

RPRC Update

Retirement Policy and Research Centre

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Retirement income issues: a case for change Mark your diaries for this RPRC Forum on 17 April 2014

This RPRC Forum will be hosted at the University of Auckland Business School in association with the Commission for Financial Literacy and Retirement Income. It will bring together representatives from national and local government, the Financial Markets Authority, the Financial Services Council, the Employers and Manufacturers Association, major banks and KiwiSaver providers, as well as financial advisors, analysts, actuaries, and academics.

New Zealand has had a remarkably simple and successful retirement incomes policy framework to date. Nevertheless, in the light of the ageing of the population there are aspects of policy that require on-going evaluation for their fiscal sustainability and intergenerational acceptability.

There have recently been some major reports from, amongst others, the Treasury, with [Affording our future](#); the Financial Services Council's [Pensions for the Twenty First Century](#), and the New Zealand Institute of Economic Research's [Fighting fit?](#) The Retirement Commissioner, before producing the 3-yearly [Review of Retirement Incomes Report to Government](#), also commissioned many [background reports](#).

Numerous proposals have been made for change, some quite radical. Political parties are now also positioning themselves for the 2014 election.

The RPRC Forum will foster an informed debate in April, before political positions get too entrenched. The Forum will examine proposals in five major policy areas; fiscal sustainability; raising the age of eligibility for NZS; compulsion for KiwiSaver; the taxation of savings especially KiwiSaver; and overseas pensions anomalies. The intent is to analyse, in an independent environment, recommendations that have already been put on the table by stakeholders and interest groups.

After the event, the RPRC will compile a *Forum Proceedings* which participants can then draw on to inform their Briefings to the 2014 incoming government.

And mark your diaries for this RPRC Forum on 21 November: Ditching Decumulation Distress

This Forum builds on the Symposium on 30 November 2012: *Spending the Savings* which brought together retirement industry experts and academics to debate this critical but under-researched topic. It addressed the questions: How can middle income people best use their retirement savings for what might be a very long or very short retirement; and if health deteriorates and care costs are large, how will those costs be met? As in 2012, the 2014 Forum will draw on national and internal expertise.



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Retirement Policy and Research Centre

www.rprc.auckland.ac.nz
The University of Auckland
Business School
Owen G Glenn Building
12 Grafton Road, Auckland

Co-directors:

Assoc.Prof. Susan St John:
s.stjohn@auckland.ac.nz
DDI (09) 923 7432

Michael Littlewood:
michael.littlewood@auckland.ac.nz
DDI (09) 9233 884

**Research Fellow:
Dr M.Claire Dale:**
m.dale@auckland.ac.nz
DDI (09) 923 6968

Reform researchers' study trip: Lessons from New Zealand

Reform Researchers: Tara Macpherson & Kimberley Trehwitt



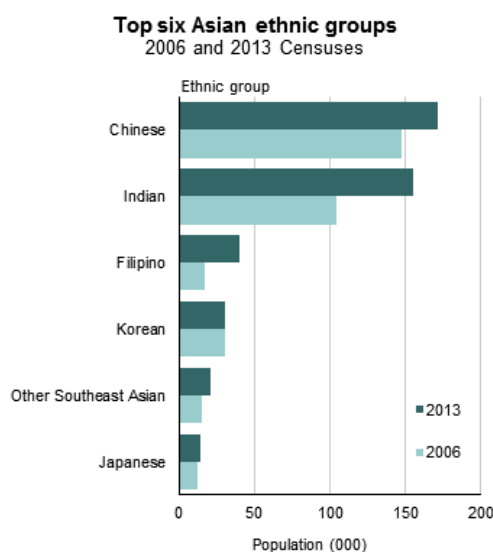
On 4 November, *Reform* Researchers Tara Macpherson and Kimberley Trehwitt visited the RPRC. *Reform* is a leading London think tank, specialising on public service and economic reform. *Reform* is a charity, funded by philanthropic individuals, corporate organisations and other charitable trust. *Reform's* mission is to set out a better way to deliver public services and economic prosperity.

