

The Treasury

New Zealand Superannuation Information Release

Release Document July 2017

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [3] Deleted – not relevant to the announcements

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

New Zealand Superannuation

HON STEVEN JOYCE

Minister of Finance 30 January 2017

New Zealand Government

Current Superannuation settings

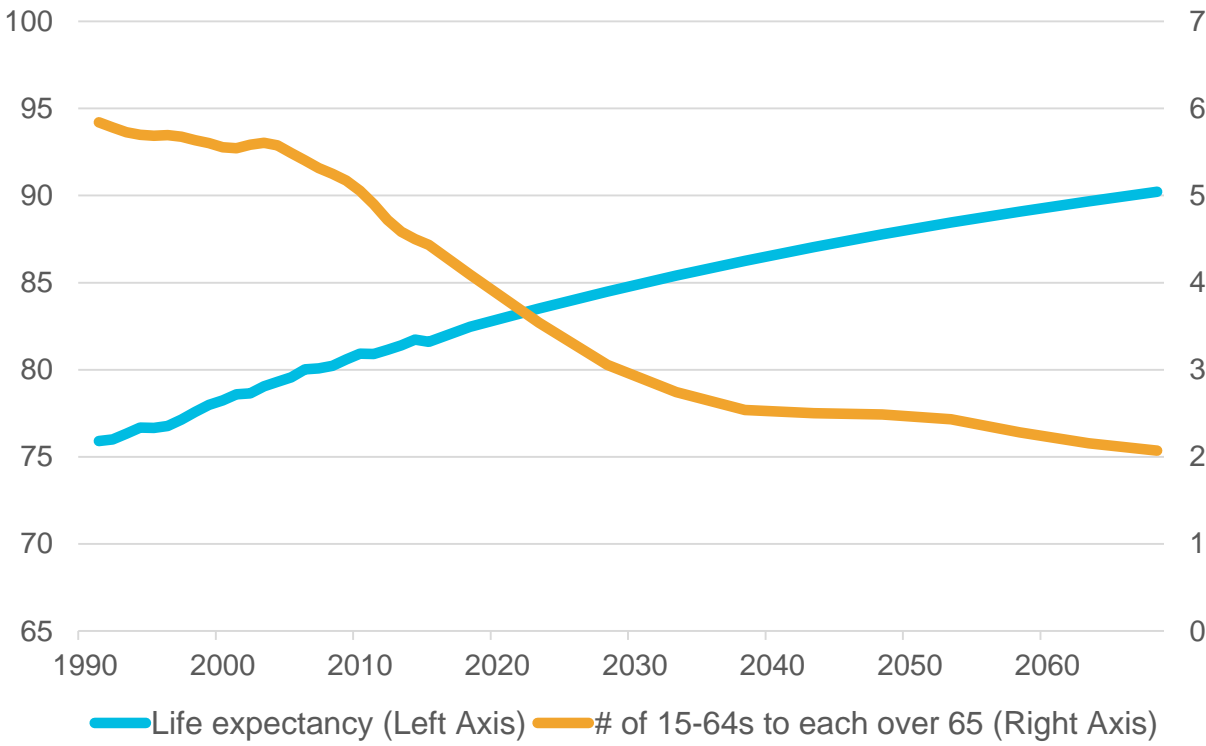
- NZ Super is a universal flat-rate pension system which effectively provides a “citizenship dividend” for older New Zealanders
- Over 65s receive \$335.50 per person a week for a married couple or \$443.50 for a single person living alone
- Superannuation payments are set at 66% of the average weekly wage
- Weekly payments have increased by 35 per cent after tax since 2008, compared to inflation of 14 per cent

Social and Fiscal Outcomes

- New Zealand has moderate rates of old age poverty in relation to other OECD countries
- Over 65s have the lowest level of material hardship of any age group in New Zealand
- The universal payment drives high workforce participation (one in five over 65s are in paid work)
- Most New Zealanders are saving adequately for their retirement
- NZ Super is relatively inexpensive – cost 4.8% of GDP last year; compared to 9% average across OECD

However...

