THE TREASURY
Kaitohutohu Kaupapa Rawa

Reference: 20170077

20 June 2017

[redacted]

Thank you for your request made under the Official Information Act, received on 8 March 2017. You requested:

> *"…advice, reports, briefings or other documents provided to Government ministers or ministries relating to a potential increase in the age of eligibility for superannuation.*
> *Please restrict the request to only those documents created between 1 January, 2016 and now.*
> *Please also confirm the date in 2016 when Treasury was first asked to begin work on the topic."*

In responding to your request I have also provided some additional material that you may find of interest.

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1	May 2017	A summary of substantive comments between the Treasury and other agencies on the draft Cabinet paper relating to the announcements of Monday 6 March	Release in part
2	May 2017	A summary of substantive comments between The Treasury and the Ministry of Social Development on the draft Cabinet paper relating to the announcements of Monday 6 March 2017 on changes to Superannuation.	Release in full
3	May 2017	A summary of substantive email exchanges between the Treasury and the office of the Minister of Finance relating to the announcements of Monday 6 March 2017 on changes to	Release in part

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		Superannuation	
4	May 2017	A summary of substantive email exchanges within the Treasury relating to the announcements of Monday 6 March 2017 on changes to Superannuation	Release in part
5	28 February 2017	Treasury Report: T2017/421 Aide Memoire: Potential Impacts of NZS Policy Changes on NZ Super Fund Contributions	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions, and

- work contact details of officials, under section 9(2)(k) – to prevent the disclosure or use of official information for improper gain or improper advantage.

Information Publicly Available

The following information is also covered by your request and is publicly available on the Treasury website:

Item	Date	Document Description	Website Address
1	15 December 2017	Pre-Christmas slide pack dated June 2014	http://www.treasury.govt.nz/publications/informationreleases/superannuation
2	10 January 2017	Post-Christmas slide pack on background material	http://www.treasury.govt.nz/publications/informationreleases/superannuation
3	30 January 2017	The final slides used by the Minister of Finance at Cabinet	http://www.treasury.govt.nz/publications/informationreleases/superannuation
4	10 February 2017	Treasury Report: NZ Superannuation Policy Options T2017/222	http://www.treasury.govt.nz/publications/informationreleases/superannuation
5	22 February 2017	Treasury Report: Additional Considerations for New Zealand Super policy T2017/321	http://www.treasury.govt.nz/publications/informationreleases/superannuation
6	2 March 2017	Regulatory Impact Statement: New Zealand Superannuation policy	http://www.treasury.govt.nz/publications/informationrele

		options	ases/superannuation

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act – the information requested is or will soon be publicly available.

Some information has been removed from the above documents because it is not relevant to the topic of changes to NZ Superannuation settings.

Information to be Withheld

There are additional documents covered by your request that I have decided to withhold in full under one or more of the following sections of the Official Information Act, as applicable:

- under section 9(2)(a) – to protect the privacy of natural persons, including deceased people,
- under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions, and
- under section 9(2)(h) – to maintain legal professional privilege.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Peter Gardiner
Manager, Modelling and Research

Information for Release
NZ Superannuation OIA Requests

A summary of substantive comments between the Treasury and other agencies on the draft Cabinet paper relating to the announcements of Monday 6 March 2017 on changes to Superannuation

The Treasury received comments on the draft Cabinet paper to changes in Superannuation from the following agencies:

Inland Revenue, Veterans' Affairs, Ministry of Business, Innovation and Employment, Te Puni Kokiri, Ministry of Pacific Peoples, Stats NZ, Ministry for Women

Inland Revenue - 17 February 2017

Overall, this paper has only minor implications for Inland Revenue (including the legislation administered by us).

The main exception would be in relation to the eligibility age for access to KiwiSaver funds, which is currently matched to the NZ Super qualification age. The reform would mean people having to wait longer for access to their KiwiSaver funds, which could be seen as a negative consequence. As you will be aware, the Retirement Commissioner has recently recommended decoupling the age of access to KiwiSaver funds from the NZ Super qualification age (in the context of also recommending an increase in the NZ Super qualification age). I note that the draft Cabinet paper states that the Minister of Commerce will report on this and the other Retirement Commissioner recommendations later in the year. Given there is likely to be quite a few questions in the public arena on this point, I suggest that it may be desirable for greater certainty to be given on this linkage sooner.

The only other implication worth noting is the impact of an increase in the NZ Super qualification age on the independent earner tax credit (IETC) – in short, the IETC is a $520 per annum credit targeted at workers on moderate incomes who are not receiving any state assistance (including NZ Super). Our initial estimate is that the proposed increase in the NZ Super age would cost $4.5 million per annum in additional IETC (8,700 more recipients).

Veterans' Affairs - 17 February 2017

We agree in principle to the overall approach proposed in the paper, however due to the short consultation period we have not been able to fully study or model the implications for Veterans' Affairs through data analysis, for example the potential costs for Veterans' Affairs funded Weekly Income Compensation and Weekly Compensation. Furthermore, Weekly Compensation (applicable to certain eligible veterans with qualifying operational service after 1 April 1974) has only been in force for a short period, we do not yet have a large number of recipients and are unable to make future projections about the fiscal implications in regard to this compensation with any degree of confidence.

Paragraph 75 - We request the removal of the reference in this paragraph to "disablement pension", as this is an impairment-related compensation rather than a form of income support. Please would you also amend the reference to "weekly income compensation" to "weekly income compensation and weekly compensation". [fyi the first applies to eligible veterans whose qualifying service was performed pre-1 April 1974, the second to post-1 April 1974].

We also note that paragraph 75 may be slightly misleading in that it may be interpreted to mean that any veteran may receive weekly income compensation or weekly compensation instead of a Veteran's Pension or New Zealand Superannuation, when receipt of either is limited to those veterans who have a non service-related and service-related impairment respectively that prevents them from working full-time. For veterans who do not meet the eligibility criteria for weekly income compensation or weekly compensation the normal fall-back is support provided by Work and Income.

Paragraph 83 – please include Veterans' Affairs in the consultation line.

Ministry of Business, Innovation and Employment - 17 February 2017

Labour market participation and demand:

- As per MSD's commentary, 24% of people aged 65 and over are currently engaged in paid employment. If the age of eligibility increases, the proportion of those still in the workforce after age 65 will naturally increase, but with a likely disproportionate increase for low-wage workers (higher income earners can afford earlier retirement). We don't think the paper does not adequately deal with possible labour market impacts on different age cohorts as the result of this shift for low-wage older workers. Although international evidence suggests that raising the retirement age may result in more youth (ages 15 to 24) employment, substitution effects between low-wage older workers and young workers are not properly understood in the New Zealand context. The extent of these possible substitution effects will depend on relative labour productivities, which in turn is a function of experience, skills (and whether they complement emerging technologies) and health.
- Relatedly, has there been any analysis done on the impact of the increase in the age of entitlement to NZ Super on the workforce participation rate across the population? It would be good to understand whether working post-65 years has been an increasing trend under current policy (we have not had time to investigate this given the timeframe for comment).
- Has there been any consideration of the impact on employers of an increase in the age of eligibility (i.e. health and safety)?

Impact of residency requirements – paras 38 – 41

- It would be helpful to include a discussion of the impact of the increase in residency requirement from 10 years to 15/20 years. This section does not make it clear that this is the choice of options for Ministers which is outlined in rec 5. Our particular interest is in the labour market impact of the proposal, for example, what impact would the proposal have on labour market flexibility, in relation to the mobility of high-skilled workers.

Impacts on ACC

- We consider that it is very likely they would have significant cost implications for both the ACC Scheme. We can't get estimated costs to the scheme given the present timeframes, but have tried to set out the expected impacts below.
- We note that ACC itself does not appear to have been consulted on the paper, but will be extremely interested in the proposals given the impacts on the Scheme.
- Section 370 of the Accident Compensation Act 2001 has a mechanism to interface with NZ Super to determine when someone who reaches the age of eligibility for NZ super would stop receiving weekly compensation (it acts as a proxy for retirement, as it is impossible to

know when someone would have retired had it not been for their injury). Presently, someone who is receiving weekly compensation for more than two years before they turn 65 will have their entitlement to weekly compensation cease. If the NZ super age is raised to 67 and the eligibility for weekly compensation remains tied to the NZ superannuation qualification age, then a cohort of people will be entitled to an additional two years of weekly compensation at 80% of their current earning. This financial impact should not be underestimated and will need to be reflected in the paper.

- It is expected that increasing the retirement age to 67 would increase liabilities to ACC as many people will be working longer than they otherwise would have been. People in this age group are more prone to work-related injuries, both in incidence and severity. We would expect this to increase costs to the scheme. It likely that there would be an uptake in the provision of other entitlements such as vocational rehabilitation adding further pressure to the scheme.
- While one of the goals of encouraging the expectation that people are in work to age 65, removal of the NZP provisions would likely increase costs to the scheme in line with the first point above. However, if the policy had it's anticipated effect, we'd expect to see some reduction in liabilities in the Non-Earners' Account and an increase in the Earners' Account as people stayed in work longer who otherwise wouldn't have due to the NZP provisions
- We think its important that the adequately quantify the impact of the proposals to the ACC Scheme, and ACC would need to undertake modelling to determine the estimated costs to the Scheme, impacts on levies and the Outstanding Claims Liabilities. It may be worth beefing up description of the likely impacts on the scheme as outlined above and noting of the need for modelling to quantify this.

Te Puni Kokiri - 17 February 2017

Thank you for forwarding the draft paper *New Zealand Superannuation* through for comment by close of play today. Given the complexity and significance of the issues in relation to the timeframe provided we consider the paper should state that Te Puni Kōkiri has been informed rather than consulted.

We note that we have not seen the draft RIS at the time of writing these comments.

Given the limited time we would like to make the following points.

Consultation - general
There is no discussion in the paper of plans for public consultation. Paragraph 84 refers to public discussions in recent years and para 85 notes an expectation that the announcement of the Government's intentions can be expected to result in "further representations and public discussion". Para 95 and Recommendations 10 & 11 simply note that the Minister of Finance will make an announcement and release the Cabinet paper and RIS.