Their visit to the RPRC was prompted by the theme of the evolving welfare state. In particular, with auto-enrolment currently being rolled out in the UK, there could be useful lessons from KiwiSaver. They are especially interested in the employers' perspectives. They are also interested in learning more about the ACC scheme, and reform of the welfare system, including the experience of the single core benefit. See: <http://www.reform.co.uk/>

Statistics New Zealand confirms: population is ageing and ethnic diversity is increasing

The RPRC continues to advocate for reform of policy on overseas pensions and on residency requirements for New Zealand Superannuation, so we note with interest that [Statistics New Zealand](#) confirm that results from the 2013 Census show New Zealand's population is getting older and more ethnically diverse. The median age of the population has increased by just over two years since the 2006 census to 38 years. The 2013 population was 4,242,048, with fewer children (under age 15) than in 2006, and a large increase in the number of people aged 50–69 years.

Females outnumbered males in all age groups from 25 to 29 years onwards. This was most pronounced in the oldest age groups. Of those aged 85 years and over, 64.3% were female. Over 73,000 people were aged 85 years or over at the time of the 2013 Census. There was a 29.4% increase in this age group since 2006.



The Government Statistician said "As well as being older, the New Zealand population is also now more diverse". Similar percentages of people self-identified as belonging to the Māori ethnic group in 2013 (14.9%, 598,605 people) as in the 2006 Census (14.6%, 565,326 people), and among Pacific peoples: 7.4% in 2013, up from 6.9% in 2006.

The percentage of the usually resident population who were born overseas increased. In 2013, 25.2% of people were born overseas, compared with 22.9% in 2006. Asia is now the most common region of birth for the overseas-born; and almost 1 in 8 people self-identify as Asian, up from about 1 in 11 in

2006. Hindi is now the fourth most common language in New Zealand, after English, Māori, and Samoan.

More 2013 Census QuickStats are available [here](#).

PensionBriefing 2013-7: Census 2013– is home-ownership really falling?

Challenging the interpretation of the Census data, this *PensionBriefing* notes that the 2013 Census questions were the same as those used in 2006. Earlier this year, in [PensionBriefing 2013-4 Census 2013 - shortcomings in questions about housing](#), shortcomings in the 2006 Census questions were highlighted. The shortcomings persist, so while Statistics New Zealand says that home-ownership rates continue to fall, the Census data do not actually substantiate that. [PensionBriefing 2013-7](#) updates the earlier information.

Every five years, Statistics New Zealand asks New Zealanders about the dwellings they were in on Census night, including ownership.

Census data for 2013 show that, on Census night, at least 60% of *occupied* dwellings were owned by the occupants, either directly (46%) or through a family trust (14%). Another 29% of occupants paid were

paying rent. That leaves about 11% of *occupied* dwellings where we do not know what the 2013 relationship was between owners and occupiers. That 'gap' has the potential to skew any analysis of home ownership rates.

Then there were another 185,000 *unoccupied* dwellings (12% of all dwellings) where we have no information on either ownership or the dwellings' facilities (number of rooms etc.). These questions leave an accumulated gap of 21% of all dwellings where ownership could not be determined.

The next Census needs better questions to produce more accurate information. We need to know more about the relationship between all owners and occupiers, and about the unoccupied housing stock.

PensionBriefing 2013-7 is available [here](#).

Overseas Pensions' Unjust Deductions: Greypower could continue the charge...

At the 10 October Greypower meeting in Mt Roskill, Auckland, Associate Professor Susan St John spoke on New Zealand Superannuation (NZS). Her focus was particularly on the human rights issues for spouses denied their own pension because of a partner's overseas pension.

St John challenged the audience to consider how Greypower could lead this issue. The November edition of *Focus*, Greypower's online magazine, was planned to expand on the issues surrounding NZS that are usually ignored by politicians.

