

Shaping
futures

DEAN'S EVENT SERIES



BUSINESS SCHOOL

Pressure points in our policies – facing up to the ageing population

Susan St John RPRC

SUPERANNUATION IN NEW ZEALAND

Averting the Crisis

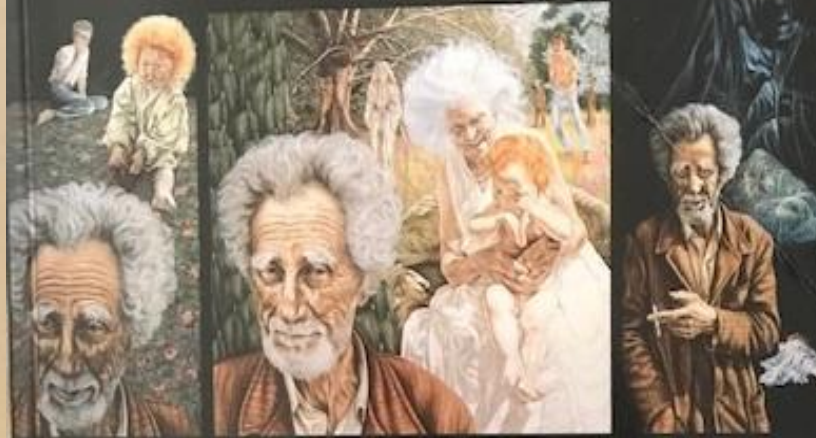
Toni Ashton and Susan St John



Institute
of
policy
studies

Institute of Policy Studies

35 years ago



*Private Pensions
in New Zealand:*

*Can
They
Avert
The
'Crisis'?*

Susan St John and Toni Ashton

Private Provision for
Retirement

The Options

Report of the Task Force on
Private Provision for Retirement
August 1982

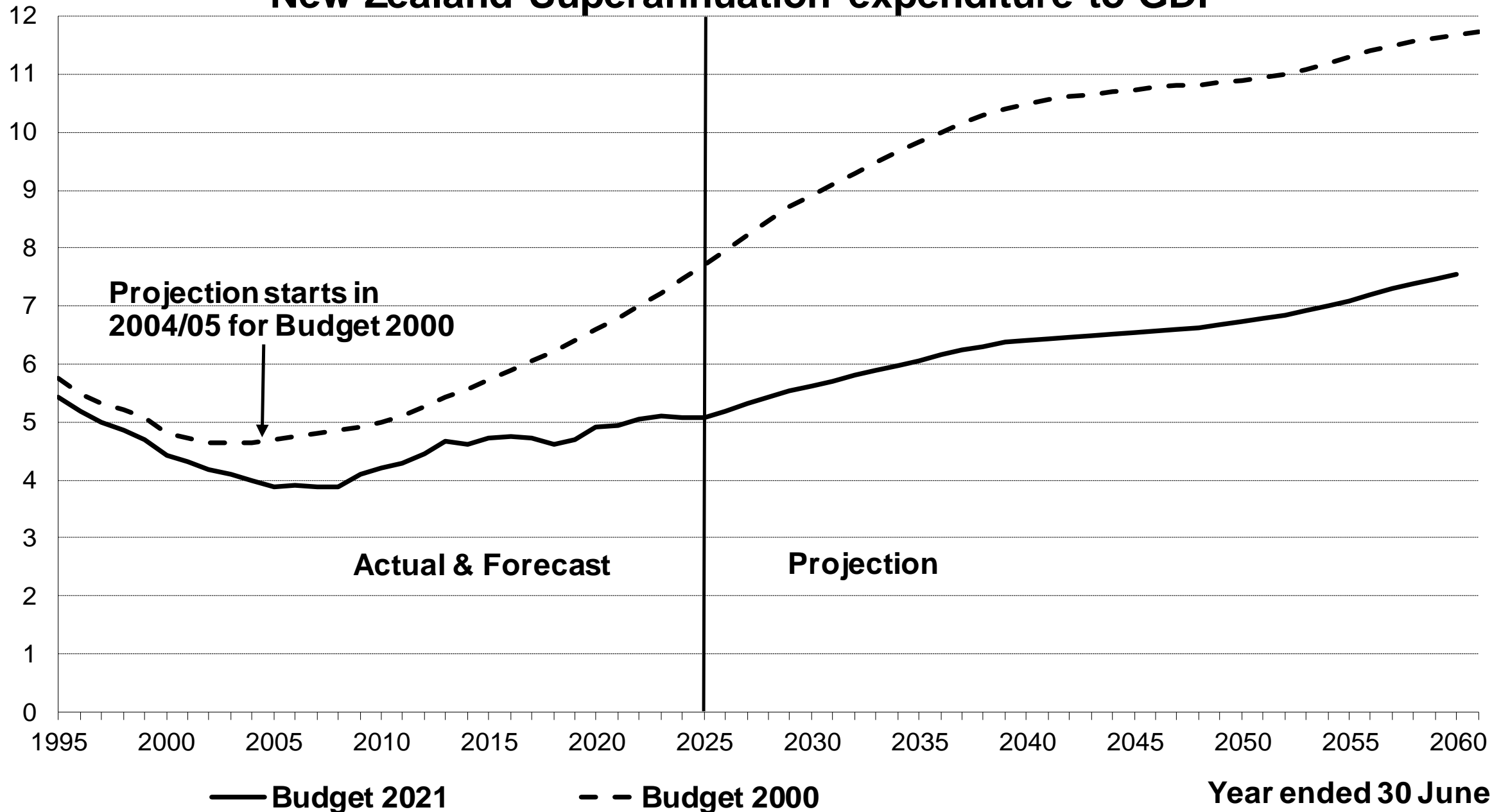
Ashton, T., & St John, S. (1988). Superannuation in New Zealand. Averting the Crisis, Wellington: Institute of Policy Studies.