We are concerned that it is not sufficient to rely on earlier general public debate on the issue:

- general public discussions do not fulfil the Crown's obligations to consult with Māori (see points below).

- earlier public discussion took place in a context in which the Government had not indicated an intention to consider change – indeed the previous Prime Minister had clearly indicated he would not support a change while Prime Minister. Many people and groups who are likely to have a view may therefore not have seen the need to actively participate in the debate.
- there was no opportunity to discuss or debate the impact of specific Government proposals as such proposals did not exist.

Obligation to consult with Māori

We consider the Crown has clear obligations to consult with Māori before making final decisions about changes to superannuation eligibility that will have significant impacts for Māori. [redacted]

s9(2)(g)(i)

[redacted]

The obligations to consult arise under the principles of the Treaty of Waitangi and article 19 of the United Nations Declaration on the Rights of Indigenous People (which helps to inform the deliberations of the Waitangi Tribunal). Key court decisions include *Mighty River Power (2013)*, where consultation undertaken by the Crown was a factor in the Crown's successful defence of its decision to partially privatise Mighty River Power Limited. Consultation does need to be sufficient, however, and again the courts have provided guidance. For example, in *Wellington Airport (1993),* where the court pointed the need to ensure *"Māori are adequately informed so as to be able to make intelligent and useful responses"*.

The LAC Guidelines state:

Consultation is not required in all cases; however, it is one of the principal mechanisms through which the Government (via Ministers and government agencies) discharges its responsibility to make informed decisions to act in good faith towards Māori. A failure to effectively consult may be seen as a breach of the principles of the Treaty and harm the relationship between Māori and the Government.

Treasury has extensive experience consulting with Māori, for example in relation to the stock transfer process. You may wish to discuss consultation obligations with your colleagues.

Impact on Māori

Demographic factors mean the proposed change to the age of eligibility will have a particular impact on Māori:

- Māori have a lower life expectancy than the general population, throughout life as well as at age 65. Provisional mortality figures for 2014 show that 80% of all deaths for the total population occur in the age group of 65 and over. By contrast, only 52% of Māori deaths occur in this age group. Even with the current age of eligibility, far higher numbers of Māori die before becoming eligible for superannuation.
- Paragraph 24 notes that those in physically demanding jobs cannot work beyond the age of 65. Māori are more likely to work in these occupations.
- Persistent and intergenerational poverty, lower employment and poorer health outcomes mean many whānau Māori find it harder to make their own provision for retirement. Home ownership rates and general assets are also lower, further increasing dependence on superannuation for support in old age.

The paper does not specifically address the impact of the proposals on Māori. Paragraphs 24-26 include a very limited discussion of impact on disadvantaged groups generally. We would welcome a more detailed analysis/breakdown of how the impact will impact on the different disadvantaged groups, including Māori, in terms of opportunities to save prior to the age of eligibility, as well as life expectancy and employment participation after the age of eligibility and in the years leading up to that age.

Para 26 states that the focus should be on policies addressing the cause of disadvant[redacted]n attempting to compensate disadvantaged groups through retirement income policy. [redacted]

s9(2)(g)(i)

We note further work is to be done to develop policy options for the provision of transitional support for those unable to work past the age of 65. We would like to be consulted at an early stage, to help ensure that the process accommodates work to identify the needs and consider the views of whānau Māori.

We would be grateful if you could keep us informed about the timeframe for this paper and when it is proposed to be submitted to Cabinet/Cabinet Committee.

Ministry of Pacific Peoples – 17 February 2017

Thank you for the opportunity to provide feedback on the NZ Superannuation Cabinet Paper.

The Ministry's main concern is the impact this will have on Pacific communities, it is our view that it would be disproportionately high. We have provided further detail about the impacts in the advice paper attached.
Based on the information provided we don't agree to the recommendations proposed in the paper. We would like to remain in contact and work with you to ensure a Pacific perspective is considered as this progresses

Advice - New Zealand Supperann

Attachment to the above email

Stats NZ - 20 February 2017

As discussed on Friday there are two main areas of interest for Statistics New Zealand. Indexation of the age of eligibility to life expectancy and the choice of measure for indexation of NZ Super payments.

Indexation of the age of eligibility to life expectancy.

Overall the indexation of the age of eligibility to some measure of life expectancy is technically feasible

The following issues will need to be discussed as part of work to establish the details of the methodology to be used.

- Choice between period and cohort life tables.
  - Period – based on people **dying** in a specific period of time – a cross-sectional measure.

Cohort – based on people **born** in a specified period of time – a longitudinal measure requiring tracking of a birth cohort over their entire lifetime

The current legislation sets the after tax amount payable to be between 65% and 72.5% of the after-tax average ordinary-time weekly wage as determined by Statistics New Zealand's Quarterly Employment Survey.

We believe it would be opportune to review the measures used at this point to take account of new data and new data sources that have become available in recent years. In particular it would be useful to "future proof" the measures against changes in data sources. Choices would include use of salary and wage or total income measures derived from tax data or "cost of living" measures such as the CPI or new Household Living-Cost Price Indexes for superannuitants. Settings could be chosen so as not to affect the current level of superannuation received while better targeting payments to the needs of this group.

Ministry for Women - 21 February 2017

We support the proposed review.

I was pleased to see that the paper covers the issues for women around the NQP. Recently we have had correspondence with women who have found themselves in this situation. We think that grand-parenting is important to ensure a smooth transition to new arrangements. We support the comment made on this:

Just under 90% of NQPs are female. Perhaps also relevant that women live longer than men so receive on average more NZS. Older females currently have lower labour force participation rates than men...though this may change over the next 20 years.
Lifetime earnings capacity is also an issue for women as they have lower lifetime incomes and live longer than men. Lifetime earning capacity is compounded for Māori and Pacifica women and women with disabilities although these populations have lower life expectancy than the general population.
You may want to consult with the Office of Ethnic Communities (DIA) and Immigration New Zealand (MBIE) on the impact of the proposed residency requirements on migrants and refugees. I would expect that this may affect more migrant and refugee women as they are less likely to be in long term employment and may therefore have reduced lifetime earnings capacity.

Ministry of Business, Innovation and Employment - 3 March 2017

Please see the blue recs below (at the bottom of your email). I haven't included a date in the last rec because I don't know how quickly MoF is looking to progress the KiwiSaver changes.

Have you been in touch with IR on this? I think they need to be involved in the report back because a lot of the operational detail relates to their stuff.

Income Protection Insurance

- Income protection insurance generally provides consumers with a regular payment if they are unable to work due to a health event.
- There are a range of policy parameters that consumers can choose from.
- These include a range of timeframes for how long the cover will last. For example, some products allow a choice between cover for 1, 2, or 5 years or up to 65 or 70 yrs old.
- It is important that consumers select the product that is right for their needs and should seek financial advice if in doubt.

James Sergeant [TSY] :James.Sergeant@treasury.govt.nz
Sent: Friday, 3 March 2017 2:59 p.m.
Subject: Current text

<u>Text</u>

<u>KiwiSaver settings</u>

1. The age at which KiwiSaver funds can be accessed is currently linked to the age of eligibility for NZ Super. KiwiSaver investors expect that their money will be available at 65 and have been saving on this basis. Increasing the age at which KiwiSaver can be accessed may be seen as the Government changing the rules on what people can do with their own personal savings. This could undermine confidence in the KiwiSaver programme. For this reason, the Retirement Commissioner recently recommended that the age at which KiwiSaver funds can be accessed should be decoupled from the age of eligibility for NZ Super.

2. The goal of KiwiSaver is to improve well-being and financial independence in retirement. Leaving the KiwiSaver age at 65 would allow individuals greater flexibility in choosing when to retire by allowing them to access their private savings at that age.

3. On the other hand, it could be argued that the age of eligibility for KiwiSaver has always been described in relation to the age of eligibility for NZ Super, and KiwiSaver is often considered to be a supplement to NZ Super rather than an alternative to it. On balance, I believe the private property arguments should win out, and I therefore propose that the age at which KiwiSaver funds can be accessed should be

uncoupled from the age of eligibility for NZ Super and that this be part of the superannuation announcement.

4. It should be noted that allowing people to access their KiwiSaver funds in advance of the age of eligibility for NZ Super may compromise their eligibility for a social security benefit during that period, as eligibility for benefits can be subject to an assessment of that person's income and assets, which would include assets available from a KiwiSaver scheme. I propose that this issue be addressed in the 2030 review on the transitional impacts on the change of the age of eligibility of superannuation.

Recommendation

1. agree that the age at which KiwiSaver funds can be accessed should be decoupled from the age of eligibility of New Zealand Superannuation, and fixed at 65.
2. agree that a person over the age of 65 may join KiwiSaver
3. invite the Minister of Commerce and Consumer Affairs and Minister of Revenue to report back to Cabinet with details on the implementation of the recommended changes to KiwiSaver settings.

Advice

Date: 16 February 2017 **Security Level:** IN CONFIDENCE

For: The Treasury

ADVICE NEW ZEALAND SUPERANNUATION

The Ministry for Pacific Peoples position

1. The purpose of the NZ super system is to assure a basic standard of living for the elderly, available to all New Zealand residents. The changes aim to ensure the affordability and sustainability of the system.
2. The Ministry believes that the proposed changes will have a disproportionately high impact on Pacific elderly people and their families, because the basic living standards for Pacific are very different to non-Pacific populations. The Ministry does not have confidence that this change will result in a cost saving across government.
3. The paper acknowledges that there will be implications on '*groups of* individuals' and makes recommendations that Treasury and MSD will work together to understand the impact. Without further analysis of the impacts for Pacific Peoples the Ministry for Pacific Peoples does not support the recommendations.

A snap shot: the Pacific perspective

4. The Pacific population are characterised as a youthful and fast growing population whom are likely to account for 10.9 percent of the total New Zealand Population by 2038, increasing from 7.4 percent in 2013. Pacific peoples have an average life expectancy at birth of 78.6 years for females and 74.5 years for males. In comparison, non-Pacific females are expected to live to 83.9 years, while non-Pacific males are expected to live to 80.3 years.

