

RPRC Update

Retirement Policy and Research Centre

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Ireland examines KiwiSaver to inform pensions reform

Susan St John, Director of RPRC, was in Ireland again recently at the invitation of Insurance Ireland at their summit *A universal pension for Ireland* 13 September 2016, in Dublin. Her paper, [New Zealand's KiwiSaver Lessons for Ireland](#), outlined the key successes of KiwiSaver including the importance of branding and on-going evolution.



The problem is that Ireland still has a plethora of small workplace schemes - about 160,000, with some of dubious quality and many not particularly transparent or accountable. Worse, is that coverage is under 50% of the workforce and, because women's participation in the labour force is low, women are much less likely than men of working age to have a pensions scheme. Tax concessions remain an embedded part of the system.

In New Zealand, by the mid-2000s, coverage of the workforce in employment-based retirement schemes was only around 14%. To ensure wide access to work-based saving to supplement NZS, KiwiSaver was introduced in 2007 as the world's first national auto-enrolment saving scheme. Membership is not confined to those in paid work and coverage is 78% of the working-age population, with equal rates for male and female.

KiwiSaver is in its tenth year. It has achieved remarkable acceptance, low administration costs, and wide transparency. It will evolve and there is still work to do especially on decumulation policies. It is critical to note that KiwiSaver's success is in large part due to the fact that it supplements a very good and secure first tier state pension.

The outcomes of Irish pension policies appear disastrous for women. As described in the [Independent.IE article 22th September](#), women get a third less in pension payments than men. Women in Ireland are disadvantaged by the complex and confusing rules for the Irish state pension. Any system that relies on a contributory base will put women at a disadvantage, and only 16% of women qualify for a full state pension.

In stark contrast, New Zealand has New Zealand Superannuation (NZS), a simple taxable universal state pension paid to people at age 65 from general taxation after 10 years' residence. No complex contributory records are required, and women's contribution to unpaid caregiving is fully acknowledged. Together with high levels of home ownership, New Zealand achieves very low rates of hardship for all those over 65.

The Irish National Women's Council are lobbying for the introduction of an adequate universal pension system in Ireland. In St John's view their complicated contributory and non-contributory state pensions could be joined up into one simple adequate comprehensive state pension. Once achieved, a good auto-enrolment 'IrishSaver' could be grafted on, replacing over time the current 'not fit for purpose' schemes.

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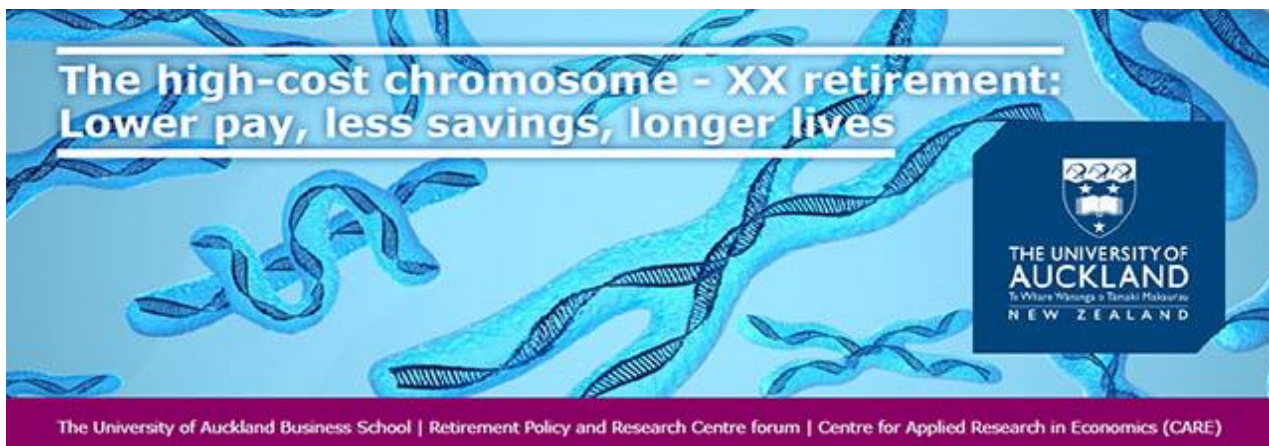
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RPRC/CARE Forum 15 July, at the University of Auckland

This Forum's focus was: What can be done to increase well-being in retirement for New Zealand women? Gender equality is the [5th of the 17 Sustainable Development Goals](#) agreed in September 2015 by 193 governments, including our own. Despite winning the franchise in New Zealand in 1893, and feminism's progress since then, women are paid 18% to 25% less than men through their working lives, and often take time out of the workforce to raise children. Consequently, their median savings for retirement are significantly less than the median man's. Then, from age 65, on average, women live 3 years longer than men, so must stretch out their smaller retirement pot over those extra years.