New Zealanders are living longer

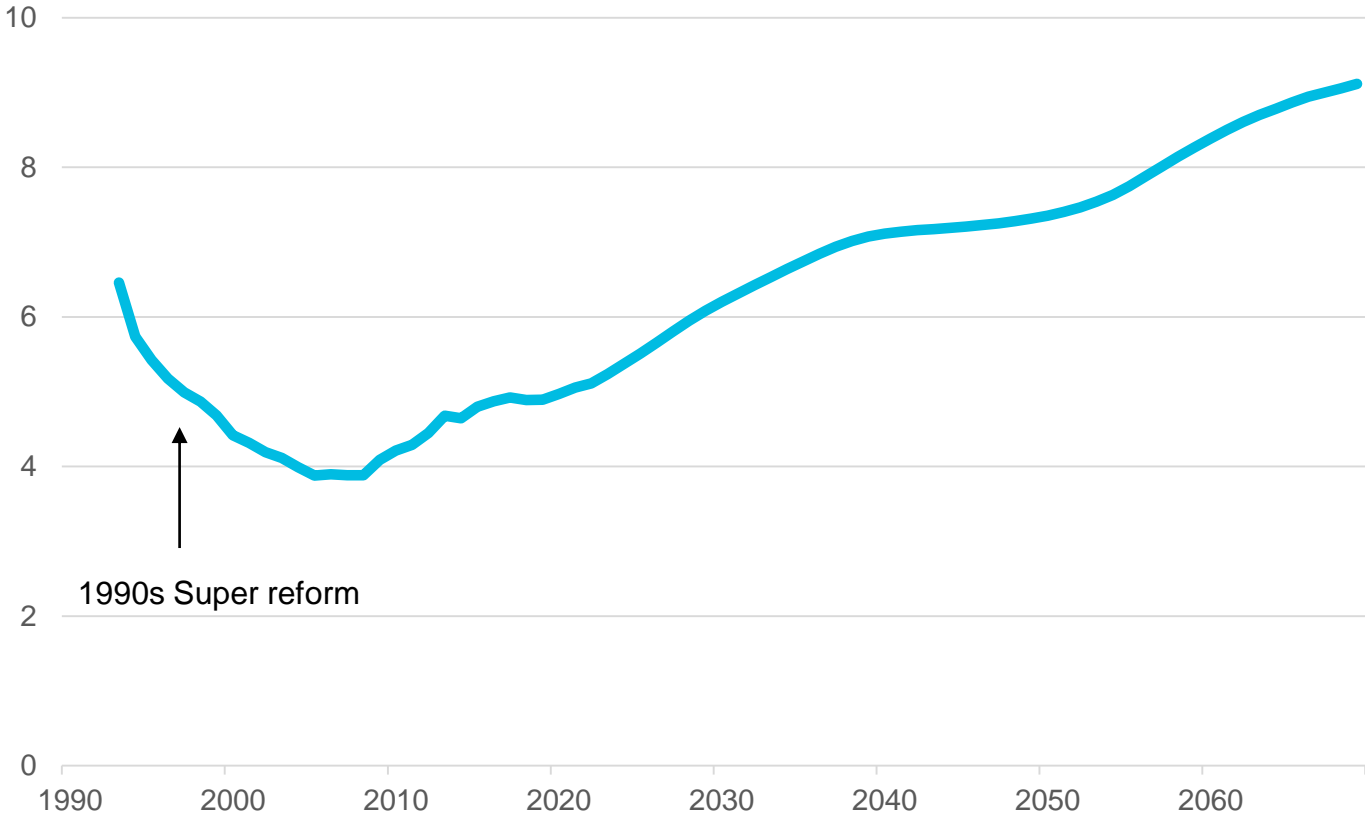


Source: Statistics NZ

Life expectancy has risen 12 years over the last 60 years, and is projected to rise 1.3 years per decade until the end of this century