Pacific income and opportunity for retirement saving

5. The reality for many Pacific people is that there is not enough disposable income to be able to put aside money for a time the future when they will not be earning an income from employment. Increasing the age eligibility only contributes to existing inequalities experienced by Pacific peoples.
6. Pacific net worth, is at a median of $12,000, and sits well below the $87,000 median for all New Zealanders. In addition, Pacific people's median income is the lowest against other ethnic groups at $19,700. Over half of personal income comes from wages, salary, commission or bonuses and a quarter from income support.
7. Given that a high number of those currently employed still require additional government income support, this could mean that costs which would have been covered by NZ super, are merely deflected to other areas of government for example MSD. The Ministry's assumption is that this would reduce the cost benefit proposed, but the paper is silent on this.
8. The notion of one being independent and self-sufficient is foreign to the belief systems and values commonly held by Pacific cultures. The situation for many Pacific peoples is that income earned by individual family members are combined to give a total for the household and used to meet essential living expenses for the family, church and family commitments and other costs. Responsibility to look after parents in their old age and provide for their living needs continues to feature in the values and beliefs of many Pacific peoples.

Pacific assets and homeownership

9. The Ministry understands that attitudes to saving for retirement by Pacific peoples will vary according to their circumstances. As Pacific peoples move up the socio-economic ladder and have more disposable income available, they are more likely to consider saving for retirement, or investing in assets including homeownership, that can generate income in the future. Unfortunately only a small proportion of Pacific people are in this position.

10. Securing assets, including a home to live and retire in is largely out of reach for Pacific. One in four of Housing New Zealand (HNZ) tenants is a Pacific person. This number is greatest in Auckland where Pacific peoples make up 40 percent of HNZ tenants. Overall, 64 percent of Pacific peoples lived in rental accommodation, compared with 32.9 percent of the total New Zealand population.

11. This snap shot is reflective of all the variables that give rise to the inequalities experienced by Pacific people. Before changing the age eligibility; improving outcomes for Pacific need to be realised, to ensure that elderly Pacific can adequately save and prepare for retirement income up to 67 years.

Portability arrangements

12. The Ministry would like to understand how the changes will impact the special portability agreements which cover 22 Pacific countries. This is not mentioned in the cabinet paper.

Recommendations

13. The Ministry recommends that based on the information provided, further analysis is undertaken on the impacts for Pacific communities.

Works Cited

The Ministry for Pacific Peoples (2016) *Contemporary Pacific Status Report – A snapshot of Pacific People in New Zealand.* New Zealand: New Zealand Government.

Teuila Consultancy (2003) *Periodic Report Group 2003 Background Paper. Private Provision of Superannuation – Pacific Peoples.* New Zealand. The Treasury.

A summary of substantive comments between The Treasury and the Ministry of Social Development on the draft Cabinet paper relating to the announcements of Monday 6 March 2017 on changes to Superannuation

To MSD 16 January 2017

Barrett Owen [TSY] Barrett.Owen@treasury.govt.nz
Sent: Monday 16 January 2017 10:13 a.m
Subject: New Zealand Superannuation

The Minister of Finance has requested the Treasury to advise him specifically on the topic of increasing the minimum length of residence requirement for NZ Super. We are expected to give a report to the Minister by the end of the month, and want to have an idea of what we might say by the end of this week.

I was wondering when your draft paper on the residential qualifications for NZ Super might be available; or the background data and analysis if the draft paper will not be ready for sharing for a while? It would be really helpful for us if we could see your team's work on this, particularly to avoid doubling up on the data analysis.

From MSD email chain - 10 February 2017

Ainsley Smith Ainsley.Smith064@msd.govt.nz
Sent: Friday, 10 February 2017 1:00 p.m.
Subject: RE: NZ Superannuation Policy Options.DOC

I can confirm that your numbers below are correct.

Melissa Piscetek [TSY] Melissa.Piscetek@treasury.govt.nz
Sent: Friday, 10 February 2017 11:42 a.m.
Subject: RE: NZ Superannuation Policy Options.DOC

I want to include a sentence which outlines the number of NZS recipients that would reduce in 2050 due to each of the policies and the estimated increase in JS/SLP recipients. I just want to make sure I'm reading the results property; do you mind checking that the following statements for each of the three scenarios are correct:

Increase residency to 15 years:

In 2050 it is estimated that the number of NZS recipients would reduce by around 1,251. The number of recipients of JS/SLP would increase by around 751.

Increase residency to 20 years:

By 2050 it is estimated that the number of NZS recipients would reduce by around 6,604. The number of recipients of JS/SLP would increase by around 3,556.

Remove NQP option:

By 2050 it is estimated that the number of NZS recipients would reduce by around 24,347. The number of recipients of JS/SLP would increase by around 18,268. ***(??)***

Ainsley Smith Ainsley.Smith064@msd.govt.nz
Sent: Friday, 10 February 2017 11:18 a.m.
Subject: RE: NZ Superannuation Policy Options.DOC

I have asked Cam to co-ordinate this, he is in touch with policy who know this stuff and will be back to you soon if not already

Melissa Piscetek [TSY] Melissa.Piscetek@treasury.govt.nz
Sent: Friday, 10 February 2017 10:31 a.m.
Subject: RE: NZ Superannuation Policy Options.DOC

Thanks for your updated modelling and comments.

· I will take you up on your offer regarding the first and last bullet points (think Australia is moving to 67?)

· I will double check those other two issues you've raised.

Ainsley Smith Ainsley.Smith064@msd.govt.nz
Sent: Friday, 10 February 2017 10:28 a.m.
Subject: RE: NZ Superannuation Policy Options.DOC

I have just read the paper and I had a couple of comments that you might like to make:

· Increase in NZS eligibility age – it might be useful to put in a couple of international comparisons in this section to be clear about where we sit comparatively e.g. Australia and UK (we could track this info down quickly if you needed it)

· Residency criteria: Para 18 – Where did this come from as I am not sure that it is accurate, the 15 yr change estimates 30% go to SLP/JS and the 20yr change estimates 35%, there are also assumptions of % people coming earlier and still receiving NZS.

· Residency criteria: Para 19 – I am not sure I understand this sentence 'fact that around 75% of overseas pension recipients first granted NZS since oct 2011 have more than 25 yrs residence', did you source this information from elsewhere?

· Residency criteria: Again I think that international comparison would be useful here and I am sure we could get it to you quickly if you wanted.

The text in the green and yellow seemed inconsistent and I am assuming it will change.

Let me know if you want anything on the International comparison front.

Peter Gardiner [TSY] Peter.Gardiner@treasury.govt.nz
Sent: Friday, 10 February 2017 8:45 a.m.
Subject: RE: NZ Superannuation Policy Options.DOC

Just a corrected version to reflect the 4, not 2 year transition

Peter Gardiner [TSY] Peter.Gardiner@treasury.govt.nz
Sent: Thursday, 9 February 2017 11:06 p.m.
Subject: NZ Superannuation Policy Options.DOC

I've attached a draft TR.

Firstly a big thanks to Ainsley in particular, who's done a great job to turn around the analysis that Melissa's included in this draft.

There's still a bit more refining and updating to do tomorrow, and we're happy to receive any feedback, particularly on recs. And I'm not sure we really need the process for change section at the end. If you do want to provide feedback, please send or discuss with Melissa directly before 11.00 tomorrow as we are working to finalise by midday.

There is some chance that we may not need to send this TR if we get the opportunity to meet with the Minister tomorrow – this is currently being worked through. In such an event, the material here should provide the basis of discussions with the Minister. And if we do get the opportunity, I think it would be helpful to have MSD in the room - we will be in touch to confirm when we know for sure.

Also, the Minister's office confirmed that it wouldn't be a joint paper. But that they would consult with other Minister's offices next week

To MSD email chain - 15 February 2017

James Sergeant [TSY] James.Sergeant@treasury.govt.nz
Sent Wednesday 15 February 2017 3:11 p.m.
Subject RE: 5 years since 50

Thank you for that. I will involve Eric, Peter and James.

I will see who else we can find at TPK, PP and Ministry for Women.

Alex McKenzie alex.mckenzie001@msd.govt.nz
Sent: Wednesday, 15 February 2017 2:47 p.m.
Subject: RE: 5 years since 50

Eric Harris is the policy manager at Veterans Affairs.

In January, we had some initial discussion with IRD, Treasury and MBIE around the Retirement Commissioner's KiwiSaver recommendations, particularly her recommendation to decouple the age of access to KS funds from the NZS age. The key players from IRD and MBIE in that discussion were:

Peter.Frawley@ird.govt.nz

James.Hartley@mbie.govt.nz

Unfortunately, I don't have any current connections within the population agencies. The Office for Seniors and Office for Disability Issues both sit with us in MSD, so I can arrange consultation with them if it is required.

James Sergeant [TSY] James.Sergeant@treasury.govt.nz
Sent: Wednesday, 15 February 2017 12:13 p.m.
Subject: RE: 5 years since 50

Thanks for that – very helpful. I have incorporated it into the Cabinet paper, as well as some material on the Veteran's pension (which was more straightforward than I thought because of the way the rules already link to NZ Super settings).

Looking ahead to some further inter-agency consultation, can you suggest individuals at other agencies that should be involved in the next round of consultation, because of possible impact on specific groups.

I am thinking in particular of: Ministry for Women, Te Puni Kōkiri, Ministry for Pacific Peoples, and of course NZ Veterans' Affairs. We also intend to consult MBIE, given their interest in KiwiSaver etc.

These agencies will also need to review the RIS that we are working on

Maxine Fleming (MSD internal)
Sent: Wednesday, 15 February 2017 11:02 a.m.
Subject: RE: 5 years since 50

We used this wording in the departmental report for Select Committee consideration of the Social in the Social Assistance (Portability to the Cook Islands, Niue and Tokelau) Bill 2015.

The five years over 50 rule was introduced on 1 April 1990 with the passage of the Social Welfare (Transitional Provisions) Act 1990. Prior to this the residential criterion was 10 years residence and presence in New Zealand, seven years of which must have been immediately preceding the application for superannuation.