Presentations and Presenters:

Gender inequality in New Zealand: Associate Professor Jennifer Curtin, Politics and International Relations, reviews the position of women in New Zealand today and the persistent gender gaps that have an impact, either directly or indirectly, on women's well-being in retirement.

Gender differences in Investment Funds and Insurance: Laura Abba, Head of Strategy & Customer Experience, ANZ. Women represent over 40% of the world's labour force but only control a quarter of the world's wealth. Women tend to undervalue their contributions to the economy and to society.

UK and Australia experience: Dr M.Claire Dale, Research Fellow with RPRC, surveys the persistent gender inequality in Australia and the United Kingdom, and the impact this has on their retirement prospects. Older women are the fastest growing group in the poverty statistics.

What women are asking: Sharon Giblett, Authorised Financial Adviser, Financial Planner, Director, summarises the barriers to women preparing for retirement, including: Having the confidence to get started; sufficient disposable income to save; and Concern about making the 'right' choices.

Implications of discriminatory policies for women: Dr Susan St John, Honorary Associate Professor in the Economics Department, and Director of the RPRC. Her presentation focussed on the 'within gender gap' in New Zealand, particularly praising the 'great equaliser': New Zealand Superannuation.

The Programme and Presenter bios are available [here](#).



21 July, Tamsyn Parker asks: Should men pay into women's KiwiSaver accounts?

Women face challenges with lower earnings, time out of the workforce to raise children or care for family, and they live longer. One recommendation raised at the RPRC's forum: *The high-cost chromosome*, was: "Men should (or at least, could) contribute to their partner's KiwiSaver account when women take time out of paid work to care for family if the family can afford it".

Laura Abba, head of product service and customer experience at ANZ Bank, told forum attendees that ANZ's KiwiSaver data already shows an average 22% balance difference between men and women, rising to 37% when projected out to age 65. That data also shows women are more risk adverse with their savings: 35% saved in a conservative fund versus less than 30% of males.

Associate Professor Susan St John, RPRC director, said KiwiSaver appeared to be encouraging a gender disparity. "It is exactly what they see in Australia. The median balance last year for men was A\$100,000 compared to A\$28,000 for women. Men continuing to contribute to KiwiSaver while the woman is out of the workforce is one way to help close the gap."

Sharon Giblett, a financial adviser, added that while men with higher incomes were more likely to be able to afford to keep paying into the woman's KiwiSaver account, it did not help low-paid families or solo parents.

See the full Herald article [here](#).

Oral Submission: Social Security Legislation Rewrite Bill

The RPRC is concerned that the Social Security Legislation Rewrite Bill does not resolve existing inequities, particularly in relation to overseas age pensions.

The RPRC's written submission on the Bill focusses 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](#).

In July, the RPRC also made an oral submission on the Bill. That submission raises the issues of human rights and equity associated with pension policy, particularly in relation to overseas pensions, the spousal deduction, and the lack of transparency around the treatment of overseas pensions. It also notes the easy access to New Zealand's age pension, in comparison to most other countries.

A transcript of RPRC's oral submission is available [here](#).

RPRC Submission: Health of Older People Strategy

The New Zealand Health Strategy released on 18 April 2016 recognises the ageing population as a challenge and an opportunity. Its five strategic themes are: people-powered, closer to home, one team, smart system, and value and high performance. The Health of Older People Strategy is: 'Older New Zealanders live well and age well in age-friendly communities, supported by a system oriented towards: Healthy ageing; High quality acute and restorative care; Living well with health conditions; Better support for people with high needs and complex conditions; and Respectful end of life.'

The RPRC submits that priority to be given to recruiting, training and retaining a health workforce that reflects the

diverse population of New Zealand so that culturally appropriate aged-care and support can be provided in homes and residential institutions.

The RPRC also submits that all aged care facilities be required to have oral care policies, and ensure access as required to oral health professionals including dentists.

Given New Zealand's ageing population, investing in recruiting, training and retaining a health workforce that reflects the diverse population; and investing in supporting the oral health of the elderly, would improve the general health and well-being of the aged.

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

RPRC Submission: Health Research Strategy

The stated vision of the health research strategy is: *Our desired future state for health research in New Zealand*.

The RPRC suggests that health research is far more than a mere academic exercise, and serves little purpose if it is not applicable in the real world.

Similarly, the mission needs to be: The contribution and main roles of the various contributors to the health research system in working toward the vision of providing an equitable, efficient and affordable foundation for a healthy population. In particular, New Zealand is in the

midst of massive demographic change with an ageing population, and with significant increases anticipated in the proportions of children who are Māori and Pasifika. There is nothing in the strategy that gives due recognition to this transformation.

Strategic priorities need to include improvements to child health, particularly for Māori and Pasifika children, and supporting the health of the ageing population.

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

RPRC in the media and public presentations and contributions

15 July, National Business Review, in an interview with Owen Poland, Michael Littlewood suggests [four main things that only the government can do with respect to retirement incomes and saving](#).

4 August 2016, University of Auckland Economics Group, M.Claire Dale presents 'An exploration of the languages and politics of exchange'.