As reported in Greypower's *Focus* magazine: "There are a number of detailed reports now out from the Retirement Commissioner, to Treasury and the Retirement Centre's own published reports as well as various think tanks. We plan to cover this complex area under discussion in national papers early next year."

St John drew our attention to the negative outcomes for those means tested in Australia, especially Kiwis entitled to NZ Super. It was a strong warning to anyone who thinks it is a good idea to means test NZ Super.

Greypower was founded on fighting the surtax and we need to remember those who twenty-six years ago fought to protect the concept of national payment for all. Peter Dunn's proposal, especially the early payments for those at 60 – 65 at 70% of NZ Super for the rest of your life, she was also warning against adopting this, as has our own National President, Roy Reid." See www.greypowerauckland.org.nz.



RPRC's guest: Monika Bütler, Professor of Economics and Public Policy, Swiss Institute for Empirical Economic Research (SEW), University of St. Gallen.

Before travelling to New Zealand for a two week stay with the RPRC, Monika presented a paper at the CEPAR-RIPPA Conference 2013 in Sydney:



Established mandatory pre-funded plans in developed countries.

In summary: The occupational pillar of Switzerland's pension system is one of the oldest pre-funded pension schemes in the world. It preceded by many decades the first pillar: old age security, introduced in 1948. A relatively large pre-funded third pillar complements it.

Before the second pillar was made compulsory in 1985, more than half of the Swiss workforce participated in occupational pension funds. The most salient features of the Swiss old age scheme include the second pillar's strong links with the institutions of the labour market, and the role of direct democracy in the reform of the system.

However, although regularly labelled as a role model for other countries, the Swiss retirement system is challenged by demographic ageing and much more globalized labour markets including shorter job tenure.

The RPRC looks forward to working with Professor Bütler in 2014.

Conferences, academic presentations and awards

Dale, M.C., Nga Tangata Microfinance, keynote address, NILS NSW conference, 22-23 October, Sydney. A case study on New Zealand's Nga Tangata Microfinance was presented to Australian microfinance and community development workers, policy makers, senior stakeholders, coordinators, government and non-government organisations. The hardship for many low income families resulting from the lack of an interest rate cap in New Zealand was outlined.

St John, S., Putting children at the centre, Keynote address, Children in Crisis Conference, 7-9 October, Waikato University. What are the moral justifications for putting children at the centre of policy? It has become harder to understand this concept when in practice paid work is at the centre. Exploring family policies such as paid parental leave, early childhood education, and child tax credits suggests that there is much room for

improvement if the needs of children are to come first, without losing sight of the needs of an ageing population.

NZI Sustainable Business Network Awards: Greatest Contribution to a Sustainable New Zealand, 21 November.

RPRC's Research Fellow, Dr M.Claire Dale, is founder and a Trustee of the Nga Tangata Microfinance Trust. With Kiwibank, which provides the loan capital and mentoring, they won the Supreme Award as well as winning their category: community innovation. The judges were impressed by the multiple collaborations that make delivery of no interest loans possible. More information is available [here](#).