While the five years over 50 rule is a less stringent requirement than the seven years immediately preceding application, it serves a similar purpose – ensuring that there is some connection with New Zealand close to a person's application for New Zealand Superannuation.

Without the five years over 50 rule there would be nothing preventing a person born in New Zealand who then lived overseas for most of their lives, returning to New Zealand at 65 years and claiming New Zealand Superannuation.

The current rules attempt to tread a balance between supporting New Zealand's ageing population and allowing retirees to live wherever they choose, and ensuring people who were born here, but have limited connection to New Zealand, do not access New Zealand Superannuation.

From MSD email chain - 16 February 2017

Alex McKenzie alex.mckenzie001@msd.govt.nz
Sent: Thursday 16 February 2017 4:04 p.m.
Norwegian pensions

Very interesting. So this is moving into Peter Dunne territory, re flexible superannuation? Interesting that the adjustment to the guarantee pension is to reduce the rate to adjust for life expectancy increases, not the age of eligibility…as I read it below.

I have attached the draft OECD country report on NZ. This is perhaps useful context for the Cabinet paper as the OECD are recommending "*increase the age of eligibility for NZS from 65 to 67 within the next few years, then index the age to life expectancy*."

James Sergeant [TSY] James.Sergeant@treasury.govt.nz
Sent: Thursday, 16 February 2017 3:24 p.m.
Subject: Norwegian pensions

This is what I mentioned in the meeting, but it looks as if the most complicated divisor relates to individuals choosing their age of drawing the pension.

This extract comes from the OECD report, 'Pensions at a Glance' (2015)

From 2011 flexible retirement for the age group 62-75 years based on actuarial neutrality was introduced in the public pension scheme. It is possible to combine work and pension fully or partly from the age of 62 without an earnings test. From 2011 a life expectancy adjustment of the pension for new old-age pensioners was also introduced. The life expectancy divisors are determined for each cohort, based mainly on remaining life expectancy. They are determined when the cohorts are 61 years, and will not be adjusted later. Each cohort will receive a set of separate life expectancy divisors from the age of 62 until the age of 75. At the time of retirement the annual pension is calculated by dividing the accumulated pension entitlements by the life expectancy divisor. The income pension will after retirement be indexed to wages, and then subtracted a fixed factor of 0.75% a year.

There is also adjustement for the basic guarantee pension:

The guarantee pension will be indexed in line with wages, but adjusted for the effect of the life expectancy factor at 67 years. In the long term projections of Statistics Norway life expectancy at 67 is assumed to increase by about 0.5% a year. According to the projections the guarantee pension will be adjusted to wages, and then subtracted a factor of about 0.5% a year due to the life expectancy adjustment.

Attachment One: Memo: Government Financial Support for New Zealand Residents Aged 65 Years or Over (Septemeber 2012)

MINISTRY OF SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

memo

To: Older People's and International Policy Team

From: Alex McKenzie, Principal Analyst

Date: 15 August 2013

Security level: UNCLASSIFIED

Government Financial Support for New Zealand Residents Aged 65 Years or Over (September 2012)

Action: For Information

Purpose

This memo outlines the benefit status of New Zealand residents aged 65 or over at the end of September 2012. It sets out the type of financial assistance received by people aged 65 or over and provides an estimate of the total number of New Zealand residents aged 65 years or over who do not receive any direct financial support from the New Zealand government.

Number of Beneficiaries Aged 65+ by Benefit Type

Table one below, shows the number of beneficiaries who are aged 65 or over by benefit type. For social security benefits, other than New Zealand Superannuation or a Veteran's Pension, the numbers include primary beneficiaries aged 65 or over and partners of beneficiaries who are 65 years or over. For New Zealand Superannuation and Veteran's Pension, non-qualified spouses or partners under the age of 65 are excluded.

Table One: Number of Beneficiaries (Primary Beneficiaries and Partners of Beneficiaries) Aged 65+, by Benefit Type, at 28 September 2012

Benefit Type	Number
New Zealand Superannuation	590,983
Veteran's Pension	8,961
Domestic Purposes Benefit related	84
Emergency Benefit	5,156
Invalids Benefit	3,026
Sickness Benefit related	1,279
Unemployment Benefit related	52
Widows Benefit	400
Non-beneficiary[1]	526
TOTAL	**610,467**

1 Not in receipt of NZS/VP or a main social security benefit, but receiving one or more supplementary benefits (eg Accommodation Supplement, Disability Allowance or Temporary Additional Support).

Number of Benefits Paid Overseas

Of the total number of benefits in force, some are paid to New Zealanders who are living overseas. This is provided for through Social Security Agreements, the special portability arrangements for Pacific countries and the general portability provisions. Table two below, shows the number of benefits paid overseas to people aged 65 years or over.

Table Two: Number of Benefits Paid Overseas to Beneficiaries Aged 65+, by Benefit Type, at 28 September 2012

Benefit Type	Number
New Zealand Superannuation	29,522
Veteran's Pension	66
Invalids Benefit	1,092
Widows Benefit	3
TOTAL	**30,863**

Proportion of New Zealand Residents Aged 65+, by Benefit Type

Table three below, shows the number and proportion of New Zealand residents aged 65 years or over by benefit status. The number of benefits paid to people aged 65 years and over who are living overseas has been subtracted from the total number of benefits paid to people aged 65 years and over. This gives us the number of benefits paid at the end of September 2012 to people aged 65 years or over who were resident in New Zealand. This is represented as a proportion of the estimated total New Zealand resident population aged 65 years or over.

Table Three: Government Financial Support for New Zealand Residents Aged 65+ by Benefit Type, at 28 September 2012

Population Group	Number	Proportion of the NZ Resident Population 65+[2]
New Zealand Superannuation	561,461	91.04%
Veteran's Pension	8,895	1.44%
Other Social Security Benefit	9,428	1.53%
All Social Security Benefits	**579,784**	**94.01%**
ACC Weekly Compensation	536	0.09%
Student Allowance	106	0.02%
No Benefit, Weekly Compensation or Student Allowance	**36,274**	**5.88%**
TOTAL	**616,700**	**100%**

Financial Support: Summary

At the end of September 2012, an estimated 94.01 percent of the New Zealand resident population aged 65 or over was receiving a social security benefit. Of the 579,784 people aged 65 year or over who were receiving a social security benefit:

- 561,461 were receiving New Zealand Superannuation;
- 8,895 were receiving a Veteran's Pension; and
- 9,428 were receiving another social security benefit.

[2] The estimated New Zealand resident population aged 65+ at the end of September 2012 was 616,700. *National Resident Population Estimates December 2012 Quarter*, Statistics New Zealand, Wellington, 15 August 2013.

Weekly Compensation from the Accident Compensation Corporation (ACC) was being paid to 715 people aged 65 or over. Based on the amount of weekly compensation being paid, we estimate that 75 percent of these (536 claimants) would elect to receive Weekly Compensation instead of New Zealand Superannuation[3].

A further 106 people aged 65 or over were receiving a Student Allowance from the Ministry of Social Development.

Older New Zealanders Receiving no Financial Support

An estimated 36,274 people (5.88 percent of the New Zealand resident population aged 65 year or over) are not receiving New Zealand Superannuation, a Veteran's Pension, another social security benefit, ACC Weekly Compensation or a Student Allowance. These 36,274 people include people 65 years of age or over who:

- do not meet the residence criteria for New Zealand Superannuation or a Veteran's Pension and do not qualify for any other social security benefit (for example, they do not meet the income test or, where applicable, the asset test);
- have an overseas Government pension paid at an equivalent or higher rate than New Zealand Superannuation or Veteran's Pension (which would if they were granted New Zealand Superannuation or a Veteran's Pension be a direct deduction) and choose not to apply for New Zealand Superannuation or a Veteran's Pension;
- have sufficient means and do not wish to apply for New Zealand Superannuation or a Veteran's Pension or another social security benefit;
- are unaware that they are eligible for New Zealand Superannuation or a Veteran's Pension or another social security benefit; or
- are in prison. At the end of September 2012, there were 176 people aged 65 or over in prison (either on remand or as sentenced prisoners).

Allowing for the 176 prisoners (who are not entitled to financial support from the Government) we estimate that at the end of September 2012, there were **36,098 resident New Zealanders aged 65 or over who received no financial support from the New Zealand Government**. This represents 5.85 percent of the estimated New Zealand resident population aged 65 or over.

Alex McKenzie
15 August 2013

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[3] People who become eligible for ACC Weekly Compensation who are aged 65 or over are after an initial transition period, required to elect to receive either Weekly Compensation or New Zealand Superannuation.

A summary of substantive email exchanges between the Treasury and the office of the Minister of Finance relating to the announcements of Monday 6 March 2017 on changes to Superannuation

Email chain from MOF on follow up questions email chain - 8 February 2017

Craig Fookes [TSY] Craig.Fookes@treasury.govt.nz
Sent: Wednesday, 8 February 2017 12:14 p.m.
Subject: NZS Cabinet Paper - follow up questions

I had a few questions just to clarify a few points:

Withheld under S9(2)(g)(i)

- We have looked at s30 and it covers the process by which a pacific island country can be specified as a country entitled to receive NZS.

Withheld under S9(2)(g)(i)

- We will provide advice on the residency requirements, but can you confirm the issue below was the one the Minister was seeking advice on?

6.3. - Who gets what: Remove the non-qualifying partner option (individuals that do not qualify for NZ Superannuation are currently still able to receive a non-qualifying partner rate in situations where their partner qualifies)	Eligibility for NZ Superannuation should be based on an individual meeting the eligibility criteria and the non-qualifying partner option does not meet that principle.	*Impact:* As at September 2016 there were 12,997 non-qualifying partners included in their partners' NZ Superannuation. 8,226 were within five years of the age of eligibility. The CFFC suggests that the annual cost of including this option is estimated at $200 million based on current numbers. The details of this estimate are not provided but the net annual benefit from removing this option could be lower when considering the following factors: - Non-qualifying partners may end up receiving other benefits if they no longer receive NZ Superannuation payments, and - the eligible partner would end up being paid at the higher individual NZ Superannuation rate if this option were removed. *Other considerations:* To our knowledge, NZ is the only country in the OECD that has a non-qualifying partners pension rate.	This option may make a relatively minor Fiscal contribution towards reducing the cost of NZS. We will be discussing this in more depth in the report that will be provided to you later this month, mentioned above	

		Non-qualifying partners can also receive a couple rate for NZ Superannuation if they have not met the minimum residency criteria and their spouse does. If the above recommendation of increasing the length of residence required for NZ Superannuation to 25 years were to be implemented, the proportion of non-qualifying partners in the future could increase.		