Tempus fugit



(percent)

Budget 2021 & Budget 2000 projections of New Zealand Superannuation expenditure to GDP



2021 projections. Are the concerns allayed?

Looks like

- Relatively settled policies for NZ Super and for KiwiSaver?
- Little commentary on rising net NZS costs:

2010.....3.5% of GDP

2060.....6.3% of GDP

- **But** an ageing population pushes up health spending
 - **And** we are in the sweet spot of the baby boom retirement.
- From** 2030 babyboomers move into the 85+ group.

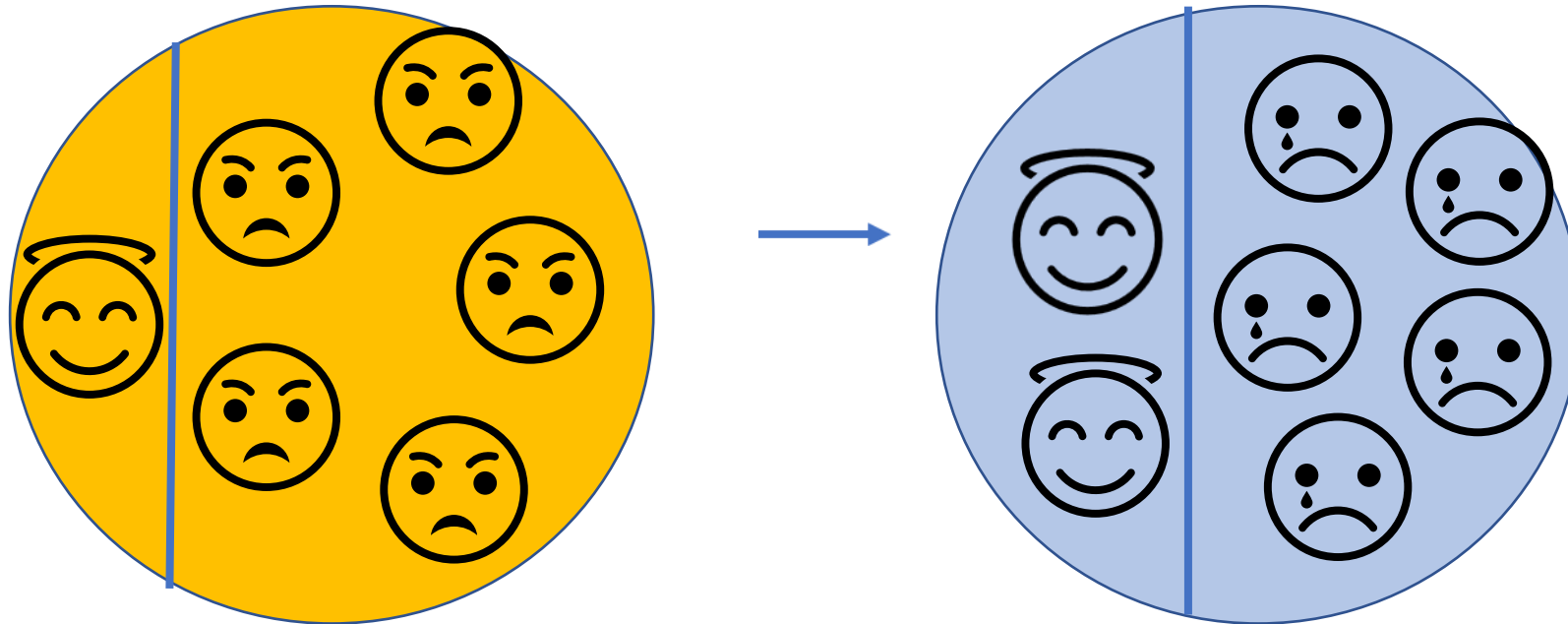
He Tirohanga Mokopuna 2021

Consultation on the draft content of the
Treasury's combined Statement on the Long-term
Fiscal Position and Long-term Insights Briefing

- Not just about statistics
- Our future depends on the young. We have a stewardship role to the next generation
- The future for older people and young are intertwined

Sharing the GDP pie

- 2010: 5 working age: 1 retired
