RPRC Update

Retirement Policy and Research Centre

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Issue: access to oral care for the aged population.

RPRC Submission to Ministry of Health, February 2016: Health of Older People Strategy

Background:

The Ministry of Health's survey published in 2010, *Our Oral Health: Key findings of the 2009 New Zealand Oral Health Survey*, pp. xx – 1, states in precis:

> Oral health, the health of teeth and mouth, is critical to good health and wellbeing. Oral diseases are among the most prevalent chronic diseases in New Zealand and represent a considerable burden on the public. New Zealanders have poorer oral health than Australians across a range of clinical oral health indicators. Cost was found to be a key barrier to accessing oral health services: 44.1% of adults surveyed had avoided dental care due to cost in the previous year. In 2009, key population groups who experienced disparities in oral health outcomes and access to services included Māori, Pacific people, and people living in high deprivation areas. These population groups generally had higher levels of untreated decay and missing teeth, poorer self-reported oral health, and higher prevalences of having experienced one or more oral-health-related quality-of-life impacts.

The Overview of the *Annual Update of Key Results 2014/15: New Zealand Health Survey* reports that in 2014/15 the Government spent $199 million on oral health care, including oral health services provided or funded by district health boards. Children and adolescents up to their 18th birthday have access to free basic oral health services. For adults, some publicly funded oral health services are available when treatment is required for accident or injury, for people with medical conditions or disabilities whose conditions prevent them from accessing community-based dental care, and low-income adults who need emergency dental treatment.

The issue:

The primary issue in this submission is oral health of the aged population, particularly those in long-term residential care. We are gravely concerned that the *Age Related Residential Care Services Agreement* between DHBs and Providers of age-related residential care specifically excludes dental care:

> D14.1 The Services do not include: d. Services such as those provided by **dentists**, opticians, audiologists, chaplains, hairdressers, dry cleaners, and solicitors.

In the RPRC *PensionBriefing* 2013-3, *Oral health, general health, and residential aged-care*, March 2013, we noted: *oral ill-health or discomfort causes loss of appetite, and loss of well-being. There is also growing international evidence about links between periodontal disease and cardiovascular disease, diabetes and other chronic illnesses*.

The recommendation:

Given New Zealand's ageing population, investing in the oral health of the elderly would improve their general health and well-being; and would also be a likely source of future saving from reduced incidence of chronic illnesses. As a core aspect of the Ministry's Health of Older People Strategy, all aged care facilities require oral care policies, including oral care plans, and access as required to oral health professionals including dentists for their residents.

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AARP International Spring 2016 (UK) article by Susan St John: *'How to save like a Kiwi'*

THE JOURNAL

AARP INTERNATIONAL

Extract: *Where traditional tax regimes treat both employer and personal contributions and income earned in the fund favourably for tax purposes, all tax concessions for retirement saving were abolished in New Zealand in the late 1980s. Since then, contributions to such schemes are made out of after-tax income and earnings in the fund are taxed at the saver's tax rate. Then, as with a bank deposit, withdrawals are considered to be return of capital and hence tax-free.*

When the tax concessions were removed over twenty five years ago, many employment-based retirement schemes were closed, many defined benefit (pension) schemes were replaced by defined contribution schemes, and public-sector pension schemes were closed to new members in 1992. As a result, by the mid-2000s, coverage of the workforce in employment-based retirement schemes had fallen to around 14%, with very few in pension schemes.

In 2007, KiwiSaver, the world's first national auto-enrolment national saving scheme, was introduced to extend the opportunities of work-based saving. Generous subsidies initially fuelled a strong uptake, but these have been progressively eliminated.

As of 2016, the only remaining subsidy is a matching 50% member tax credit on the first NZ$1,040 of member contributions. This limited, progressively designed incentive is in sharp contrast to the regressive and expensive tax concessions common in other countries.

One of the clear advantages of the New Zealand approach is the use of the tax collection agency, Inland Revenue, as a central clearinghouse. Thus each member holds one personal KiwiSaver account with their chosen provider regardless of any change in employment. Another feature of KiwiSaver is the facility to access savings, excluding state subsidies, after a minimum of 3 years for the purchase of a first home. Small and medium enterprises have found their compliance costs to be low and the scheme has been well received.

KiwiSaver is in its 9th year. It has achieved remarkable acceptance, low administration costs, and wide transparency; however, low levels of contribution, its use for housing, too many in default schemes, low default contribution rates, and lack of longevity protection, remain as concerns.

See the full article here.