Email chain MOF NZS Cabinet paper – follow up questions - 8 February 2017

Matthew Bell [TSY] Matthew.Bell@treasury.govt.nz
Sent: Wednesday, 8 February 2017 1:44 p.m.
Subject: RE: NZS Cabinet Paper - follow up questions

Sam is right – most non-qualified partners are in that situation because of their age, not because of failing to meet the current residency requirements for NZS. However MSD are likely to have some information about this – they should know under what basis someone was approved to be a non-qualifying partner, so could provide an idea of what kind of percentage is due to failing to satisfy residency rules.

In the wider scope of planning this paper, MSD should be a great source of data, as in order to forecast NZS expenses (as they have to at each EFU round) you need data on the split of NZS recipient types by both number and cost. We don't keep that kind of data, as it isn't needed for a projection (the accuracy drops in moving from forecast to longer-run projection).

Samantha Aldridge   Samantha.Aldridge@parliament.govt.nz
Sent: Wednesday, 8 February 2017 1:29 p.m.
Subject: RE: NZS Cabinet Paper - follow up questions

Just on the intersection between residency and partnering – I wonder if this might be related to the comment in the table:

Non-qualifying partners can also receive a couple rate for NZ Superannuation if they have not met the minimum residency criteria and their spouse does. If the above recommendation of increasing the length of residence required for NZ Superannuation to 25 years were to be implemented, the proportion of non-qualifying partners in the future could increase.

I wonder if it might be also useful for the Minister to see what proportion of non-qualifying partners (out of the 12,997 who currently receive couples NZS) are ineligible for NZS in their own right because they do not meet the residency criteria? (Presumably the majority of non-qualifying partners who receive couples NZS do not qualify for NZS in their own right simply because they are too young - not because they do not meet the residency requirements).

Email chain Updated Cabinet paper with first feedback from MOF- 23 February 2017

James Sergeant [TSY]   James.Sergeant@treasury.govt.nz
Sent: Thursday, 23 February 2017 5:59 p.m.
Subject: updated Cabinet paper – first feed back from MOF

The MoF has decided that, on reflection, he wants to recommend uncoupling KiwiSaver from the NZ Super age.

David Kidson has asked me to update the paper accordingly. I will start making changes in a new version.

There may be further input overnight and the plan is to finalise the paper tomorrow morning. It will go round in hard copy rather than on CabNet.

The balance of this email chain has been withheld under S9(2)(g)(i)

Email chain to MOF on follow up question relating to Index NZS age to proportion of retirement request -24 February 2017

Melissa Piscetek [TSY]   Melissa.Piscetek@treasury.govt.nz
Sent: Friday, 24 February 2017 3:03 p.m.
Subject: RE: NZS paper - MoF follow up question

Here are the tracks. The relevant scenario is highlighted in yellow.

I have modelled the following:

- Transition to 67 over 4 years from 2038
- Maintain 67 age in 2050
- Increase to 68 in 2060
- Increase to 69 in 2070
- Increase to 70 in 2080
- Remains at 70 thereafter

This keeps the proportion of life in retirement at *roughly* 25% based on some more detailed modelling I did earlier.

Copy of Index NZS age to proportion o

Attachment One

The balance of this email chain has been withheld under S9(2)(g)(i) or not relevant

Email chain: Aide Memoire: Impact of NZS Policy Changes on NZ Super Fund Contributions T2017/421 -1 March 2017

Shelley Hollingsworth [TSY]   Shelley.Hollingsworth@treasury.govt.nz
Sent: Tuesday, 28 February 2017 5:44 p.m.
Subject: FW: Aide Memoire: Impact of NZS Policy Changes on NZ Super Fund Contributions T2017/421 [IN-CONFIDENCE]

I am also attaching an **Aide Memo** (which I think you may have requested from OE) which outlines the impact of NZS policy settings on the Fund contribution track. It incorporates detailed input from the modelling team and was pulled together as a matter of urgency this afternoon. The Aide Memo also includes a suggested insertion on this matter in the **cabinet paper**. I understand that the pen is now sitting with the Minister and your office?

Please let me know if you have any questions.

Email NZS Settings from NZSRIA 2001 sent to MOF office - 2 March 2017

From: Peter Gardiner [TSY] Peter.Gardiner@treasury.govt.nz
Sent: Thursday , 2 March 2017 2:16 p.m.
Subject: NZS Settings – table for MOF's Office

Here is a short table that outlines the key NZS settings based on the act, current and proposed.
Let me know if this is what you were looking for

Book1.xlsx

Attachment Two

Email chain Cabinet paper contributions and withdrawals - 3 March 2017

Matthew Bell [TSY]   Matthew.Bell@treasury.govt.nz
Sent: Friday, 3 March 2017 12:59 p.m.
Subject: RE: NZS

https://www.google.co.nz/search?q=life+expectancy+in+new+zealand&sourceid=ie7&rls=com.microsoft:en-NZ:IE-SearchBox&ie=&oe=&gfe_rd=cr&ei=KK24WKy6GvDc8weS0oi4Cw&safe=vss&gws_rd=ssl

Hi David

According to attached link (Source: World Bank) life expectancy (The average number of years a newborn is expected to live with current mortality patterns remaining the same) in NZ in 1977 was 72.2 years. It doesn't go back to 1940 but the 1960 value is 71.2 years. The last figure is 2014, and is 81.4 years, so increases accelerated since the late 1980's.

I've downloaded the data in the attached spreadsheet from the Statistics NZ website – it gives estimates from every Census year since 1951. The 1951 value was 69.3. That's as far back as I can find things. Closest year to 1977 was 1976 Census, at 72.3 years life expectancy at birth. Latest Census (2013) gives a value of 81.4 years.

I can't find Life Expectancy at 65 for any historical years, nor figures back to 1940, I'm sorry.

David Kidson David.Kidson@parliament.govt.nz
Sent: Friday, 3 March 2017 12:36 p.m.
Subject: RE: NZS

One further data request. Withheld under S9(2)(g)(i)

What life expectancy was in 1940 and 1977 (both at birth and at 65)

Is that something we can find?

Matthew Bell [TSY] Matthew.Bell@treasury.govt.nz
Sent: Friday, 3 March 2017 9:33 a.m.
Subject: RE: NZS

I think this spreadsheet did come over at some point, but it may have needed changes with policy changes that occurred yesterday, so probably better to have this most-up-to-date version anyway.
I believe the first graph answers your question.
Let me know if more is needed

David Kidson David.Kidson@parliament.govt.nz
Sent: Friday, 3 March 2017 9:06 a.m.
Subject: RE: NZS

Do we have a graph of NZS cost over time, with and without the proposed change to 67?

Sorry if this is already in one of the recent attachments, can't seem to find it.

The balance of this email chain has been withheld under S9(2)(g)(i)

Email chain NZS Cabinet paper approved - 3 March 2017

David Kidson David.Kidson@parliament.govt.nz
Sent: Friday, 3 March 2017 5:24 pm
Subject: RE: NZS Cabinet paper - now with updated figures

The Minister has now approved the final version of the Cabinet Paper. I've uploaded the paper and RIS to Cabnet now (with restricted access).

Thanks everyone for all the work over the past couple of weeks – I know it's been a big effort on a number of fronts! I definitely owe you all a beer after so many last minute requests and revisions.

Just a bit of fact checking etc to go now.

James Sergeant [TSY] James.Sergeant@treasury.govt.nz
Sent: Friday, 3 March 2017 4:32 p.m.
Subject: NZS Cabinet paper - now with updated figures

This is our final version.

Email chain on discussion of Cabinet paper figures with DK on Cabinet paper - 6 March 2017

David Kidson David.Kidson@parliament.govt.nz
Sent Sunday, 5 March 2017 10.36 pm
Subject: RE: Final PR for fact-checking

Withheld under S9(2)(g)(i)

Thanks for looking into the Private Insurance question. Makes sense – insurers would be keen to avoid taking on that risk of paying more if NZS age increases.

Peter Gardiner [TSY] Peter.Gardiner@treasury.govt.nz
Sent: Sunday, 5 March 2017 10:04 p.m.
Subject: RE: Final PR for fact-checking

Withheld under S9(2)(g)(i)

I've also had a look at the private insurance situation, and as I understand things people will typically take income protection insurance to cover pmt up to 5-10+ years, some will take cover until age 65, which is usually specified in the policy, meaning that when the retirement age increases to 67, there will be gap that people can choose to fill. I'd imagine that the insurance market will adjust policies to reflect the change retirement age in time

The balance of this email chain has been withheld under S9(2)(g)(i)

	Pre 2038
Eligibility age	65

Gross NZS expense as a % of GDP	**2017**
Number of recipients, change in 2037, go to 67 over 4-year transition	4.93%
Number of recipients, change in 2037, go to 67, then 68 in 2050 and 1 extra year per decade onwards (Linked to longevity improvements)	4.93%
Age increases to 67 over 4 years from 2038, then increases by one year in 2060 to 68, one year in 2070 to 69 and one year in 2080 to 70 (linked	4.93%
Status quo, eligibility remains at 65	4.93%

2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
65.5	66	66.5	67	67	67	67	67	67	67	67	67	67	67
74.1%	74.6%	75.1%	75.5%	75.4%	75.3%	75.2%	75.1%	75.0%	74.9%	74.9%	74.8%	74.7%	74.7%
25.9%	25.4%	24.9%	24.5%	24.6%	24.7%	24.8%	24.9%	25.0%	25.1%	25.1%	25.2%	25.3%	25.3%
100.0%	100.0%	100.0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Keep proportions at 75.5%/24.5% until age 70
maintain 1% range