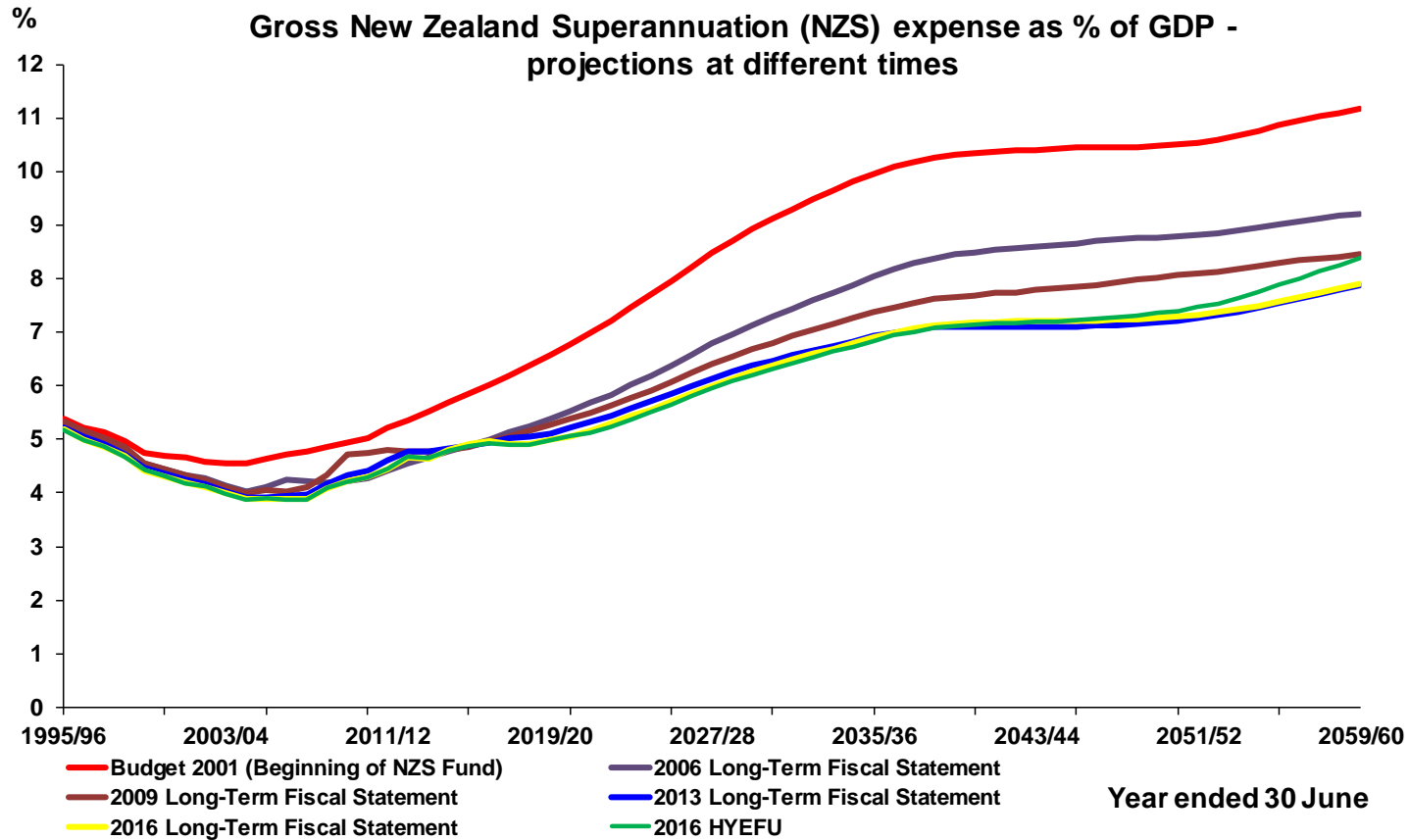
The cost of superannuation will increase...

Gross Cost of NZ Super (% of GDP)