Commission for Financial Capability
Building wealthy lives

Retirement Commissioner's 2016 Retirement Income Policy Review

The New Zealand Superannuation and Retirement Income Act 2001 requires the Retirement Commissioner to review retirement income policies every three years, and report to Government. The Terms of reference and aspects of retirement income policies the Government has stipulated the 2016 review must address are:

- An update and commentary on the developments and emerging trends in retirement income policy within New Zealand and internationally since the 2013 review.
- The impact of current retirement income policies on current and future generations, with due consideration given to the fiscal sustainability of current New Zealand Superannuation settings.
- Trends and developments in KiwiSaver and private savings schemes for retirement, including:
  - The impact of policy settings (such as employer contributions, default contribution rates, early withdrawal and the inability to belong to more than one scheme) on KiwiSaver participation and contributions; and
  - Any gaps in KiwiSaver participation information and how data reporting could be improved.
- With respect to all private savings (including KiwiSaver): Decumulation and how retirees manage their assets along with risk and return during their retired lifetime including:
  - Withdrawal patterns;
  - The development and use of annuity and equity release products; and
  - The impact of a low interest rate environment on retiree asset management.
- New Zealand's aging workforce and the challenges of the changes to the norms of retirement.
- An assessment of financially vulnerable groups in retirement and the effectiveness of current retirement income policies for them.

Retirement Commissioner Diane Maxwell is taking a new approach to this Review, focusing on one issue each month for the 7 seven months: KiwiSaver, Decumulation, Ageing Workforce, Who pays for what? Vulnerable groups, Who gets what? and the International picture. Public engagement is encouraged through roundtable discussions, blogs, videos, research and surveys.

As reported on the CFFC website: *The cost of taxpayer funded NZ Super will double by mid-century. Healthcare costs will increase too. How will future governments manage the challenge? What do we owe our children and grandchildren and what do they owe us?*

The Commission is keen for comments & feedback from as many people as possible. Email: review@cffc.org.nz. Join the conversation and follow what is happening on the new 2016 Review webpages (live mid-April) at: http://www.cffc.org.nz/retirement. So: let's all talk about retirement income issues.

Mt Eden's IKA lunchtime lecture 30 March 2016, Susan St John: '*Is there an elephant in the room*?'

While Aucklanders have been talking about house prices, the flag, the TPP, Fonterra, and immigration, they haven't been talking about the elephant in the room: the ageing population. Perhaps because Finance Minister Bill English has said "Ageing does not matter" (*National Business Review* 27 March 2015). He says there is "a lot of "handwringing without a real solution. The ageing population is a state of nature", and "There are only two fiscal answers to the ageing population: pay fewer people or pay them less, that's it!"

Drawing on her experience serving on the 1987 Royal Commission on Social Policy, and her extensive publishing on retirement issues, including *Averting the crisis* (1988) with Toni Ashton, and *Private pensions in New Zealand* (1993), and innumerable journal articles, book chapters and reports, St John asks if this an appropriate response to a problem that other countries take very seriously.

New Zealand's retirement system (NZ Superannuation and KiwiSaver) as "*Very simple*, adaptable, ***potentially*** sustainable, integrated and coherent". A critical feature is the link to average wages. Since 2006, NZS has increased by $120 per week while basic benefits, linked to consumer price index (CPI) have increased far less. For example the Jobseeker benefit has increased only $36. Unlike the basic benefits, absence of an income test on NZS means there is no disincentive to work, and consequently we see a healthy and rapidly climbing labour force participation by those aged 65+.

While the current situation, five years into the retirement of the baby-boom, is quite benign as it sees a rapid increase in the numbers of the young active and contributing retired. By 2050, of the 1.5 million aged 65+, one of every four will be aged over 85 and in or approaching the frail stage of ageing requiring assistance. There will be only around 2 people aged 15 to 64 years for every person aged 65+. It is not just the cost of NZS that may be paid to each 65 year old for upwards of 40 years, but the escalating health and care costs of the retired group that is itself rapidly ageing.

"So which elephant do we worry about first?" asks St John. The crisis of care and dementia, of underfunding the public sector, of youth suicide, child poverty, domestic violence, or climate change? One crisis that we need to address is the intergenerational unsustainability of NZS. Currently, there is no political discussion of the qualifying age, the level of payment, or the possibility of a well-designed income test that might effectively remove the advantage of NZS from the very top end. The RPRC have written about how this can be done relatively painlessly.

Another elephant in the room is lack of attention to the annuities market. St John's proposal of KiwiSpend could meet the needs of middle income 65+ year olds facing the risks of living longer than expected, dying with unintended bequests, being ravaged by unanticipated inflation, suffering from failure of investments, fraud or mismanagement.

Act New Zealand

2016 ACT Conference 27 February 2016.

As well as RPRC's recently retired co-director, Michael Littlewood, speakers included Ruth Money, Dame Lesley Max, Lindsay Mitchell, Matthew Hooton, and of course, David Seymour. An extract from Littlewood's presentation, '*Retirement incomes: are we kicking the can down the road?*' is below:

Littlewood shared a number of public policy lessons he had learned: Governments can't force citizens to save more than they want so, tax breaks don't work and compulsion really doesn't achieve much; The more rules there are, the more will be needed; The 'law of unintended consequences' rules; Also 'cui bono' – when someone proposes reforms, ask who benefits? So what should governments do? Littlewood says there are four things that only governments can do: Reduce or eliminate poverty in old age; Regulate to enforce codes of conduct (including for disclosure and tax); Produce deep, impeccable data; Run school, work-place and public information and education programmes. Then, stand aside.