2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
4.89%	4.89%	4.97%	5.06%	5.11%	5.24%	5.37%	5.51%	5.66%	5.80%	5.95%	6.08%	6.20%	6.31%
4.89%	4.89%	4.97%	5.06%	5.11%	5.24%	5.37%	5.51%	5.66%	5.80%	5.95%	6.08%	6.20%	6.31%
4.89%	4.89%	4.97%	5.06%	5.11%	5.24%	5.37%	5.51%	5.66%	5.80%	5.95%	6.08%	6.20%	6.31%
4.89%	4.89%	4.97%	5.06%	5.11%	5.24%	5.37%	5.51%	5.66%	5.80%	5.95%	6.08%	6.20%	6.31%

2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065
67	68	68	68	68	68	68	68	68	68	68	68	68	68
74.5%	75.6%	75.5%	75.4%	75.3%	75.2%	75.2%	75.1%	75.0%	74.9%	74.8%	74.8%	74.7%	74.6%
25.5%	24.4%	24.5%	24.6%	24.7%	24.8%	24.8%	24.9%	25.0%	25.1%	25.2%	25.2%	25.3%	25.4%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

2032	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**
6.42%	6.53%	6.64%	6.74%	6.84%	6.77%	6.68%	6.59%	6.49%	6.54%	6.57%	6.59%	6.61%	6.62%
6.42%	6.53%	6.64%	6.74%	6.84%	6.77%	6.68%	6.59%	6.49%	6.54%	6.57%	6.59%	6.61%	6.62%
6.42%	6.53%	6.64%	6.74%	6.84%	6.77%	6.68%	6.59%	6.49%	6.54%	6.57%	6.59%	6.61%	6.62%
6.42%	6.53%	6.64%	6.74%	6.84%	6.94%	7.01%	7.07%	7.12%	7.14%	7.16%	7.17%	7.19%	7.21%

2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079
68	68	69	69	69	69	69	69	69	69	69	69	69	69
74.6%	74.5%	75.5%	75.5%	75.4%	75.3%	75.2%	75.2%	75.1%	75.0%	74.9%	74.8%	74.7%	74.7%
25.4%	25.5%	24.5%	24.5%	24.6%	24.7%	24.8%	24.8%	24.9%	25.0%	25.1%	25.2%	25.3%	25.3%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

2046	**2047**	**2048**	**2049**	**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**
6.63%	6.64%	6.66%	6.68%	6.71%	6.74%	6.78%	6.83%	6.89%	6.97%	7.06%	7.18%	7.31%	7.44%
6.63%	6.64%	6.66%	6.68%	6.40%	6.42%	6.46%	6.50%	6.55%	6.61%	6.69%	6.78%	6.90%	7.03%
6.63%	6.64%	6.66%	6.68%	6.71%	6.74%	6.78%	6.83%	6.89%	6.97%	7.06%	7.18%	7.31%	7.44%
7.23%	7.25%	7.28%	7.31%	7.35%	7.40%	7.46%	7.54%	7.63%	7.75%	7.88%	8.01%	8.14%	8.26%

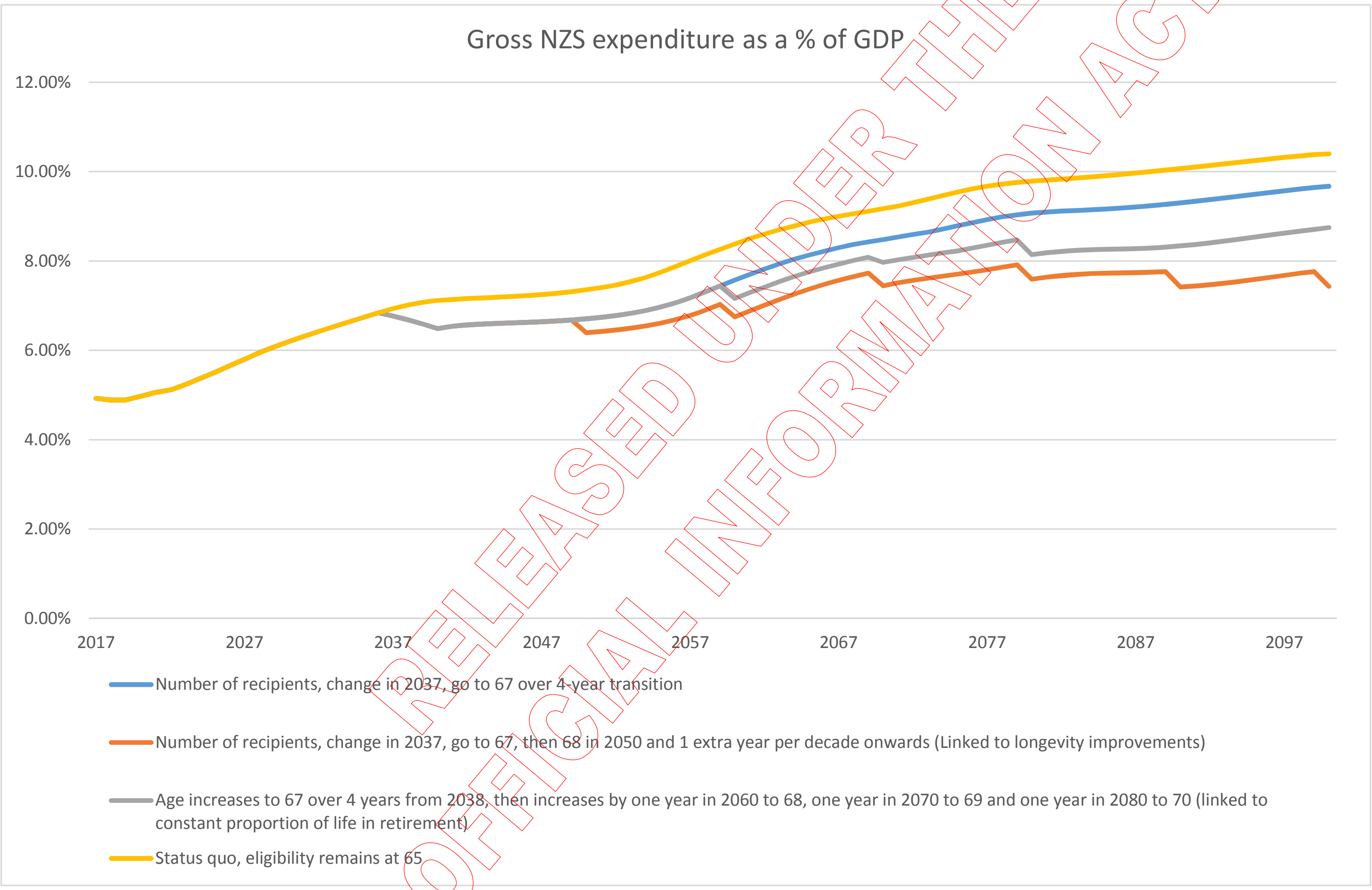
2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093
69	69	70	70	70	70	70	70	70	70	70	70	70	70
74.6%	74.5%	75.5%	75.4%	75.3%	75.2%	75.2%	75.1%	75.0%	74.9%	74.8%	74.8%	74.7%	74.6%
25.4%	25.5%	24.5%	24.6%	24.7%	24.8%	24.8%	24.9%	25.0%	25.1%	25.2%	25.2%	25.3%	25.4%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

2060	**2061**	**2062**	**2063**	**2064**	**2065**	**2066**	**2067**	**2068**	**2069**	**2070**	**2071**	**2072**	**2073**
7.57%	7.70%	7.82%	7.94%	8.04%	8.13%	8.22%	8.30%	8.37%	8.43%	8.48%	8.54%	8.59%	8.65%
6.75%	6.88%	7.01%	7.14%	7.26%	7.37%	7.48%	7.57%	7.65%	7.73%	7.45%	7.51%	7.57%	7.61%
7.16%	7.29%	7.42%	7.54%	7.65%	7.76%	7.85%	7.93%	8.02%	8.09%	7.97%	8.03%	8.08%	8.13%
8.38%	8.50%	8.61%	8.70%	8.78%	8.87%	8.94%	9.00%	9.06%	9.12%	9.17%	9.23%	9.30%	9.39%

2094	2095	2096	2097	2098	2099	2100	
70	70	70	70	70	70	70	70
74.5%	74.4%	74.3%	74.3%	74.2%	74.1%	74.0%	73.9%
25.5%	25.6%	25.7%	25.7%	25.8%	25.9%	26.0%	26.1%
100%	100%	100%	100%	100%	100%	100%	100%

2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087
8.71%	8.79%	8.86%	8.93%	8.99%	9.04%	9.07%	9.10%	9.12%	9.13%	9.15%	9.17%	9.19%	9.21%
7.66%	7.71%	7.75%	7.80%	7.86%	7.92%	7.59%	7.64%	7.67%	7.70%	7.72%	7.73%	7.74%	7.74%
8.18%	8.23%	8.29%	8.36%	8.42%	8.48%	8.14%	8.19%	8.22%	8.24%	8.26%	8.26%	8.27%	8.28%
9.46%	9.54%	9.61%	9.67%	9.72%	9.76%	9.79%	9.81%	9.84%	9.86%	9.89%	9.91%	9.94%	9.97%

2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
9.24%	9.27%	9.30%	9.34%	9.38%	9.41%	9.45%	9.50%	9.54%	9.57%	9.61%	9.64%	9.68%
7.75%	7.76%	7.42%	7.44%	7.47%	7.51%	7.54%	7.59%	7.63%	7.68%	7.72%	7.77%	7.43%
8.29%	8.31%	8.34%	8.37%	8.41%	8.45%	8.49%	8.54%	8.58%	8.63%	8.67%	8.71%	8.75%
10.00%	10.03%	10.07%	10.10%	10.14%	10.18%	10.21%	10.25%	10.29%	10.32%	10.35%	10.38%	10.40%


Gross NZS expenditure as a % of GDP
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
2017
2027
2037
2047
2057
2067
2077
2087
2097
Number of recipients, change in 2037, go to 67 over 4-year transition
Number of recipients, change in 2037, go to 67, then 68 in 2050 and 1 extra year per decade onwards (Linked to longevity improvements)
Age increases to 67 over 4 years from 2038, then increases by one year in 2060 to 68, one year in 2070 to 69 and one year in 2080 to 70 (linked to constant proportion of life in retirement)
Status quo, eligibility remains at 65

