship for 5 years in the Department of Economics at Yale University, USA, starting on the 1st of August 2016. The scholarship pays for health insurance, full tuition (valued at \$39,800 per annum) plus a minimum level of \$29,650 per annum for 5 years for living costs. He has also been awarded a fellowship of \$7,350 per annum for the first four years of study from the Cowles Foundation and Economic Growth Center.

In a short statement of thanks to the RPRC, Wong expressed his gratitude. "Associate Professor Susan St John provided me with a life changing opportunity to be a

RA at the RPRC at the beginning of 2014 whilst I was still half way through completing my Honours in Economics. At this time I was still uncertain of my future. Working as an RA gave me a chance to discover a passion that I could potentially make into a career. As the cliché goes "if you love what you do for a living, you won't work a day in your life".

Over this time I became closer with teachers and students in the Economics Department, with the opportunity to discuss new ideas, current affairs and research topics. I also extend my thanks to Dr. Claire Dale & Michael Littlewood who made the office a warm and supportive working environment and provided intellectually stimulating and often humorous debates. I have looked forward to work every morning."



### RPRC Forum, 15 July 2016

**Time:** 2pm - 4.30pm. Drinks and nibbles until 5.30pm sponsored by ANZ

**Place:** Decima Glenn Room, level 3 Owen G Glenn Building, University of Auckland Business School, 12 Grafton Road.

**Registration** requested [here](#).

### Save the date:

Friday 2 September 2016, at the University of Auckland: **Social Insecurity**

**Retirement Policy and Research Centre: [www.rprc.auckland.ac.nz](http://www.rprc.auckland.ac.nz)**  
**Now based in the Centre for Applied Research in Economics (CARE)**

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