Not necessarily reflecting the RPRC's thinking, Littlewood's suggested reforms include: Dismantle the New Zealand Superannuation Fund and repay debt ($28 billion); Free-up KiwiSaver restrictions, including allowing early access, eliminating compulsory employer contributions, and increasing default providers; Tax all income appropriately (eliminate PIEs and other 'final' tax payers such as trusts, super schemes); Start a proper, longitudinal study of household wealth; Improve labour market data; and Improve poverty data.

"We must discuss New Zealand Superannuation (NZS)", Littlewood says, because: "Today's savers need the clearest possible picture of tomorrow's NZS. We need more and better information about how citizens are responding to possible changes to NZS." While he is not advocating for change, or suggesting that NZS will or needs to change, Littlewood is concerned that savers are able to assess the risks of a lower (or higher) age pension amount when they are making today's saving decisions.

"In the end, the annual cost of NZS in 2066 will be the total amount that 2066 taxpayers decide to spend on income for the old, divided by the total number of old people entitled to receive it. Nothing that today's savers, taxpayers or politicians do or promise will have any effect on that calculation.

RPRC in the media and public presentations and contributions

13 February 2016, NZHerald, Mary Holmes quotes the RPRC in '*NZ Super nothing to do with tax paid*'.
20 February 2016, NZHerald, Diana Clement quotes M.Claire Dale: '*Read the fine print if you want NZ Super at 65*'.
9 March 2016, University of Auckland, Auckland Microfinance Initiative launch, M.Claire Dale keynote speaker.
30 March 2016 IKA lunchtime lecture, Susan St John *'Is there an elephant in the room?'*

Provision of health services and community care for the elderly: intergenerational roles and equity

RPRC is part of a Worldwide University Network research project led by Associate Professor Eliza Lai Yi of the Chinese University of Hong Kong's Jockey Club School of Public Health & Primary Care, the project 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 different health systems in different countries by conducting cross-national comparative analysis.

Research questions include: (1) what is intergenerational role in health service delivery and financing; (2) what are the issues related to intergenerational equity; and (3) what are the barriers and facilitators for intergenerational interaction that will contribute to sustainable health systems in an ageing population?

The main focus of the proposed study is to address transitions between generations on health service delivery and health financing models. The findings are expected to contribute to the development of the lifecourse approach to expand the view from different stages of an individual to transitions between different generations.

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 and provides an alternative way to sustain healthy ageing.

The findings on the aspects of health service delivery and financing will address issues of intergenerational equity, improving our understanding of the younger generation's views on the older generation, toward improving intergenerational solidarity.

Through comparison among different countries, the findings will provide insights on similarities and differences among countries with various levels of income and cultural contexts. This will facilitate policy-makers' policy formulation and implementation according to the need of their nations. International collaboration will also contribute to achieving population health.

In addition to university researchers based in Hong Kong and Auckland (RPRC, Compass, Schools of Nursing and Medicine), collaborators on the project are based in Bergen, Sheffield and Western Australia.

Household living-costs price indexes – public consultation and decisions

Given the ageing population, RPRC is pleased to note Statistics New Zealand's recognition of superannuitants as a distinct group with a great commonality of issues. Statistics New Zealand is now developing a new set of price indexes to measure the inflation experience of groups of households – the household living-costs price indexes (HLPIs).

The new HLPIs will highlight differences in household expenditure patterns and how they affect the distribution of household inflation. The eight household groups are:

- beneficiaries
- income quintiles (five groups)
- Māori
- superannuitants.

The consumers price index (CPI) is an aggregate measure that represents the price change experienced on average by households. While the CPI's principal use is to inform monetary policy-setting, its design is a compromise between this principal use and other uses, such as adjusting a range of public and private payments (Statistics NZ, 2013). It was in this light that the 2013 CPI Advisory Committee recommended extra indexes be provided to reflect changes in the purchasing power of incomes of particular population subgroups.

Household living-costs price indexes – decisions after public consultation presents the decisions made following public consultation. The three topics for customers to respond to were:

- how to define the household groups
- how to combine household expenditure patterns
- how to treat interest and insurance.

We note also that it was suggested that Statistics New Zealand add the costs associated with retirement villages to the basket of goods and services. This is particularly relevant for the superannuitant index. Statistics New Zealand will assess this possible addition as part of the next CPI review, due to be published with the September 2017 quarter CPI release in October 2017.

Save the date:

Friday 15 July 2016, at the University of Auckland: **Gender issues for Retirement**
Friday 2 September 2016, at the University of Auckland**: Decumulating Wisely**

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