New Zealand Superannuation and Retirement Income Act 2001

Standard entitlements	**Current**	**Proposed**
7 Age qualification for New Zealand superannuation	65 years of age	Annual increases in 6 month increment from 1 July, 2037 until the age of eligibility reaches 67
8 Residential qualification for New Zealand superannuation	10 years residency, 5 years after 50	increase to 15-20 years, 5 years after 50
9 Periods of absence that are not counted	Exceptions for absences from NZ, inc medical, service aboard NZ registered boads, military service & vollunteering	Unchanged
10 Periods of absence as missionary also not counted	Exceptions for absences from NZ for missionary work	Unchanged
11 Commencement of New Zealand superannuation	Date on which applicant become entitled or application is received by the department	Unchanged
12 Standard rates of New Zealand superannuation	Rates of superannuation & clauses, see below	Unchanged
Annual adjustment of New Zealand superannuation		
15 Annual adjustment of standard rates of New Zealand superannuation	Annual movement in CPI	Unchanged
16 Annual adjustment of New Zealand superannuation: relationship to net average wage	Couples: No less than 65% or no more than 72.5% net average wage	Unchanged
	Single person, living alone: no less than 65% of couple rate	Unchanged
	Single person, not living alone: 60% of couple rate	Unchanged
Non-standard New Zealand superannuation entitlements	various	Unchanged
Payment overseas of New Zealand superannuation	various	Unchanged

Schedule One	
1 Rates before tax	$
Person living alone	$443.43 a week
Person living alone, sharing accommodation	$407.53 a week
married, civil union	$335.74 a week
2 Alternative rate for a person who is married or in a civil union or in a de facto relationship and whose spouse or partner is not entitled to receive New Zealand superannuation or a veteran's pension	
to a person who is married or in a civil union or in a de facto relationship and who was receiving, or had applied for and was entitled to receive, New Zealand superannuation or a veteran's pension at the alternative rate before 1 October 1991	$671.48 a week subject to Income Test 3, or the rate for the time being stated in paragraph (b), whichever is the greater
to any other person who is married or in a civil union or in a de facto relationship	$636.20 a week, subject to Income Test 3
3 Hospital rate payable under section 19 to a person who is married or in a civil union or in a de facto relationship and who has no dependent children, or a single person, who receives New Zealand superannuation	An amount that, after income tax is deducted under tax code M (as stated in section 24B of the Tax Administration Act 1994) is equal to $43.45 a week
4 Rate of special disability allowance under section 20	An amount that, after deduction of any income tax, is equal to $38.48 per week

A summary of substantive email exchanges within Treasury relating to the announcements of Monday 6 March 2017 on changes to Superannuation

Email chain Logistics for briefing on NZ Super – 23 December 2016

James Beard [TSY] James.Beard@treasury.govt.nz
Sent: Friday, 23 December 2016 12:36 p.m.
Subject : Logistics for briefing on NZ Super

Ok, I have spoken to Vicki about the NZ Super stuff and getting material to MOF and a meeting. Here are the key points…

- We should send the material to Sam Tendeter in the MOF's office once it is complete. He isn't in put will be in contact with MOF. I would also send a copy to Sam Aldridge (belts and braces).
- They caught up with the MOF's SPS about meeting schedules. At this stage the office don't know what the MOF's plans are. He will take a week or so to clear his head and think about the upcoming period. Hopefully in the first week back they will know what his plans are. I suggest we ask Sam/Sam about the meeting when we send the material across.
- I said that JJ would be sending a draft to Gabs by email – with a view to getting any strategic direction on areas to avoid or emphasise.
- On all this communication (with Office and Gabs) can we copy Vicki in so she knows what is going on.

The balance of this email chain has been withheld under S9(2)(g)(i)

Email NZS Cabinet slide pack – kiwi saver eligibility age – 17 January 2017

James Sergeant [TSY] James.Sergeant@treasury.govt.nz
Sent: Tuesday, 17 January 2017 9:28 a.m.
Draft NZS/NZSF Cabinet slide pack - KiwiSaver eligibility age

I have checked the CFFC recommendations and there is one about the relationship between KiwiSaver and NZ Super eligibility, The report says:

> 1.4. Decouple the age of access to KiwiSaver funds from NZ Superannuation and discuss appropriate eligibility age
> for access to KiwiSaver funds.
> - Provides a greater sense of ownership and certainty over access to members' KiwiSaver funds by disconnecting from the NZ Superannuation eligibility age.
> - Members should have a clear line of sight to when KiwiSaver funds are available and the appropriate age requires further discussion. An earlier age than eligibility for NZ Superannuation provides people with more retirement options.

- In limited circumstances, for people with defined physical and intellectual disabilities, earlier access to funds could be provided.

Decoupling the age of access to KiwiSaver from NZ Superannuation provides greater security of access to members' funds in the future. KiwiSaver provides a supplement to NZ Superannuation without being directly connected to it. This would address concern over changing eligibility rules for access to funds and would provide certainty.

There needs to be debate and further discussion over the appropriate age of access to KiwiSaver. In some limited circumstances, for people with defined physical and intellectual disabilities, an earlier access age would enable them to benefit from their savings. An earlier age of access would provide members more options for retirement, particularly if the age of eligibility for NZ Superannuation increases in the future.

The linkage currently works through section 4 of the KiwiSaver Act:

4 Lock-in of funds to KiwiSaver end payment date

(1) Subject to other permitted withdrawals, a member may not make a withdrawal from the KiwiSaver scheme until the KiwiSaver end payment date or a date after that date.

(2) For the purposes of subclause (1), the KiwiSaver end payment date is the later of—

(a) the date on which the member reaches the New Zealand superannuation qualification age; or

(b) the 5 year qualification date.

The age is defined as follows:

New Zealand superannuation qualification age means the age specified in section 7(1) of the New Zealand Superannuation and Retirement Income Act 2001, irrespective of whether or not the particular person qualifies for New Zealand superannuation at that or any other age

Section 7(1) of that Act says:

7 Age qualification for New Zealand superannuation

(1) Every person is entitled to receive New Zealand superannuation who attains the age of 65 years.

There will be policy decision to make about whether if the superannuation age is raised above 65, the KiwiSaver age is also adjusted or remains at 65. There are pros and cons to doing this, because increasing the age could delay when people can access their money, but could also let people continue contributing to a higher age.

In terms of the immediate presentation, I would just suggesting adding a bullet to the final slide (CFFC recommendations), so that the KiwiSaver section reads:

KiwiSaver

- changes to contribution rates
- decouple the age of access to KiwiSaver funds from NZ Superannuation eligibility
- providers to disclose dollar cost of fees – already agreed by Cabinet (EGI, 7 December 2016)

The balance of this email chain has been withheld under S9(2)(g)(i)

Email chain Action points and Information flows to MOF – 18 January 2017

James Beard [TSY] James.Beard@treasury.govt.nz
Sent: Tuesday, 20 December 2016 3:53 p.m.
Subject: RE: Action points and Information flows to MoF

This looks very good and will form the basis for a good discussion in Jan with MOF.

The tricky mechanical issue is how we get the material to him and set up a meeting with him around the 10th. Vicki: I understand that OE is working on the modalities for that?

Craig (F) is also giving some thought to the migrants issue (as proposed by the Retirement Commissioner) for delvery of advice later in Jan.

Coincidently, I have a meeting on 18 Jan with David Boyle from the Commission for Financial Literacy (the old Retirement Commission) – if that is of help in terms of this process.

Thanks all for their hard work in putting this together.

Matthew Bell [TSY] Matthew.Bell@treasury.govt.nz
Sent: Tuesday, 20 December 2016 11:04 a.m.
Subject: RE: Action points and Information flows to MoF

JJ, Melissa, Shelley and the two Craigs and I met yesterday to discuss NZS and NZS Fund material that we would prepare to discuss with the new MoF, Minister Joyce, in early January.

I thought I would record here what we plan to provide before Christmas and what we will provide in early January for a discussion with him that might occur around 10 January. If I have anything wrong then I'm more than happy for anyone on the cc list to respond with a correction.

I believe that we may have already provided the pre-Christmas material to the MoF's office. At this stage all we intended to supply was:

- the 2014 superannuation slides (Chew session on retirement income policy (Treasury:2931556v1) Add to worklist); and

- the slides Shelley recently prepared on the NZS Fund (Charts for MoF Chew_NZSF Contributions_v2 (Treasury:3606334v2) Add to worklist).

Craig Fookes sent a copy of the 2014 slides to Samantha Aldridge, in the MoF's office, and I know the MoF and his advisors were given hard copies of Shelley's slides but I don't know if they have electronic copies.

Regarding material for early January, JJ is putting together material focusing primarily on New Zealand Superannuation (NZS) and options around that, but it will include material on the NZS Fund as well. That will include some modelling of scenarios, in particular, Melissa will model (and I'll QA):

- Increasing the age of eligibility for NZS from 65 to 67, starting in 2035/36 (the MoF's preference is not to start any change for 20 years to give ample lead-in time for people to prepare). We'll go "six months per year" i.e. it lifts to 65½ in 2036, 66 in 2037, 66½ in 2038, then reaches 67 in 2039 and remains there.
- A repeat of the previous one, with an added condition where every decade after 2040, we examine longevity improvements around the middle of the decade (2045, 2055, 2065 etc), as projected by Statistics NZ, and then potentially add another year to the age of eligibility five years later (i.e. in 2050, 2060, 2070 etc.) The idea here is to basically maintain something like a 20-year "average funded" retirement period, and something being planned for in a number of countries. I believe that Denmark will put such a scheme in operation in 2027.
- While still debating whether we will include it in the January material, we will also model a variation of the first option starting after 10 years, i.e. 2026, which is the kind of lead-in period we have generally advocated in our Long-Term Fiscal Statements. It is also more in line with the shorter lead-in period promoted in the 2014 slide pack.