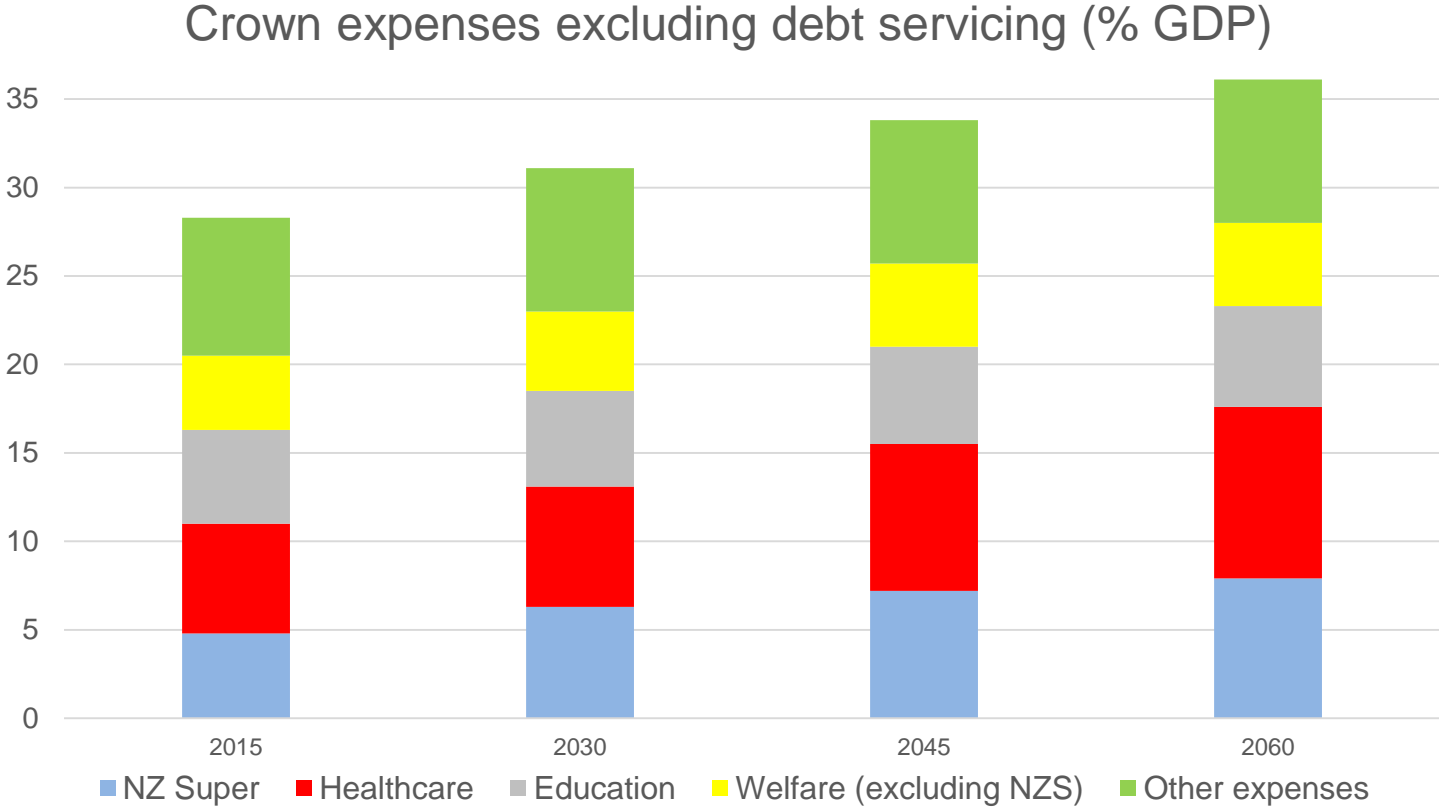
Source: The Treasury (HYEFU 2016)

... but not as fast as expected



Stronger economic growth than anticipated and higher labour market participation has lowered projected long term costs as a percentage of GDP