12 August 2016, NZHerald, Opinion, Susan St John and Alan Johnson suggest "[Building more houses won't solve crisis but risk free rate method could be a start.](#)"

22 August 2016, The Treasury/Government Economics Network, Susan St John's invited seminar: "[Improving policies for families and children](#)".

30 August 2016, University of Auckland Ballot Box Speaker Series, Susan St John joins a panel discussion on how the social and economic impact of inequality threatens Auckland's future prospects, and what can be done.

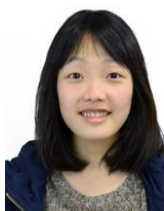
31 August 2016, RNZ, Barry Crump interviews Michael Littlewood on [the ethics of KiwiSaver funds](#).

31 August 2016, Waatea 5th Estate, Susan St John and Alan Johnson join a panel to discuss the Government's 'social investment' approach to welfare.

13 September 2016, Irish Newstalk fm, Craig Fitzpatrick asks Susan St John: "[Could New Zealand have the answer to our growing pensions crisis?](#)"

13 September 2016, Insurance Ireland Summit: A universal pension for Ireland, Dublin, Susan St John presents "[KiwiSaver lessons for Ireland](#)".

14 September 2016, Business School UoA, M.Claire Dale and Michael Littlewood meet with Tony Negline, Head of Superannuation, Chartered Accountants Australia and New Zealand.



RPRC welcomes Research Assistant, Yun Joo So

Yun Joo's key interests are analysing various dynamics of social and economic problems, and identifying improvements in the relevant policies. After completing her Bachelor's degree in Sociology and Psychology, she decided to specialise in economics, studying macroeconomic models useful for understanding public policies related to supporting the ageing population, poverty and unemployment.

Yun Joo is currently taking additional mathematics courses to prepare for her PhD programme. In recent years she has worked as a tutor in the Department of Economics. She has volunteered for the Breakfast Club in South Auckland, providing free breakfasts for the children, and more recently for the TEAR Fund, gaining experience in NGO structures.

The RPRC is delighted to welcome Yun So on to our team.

Government Superannuitants' Conference, Wellington, 3 September

Michael Littlewood asks: 'Retirement incomes: are we kicking the can down the road?'

Drawing his theme from this Jane Wagner cartoon, Michael Littlewood, retired co-director of the RPRC, is adamant about what governments can and cannot do about retirement incomes. Governments can't force/encourage citizens to save more than they want, so tax breaks don't work, and compulsion really doesn't achieve much. Second: the more rules there are, the more will be needed. Third: the 'law of unintended consequences' rules; and fourth: who benefits?

Littlewood says governments should reduce or eliminate poverty in old age; regulate to enforce codes of conduct (disclosure; tax); produce impeccable, deep data; run information and education programmes (school, work-

based, public); ...and then, stand aside. Things he doesn't worry about include: citizens behaving 'sensibly'; inter-generational equity; and the silver tsunami.



However, Littlewood says, "We must discuss NZ Superannuation.

Today's savers need the clearest possible picture of tomorrow's NZS. We need more and better information about how citizens are responding. This is not to say that NZS will or needs to change but to allow savers to assess the risks of a lower (or higher) pension amount."

Retirement Commissioner Diane Maxwell: Make NZS sustainable



17 August, Personal Finance. The Retirement Commissioner Diane Maxwell

argues that New Zealand Superannuation isn't sustainable in its current form, so we need to prepare for change.

"It's inevitable the period of time you need to have lived in New Zealand to receive Super, as well as the age of eligibility, will need to be pushed out." Also, as difficult as it is to implement, means testing is on the horizon. And the amount individuals and their employers contribute towards schemes like KiwiSaver will need to be hiked.

Perhaps most controversial is Maxwell's calculation that "A person with an annual salary of \$60,000 pays around \$1,800 towards a superannuitant, which means it takes around 12 of these people to fund a super-annuitant for a year." Maxwell says, "We have to prepare the ground for policy change. "We know that in 20 years, the number of people over 65 will have doubled. In 20 years, the cost will have tripled. So it will be up to almost \$40 billion (net) to pay out in Super in its current form. That's not going to work... It's just simply not going to be possible."

Read the full article [here](#).

Mark your calendars: 21 October: Policy Implications of Changing Longevity

Where: Decima Glenn, level 3, Business School, University of Auckland, 1.30pm – 3pm.

Topic: Our societies are witnessing a steady increase in longevity. This demographic evolution is accompanied by some convergence across countries, whereas substantial longevity inequalities persist within nations. This presentation surveys some crucial implications of changing longevity on the design of optimal public policy.

Presenter: International guest Emeritus Professor Pierre Pestieau has had over forty years of experience teaching and conducting research in public economics and population economics first at Cornell and then at Belgium's Liege University

Registration requested: [here](#). For more information, email Dr M.Claire Dale at m.dale@auckland.ac.nz.

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