- 2050: 5 working age: 2 retired



is growth of GDP going to make this less painful ?

What will be in the GDP PIE

- Will there be secure housing for all?
- Do we have the health services, old age care nursing
- Well designed cities?
- Are we retaining and nurturing young skilled people
 - Their education
 - Their housing
 - Their health

Must view the pressures of ageing in the context of today's pressures

- High inequality
- Intractable child poverty
- Homelessness
- Climate change
- Infrastructure demands
- **Housing market**
- **Health system on its knees**
- COVID pandemic long term consequences

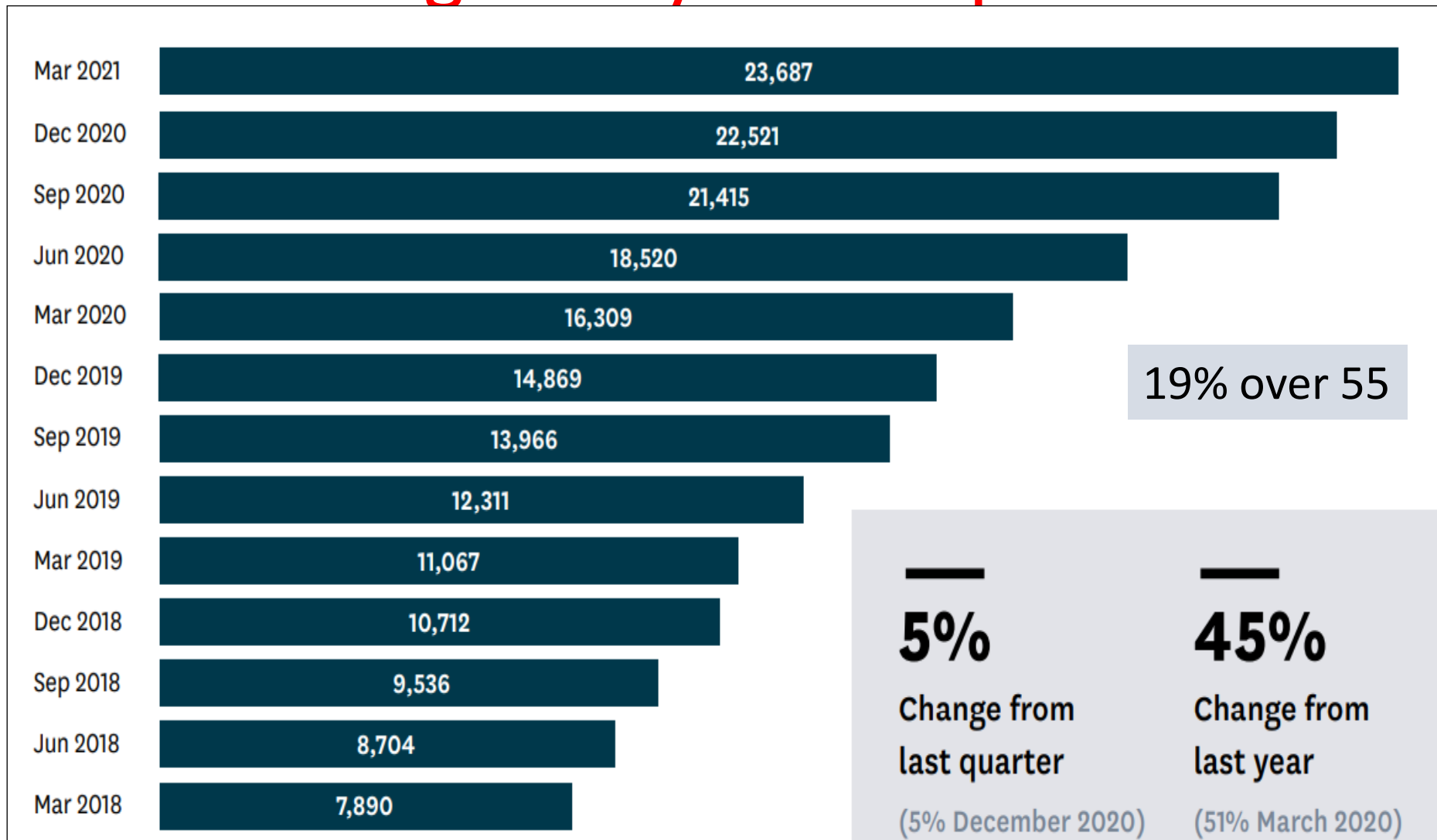
Elderly residents living in regional and rural New Zealand are losing critical services as the exodus of nurses worsens. There are currently 900 nurse vacancies just in aged residential care - that's a 20 percent shortfall in the workforce [RNZ 6th August](#)