Super costs are part of a long-term fiscal challenge

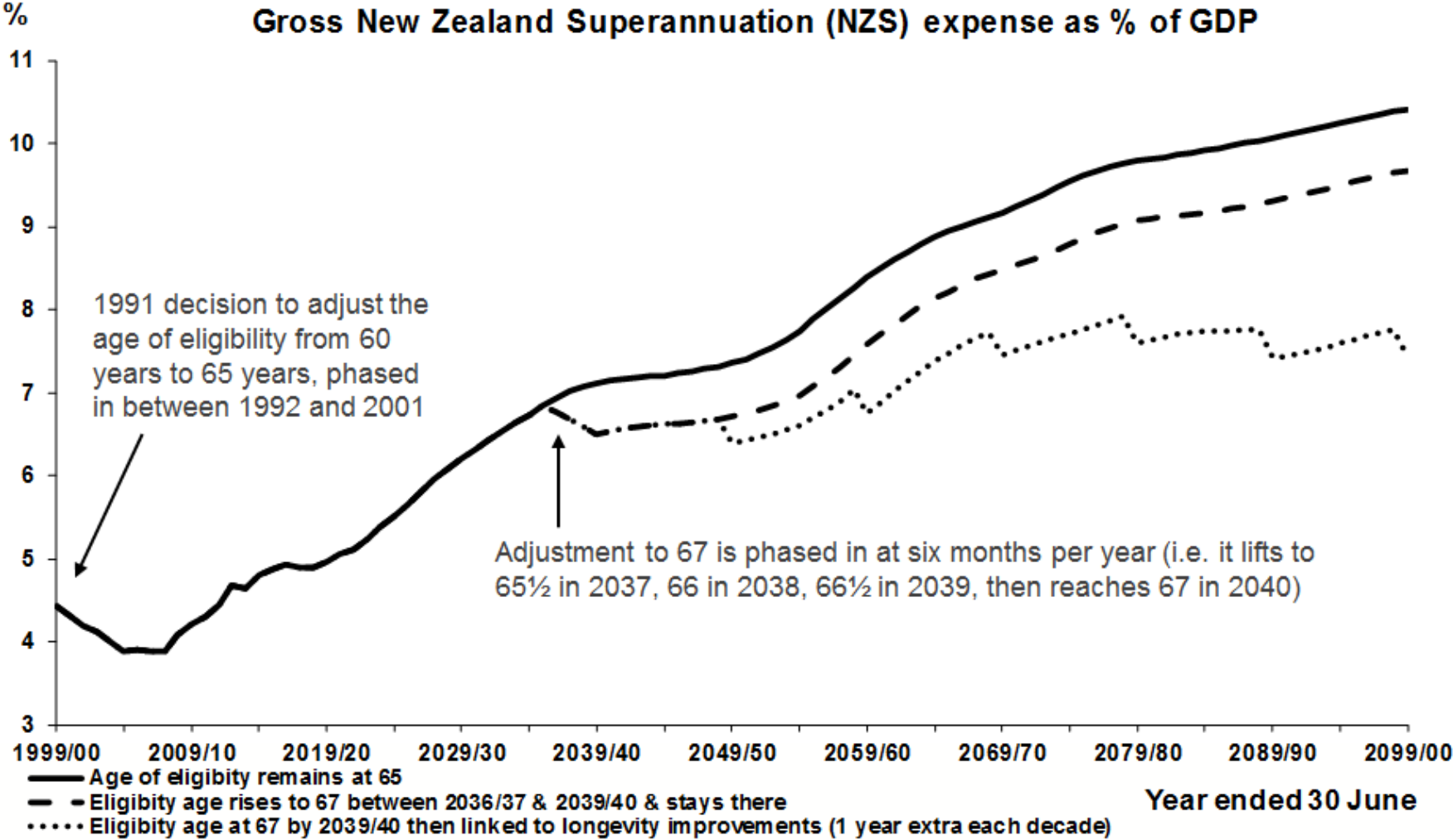


Superannuation and healthcare costs are the drivers of long term cost increases – both caused by increased life expectancy

Policy Options for New Zealand Superannuation

- Any changes to NZS settings involve considering:
 - Fairness between generations
 - Sufficient notice to allow people to plan for their future
 - Political sustainability
- Have ruled out changes to indexation and means testing
- **Two policy proposals:**
 - Lift the age by 2 years in 20 years time (phased over 4 years)
 - Then lift the age indexed to longevity improvements (1 year extra each decade)
- Doing both would ensure Super costs peak at between 7% and 8%

Changes to the age of NZS eligibility



Other possible changes – residency requirement

- NZ: 10 years after turning 20 (including 5 years after turning 50)
- Compared to...
 - Australia: 10 years residence in total, with at least five years continuous residence (but is means tested by assets and income)
 - United Kingdom: Differing rates depending on duration of residence (10 – 30 years)
 - Canada: 10 years for the Old Age Security pension; but other allowances exist with additional requirements
 - South Korea: 20 years residence for those aged 60 or over (smaller benefit available to those with 10 years residence)
- The Retirement Commissioner recommends an increase to 25 years