RPRC in the media and public presentations and contributions

10 October, Living Standards Framework Workshop, Victoria University School of Government: Susan St John.
10 October, Morning Report, Susan St John interviewed about the Retirement Commissioner's [interim report on Retirement Incomes](#).
13 October, Dominion Post, Michael Littlewood cited on Treasury's estimates of the [long term cost of NZS](#).
14 October, Financial Services Council conference: *How to Super-Size Retirement Income*, Susan St John's presentation: "Why no annuities".
15 October, Dominion Post, Michael Littlewood quoted on the review of [KiwiSaver default providers](#).
16 October, Daily Blog, Susan St John: [A sorry state of affairs](#).
18 October, www.stuff.co.nz, Michael Littlewood quoted on [default provider KiwiSaver schemes](#).
23 October, Living Standards Framework Workshop, Victoria University School of Government: Susan St John.
24 October, Radio NZ, Michael Littlewood urges a national [debate on retirement policy](#).
24 October, The Treasury, Wellington. *The Investment Statement*, Susan St John, member of external panel.
31 October, Napier Family Centre AGM, Eastern Technology Institute, Keynote: Susan St John, *Children in policy*.
7 November, Living Standards Framework Workshop, Victoria University School of Government: Susan St John.
15 November, New Zealand Herald, Susan St John: [Living wage a good idea but it is how it is done that matters](#).
16 November, Daily Blog, Susan St John: [Let's have less handwringing and more realism on incomes policy](#).
22 November, Daily Blog, Susan St John: [Getting working sole parents off benefits: who is really 'better off'?](#)
22 November, Radio NZ, Nine-to-noon, Kathryn Ryan interviews M.Claire Dale about [Nga Tangata Microfinance](#).
22 November, New Zealand Herald, M.Claire Dale celebrates: NZI National Sustainable Business Awards Supreme Winner: Kiwibank and [Nga Tangata Microfinance](#)
1 December, Daily Blog, Susan St John: [Subsidising the rich to save us is voodoo economics](#).
3 December, Probus, Remuera, Susan St John invited speaker: *What can be done about child poverty?*
5 December, Daily Blog Susan St John: ['Get a job' mantra to solve child poverty has obvious flaws](#).
10 December, The Treasury, *The Investment Statement*, Susan St John, member of external panel.
10 December, FinancialAlert, Michael Littlewood on the possibility of [changes to NZS](#).
12 December, Radio NZ Afternoons, Michael Littlewood interviewed on the [IRD's annual KiwiSaver Report](#).
16 December, DominionPost, Michael Littlewood quoted on [Census 2013 housing ownership data](#).

Review of Retirement Income Policies 2013: the final report

The Retirement Commissioner's final report was tabled in Parliament on 12 December:

[Focusing on the Future: Report to Government](#).

The RPRC issued three *PensionReleases*, each covering a different aspect of the Retirement Commissioner's discussion document released as a precursor to the Retirement Incomes Review. Firstly, [Stop unjust deductions from overseas pensions now](#) supports the Review's call for changes to the way some overseas pensions are deducted from New Zealand Superannuation. Secondly, [Retirement Commissioner's Review a good start](#) suggests that New Zealand now needs a research-led, national discussion on the size and shape of New Zealand Superannuation. The Retirement Commissioner's recommendations should be part of that review. And finally, [Retirement Commissioner's Review – KiwiSaver and tax concessions](#) recommends that, before making further changes to KiwiSaver, New Zealand needs to find out whether KiwiSaver is actually adding to household savings. We should be extremely cautious before adopting the proposed tax break for "simple savings products".



pensionreforms

PensionReforms is slowly getting back to normal after a seven-month period off-line. The new cloud storage (run by Microsoft's Azure) is working reasonably well but there is still much tidying up to be done.

We loaded 28 new abstracts in the last quarter, bringing the total to 659. Featured here are two recent abstracts likely to be of interest to *RPRC Update's* readers:

Australia's Intergenerational Report: Every five years since 2002, Australia has produced an 'Intergenerational Report'. The three 'pillar' retirement income system looks in good shape. However, there are fiscal constraints ahead. The reports suffer from "assumption myopia" and are largely ignored. [more](#)

Effective retirement ages: Workers' retirement ages are influenced by the nature of the work they do. A 38-country analysis confirms that the 'effective retirement ages' in countries are therefore directly affected by the 'occupational composition' of their workforces. [more](#)

SAVE THE DATE:

Thursday 17 April, Forum: Retirement Income issues: a case for change

Friday 21 November, Forum: Ditching Decumulation Distress

The RPRC thanks the Mathew Abel trust for its ongoing support. Thanks too to the Advisory Board Members for their help in 2013. *Best wishes to all from the RPRC*

Retirement Policy and Research Centre: www.rprc.auckland.ac.nz