Chris Slane Listener August 2021

Housing Register

Increasing misery and despair



Two tasks for an ageing population:

- * make sure our GDP PIE is made up of the right things
- * make sure older people have access to fair share

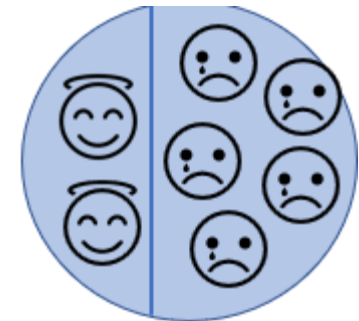
- Is NZ super enough and when is it too much?
- Is it sustainable to pay NZS to those who truly do not need it?
- Competition for the budget dollar is clear-trade-offs are made

"A \$50 per week increase to main benefits would roughly double the reductions in child poverty on the before-housing-cost primary measure relative to a \$25 per week increase."

But because of the hefty price tag, officials warned there would be trade-offs with other spending priorities and implications for financial incentives to study and work."

Will the NZ Super fund save the day?

- We will get almost nothing from it until 2055
- At the very best by 2200 it will pay for only 11% of net NZS
- **But** it doesn't reduce the cost of NZS, only changes the financing of it (less from current taxes and more from NZSF pot)
 - Spending from the NZSF is money not spent on other valuable things
- Does it make the GDP pie grow?
- Paying into it today means less for the young
- Has it become an unquestioned sacred cow?



The NZ Super fund is greatly misunderstood

$$k_j = \frac{\sum_{t=1}^H P_{j+t-1} (1 + f_{j+t-1}) \prod_{i=t+1}^H (1 + r_{j+i-1}) - B_{j-1} \prod_{t=1}^H (1 + r_{j+t-1})}{\sum_{t=1}^H G_{j+t-1} (1 + m_{j+t-1}) \prod_{i=t+1}^H (1 + r_{j+i-1})}$$

NZSF does not reduce pressures on real resources- not even post 2055- may make them worse.

It may give the false impression that NZS does not have to change

Conclusion

“Small and gradual changes in the near-term could help minimise the cost of fiscal pressures across generations, preventing higher debt and a larger, relatively more costly adjustment in the future.

(The Treasury, 2021, p6)

Low hanging fruit– Winter Energy Payment

Transport policy

- Age NZS
- CPI- link NZS
- Clawback through tax system
- KiwiSaver improvements
- Aged care means test