As the NZS Fund projections are linked to NZS expenditure projections, when you change the future path of NZS you change the projected path of the Fund too, even if you change nothing else about the Fund's parameters or legislation. So each of these NZS scenarios will include the accompanying NZS Fund scenario, and we plan to build them into the latest Long-Term Fiscal Model to show how they influence projected key fiscal indicators like net core Crown debt to GDP. We'll run both Budget 2016 and HYEFU 2016 versions of these scenarios, because the Long-Term Fiscal Model has a Budget 2016 forecast base (and we want to compare apples with apples). However, the latest NZS and NZS Fund projections that the MoF's office have seen are those of HYEFU 2016 (which included updated demographic projections from Statistics NZ) so, for material focusing on NZS expense or the NZS Fund alone, we will use this latest version, to avoid any confusion with figures they may have already seen and quoted.

We have discussed some NZS Fund scenarios with Shelley and Craig Weise, above and beyond the mechanical change arising from altering NZS, and we will be modelling those and including scenarios on them too. I still have to finalise the details of exactly what we will model with Shelley and Craig, but generally they involve means of increasing the withdrawals from the Fund, so both helping to fund NZS expenditure more over the coming few decades and at the same time reducing the Fund balance over time. The latter objective is more in line with some of the original intentions (at the time the NZS Fund was established) of having a Fund that was depleted (or at least significantly declining as a % of GDP) by the end of the century.

JJ, with help from people like Craig Fookes, plans to include material on policy rationale and recommendations for both NZS and the NZS Fund, historical background, public pension planning in other countries etc. in his January material, as well as this modelling.

I hope this is helpful and, more importantly, an accurate record of what we plan to do. As I said at the beginning, if anyone disagrees with anything I've written here, please do not hesitate to say so.

The balance of this email chain has been withheld under S9(2)(g)(i) or not relevant

Email chain NZS first draft Cabinet recommendations – 9 February 2017

Peter Gardiner [TSY] Peter.Gardiner@treasury.govt.nz
Sent: Thursday, 9 February 2017 10:10 a.m.
Subject: NZS update

We received direction from the Minister yesterday regarding NZS, and given timeframes (we've been asked to prepare a cab paper for Monday 20th) we are working at pace. So I thought I'd provide a quick recap of where things are at and heading:

The Minister outlined his policy preferences, and would like to announce publicly soon with an intent to legislate after the election, if elected:

- Age of eligibility: Raise the age of eligibility from 65 to 67 from 2037-2039, with indexation to longevity
- Residency: change from 10 residence qualification to either 15 or 20
- Non-qualifying partners: Look at options, possibly remove this
- NZ super fund: No change for now

In order to meet the Thursday deadline for the Cab paper, we are:

- TR: Melissa is drafting TR for Friday to provide additional analysis for the Minister on options:
  - Age of eligibility: Transition to ensure that vulnerable aren't unduly effected
  - Indexation: either legislate a 1 year increase per decade or review every decade in line with changes to longevity
  - Residency: complete the change in residency by 2027
  - Non-qualifying partners: remove this from legislation, with some accommodation to assist with transition
- Cab paper: James is drafting the Cab paper with input from various others for circulation Tuesday afternoon
- RIS: Paul is working on the RIS

We've also been in contact with MSD, who are providing additional analysis on some of the aspects above.

Email MOF meeting regarding NZS – 13 February 2017

Melissa Pisceteck [TSY] Melissa.Piscetek@treasury.govt.nz
Sent: Monday 13 February 2017 4:27 p.m.
Subject: MOF meeting regarding NZS

I thought I would summarise the key points from the meeting with the Minister of Finance this afternoon. The Minister has given us an extra week to put together the Cabinet paper and he will now present it at the Cabinet meeting on the 27th February. The points that the MOF wants included in the Cabinet paper are:

- Increase NZS eligibility to age 67 starting in 2037 over 4-years
- Include a formula in legislation that links future increases in eligibility age to longevity.
- Bring in the extended residency requirement in **2022** and outline two options:
  - I. 15 years
  - II. 20 years
- Removal of the NQP option in **2022**

Alex raised the point that some more thinking needs to be done regarding transitional arrangements if eligibility age is to increase. Also, there may be issues if the NQP option is removed at the same time as the residence requirement increases.

Email chain MOF meeting regarding NZS – 13 February 2017

Melissa Pisceteck [TSY] Melissa.Piscetek@treasury.govt.nz
Sent: Monday, 13 February 2017 3:15 p.m.
Subject: MOF meeting regarding NZS

We just met with the MOF (myself and those people cc'd into this email) and he has given Treasury an extra week for the NZS Cabinet paper. He will present at the Cabinet meeting on the 27th February.

The points that the MOF wants included in the paper are:

- Increase NZS eligibility to age 67 starting in 2037 over 4-years
- Include a formula in legislation that links future increases in eligibility age to longevity.
- Bring in the extended residency requirement in 2022 and outline two options:
  - I. 15 years
  - II. 20 years
- Removal of the NQP option in 2022

I will liaise with the MSD modellers to ask if they can incorporate these policy options into one model**.**

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THE TREASURY
Kaitohutohu Kaupapa Rawa

Reference: T2017/421 CM-1-3-96-1

Date: 28 February 2017

To: Minister of Finance
(Hon Steven Joyce)

Deadline: None
(if any)

Aide Memoire: Potential Impact of NZS Policy Changes on NZ Super Fund Contributions

Summary of Near Term Projected Contributions

We have previously indicated to you that, under current settings, any change to factors that affect the projected NZS Super to GDP ratio, such as an increase in the age of eligibility, will have a near term impact on the New Zealand Superannuation Fund (the Fund) by changing the required contribution amounts once contributions resume (as well as future allowable withdrawal amounts). To date, we have presented this expected change in the Fund's contribution and withdrawal profile in chart format (in various slide decks provided to you in January) and have subsequently provided and discussed the underlying data with your office.

To provide additional clarity, we have written this aide memoire to illustrate the potential impact on near term contributions in absolute terms. We note that this is indicative only and due to data and timing restrictions we have only reflected the impact of one policy change, that being the increase of NZS eligibility age from 65 to 67 reached between 2038 and 2041 (i.e. we have not accounted for the proposed increase to the residency requirement or removal of the non-qualifying partner option).

On this basis, the expected impact on the near term contributions to the Fund, as driven by the current legislated formula for contributions and withdrawals, is as follows:

Capital Contribution / Withdrawal ($b)	Forecast					Projection				
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
NZS eligible at 65	0.000	0.000	0.000	0.000	3.058	3.121	3.012	2.851	2.673	2.444
% GDP	0.00%	0.00%	0.00%	0.00%	0.96%	0.94%	0.87%	0.79%	0.71%	0.62%
NZS eligible at 67	0.000	0.000	0.000	0.000	2.238	2.241	2.070	1.845	1.601	1.303
% GDP	0.00%	0.00%	0.00%	0.00%	0.71%	0.68%	0.60%	0.51%	0.43%	0.33%
Change	**0.000**	**0.000**	**0.000**	**0.000**	**(0.820)**	**(0.880)**	**(0.942)**	**(1.006)**	**(1.072)**	**(1.141)**

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The Fund's Contribution Rate Formula

The smoothing formula stated in the legislation for the rate of contribution to the Fund is to annually set the required contribution for the next year at the level that, if that same proportion of forecast nominal GDP was contributed to the Fund each year for the succeeding 40 years, the Fund balance plus accumulated returns would be expected to be sufficient to meet entitlement payments over those 40 years. Therefore, to calculate the future Fund contribution levels, long-term projections of future nominal GDP, NZS entitlement payments and Fund returns are required.

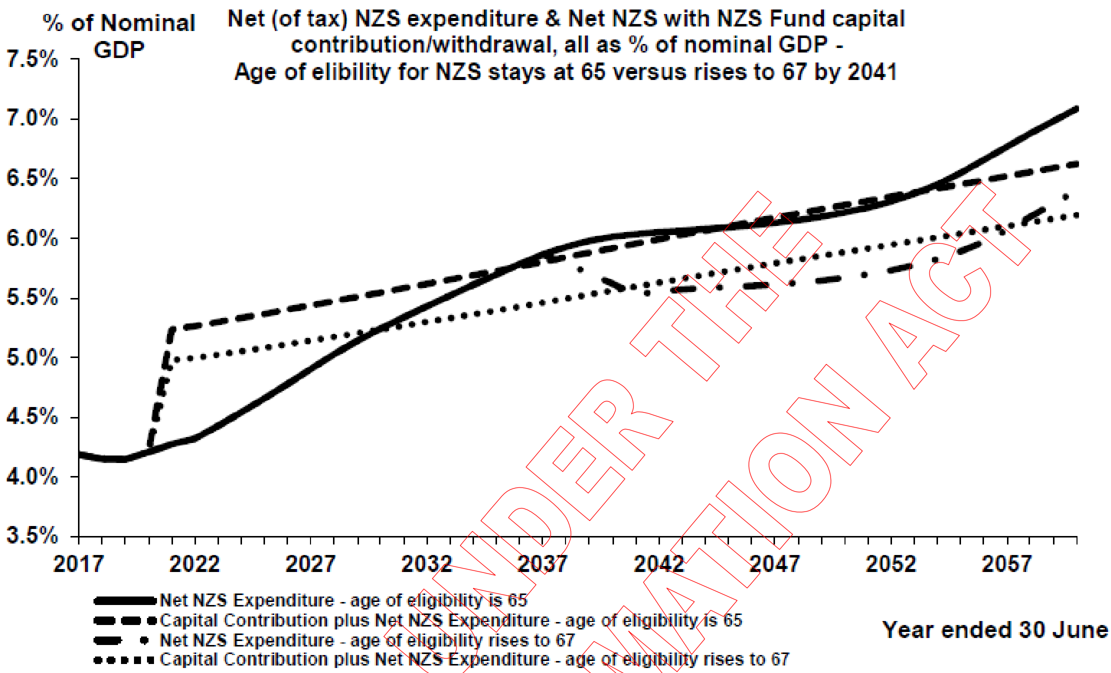
Effect on the Fund of Changing Projected NZ Super Expenditure

Total annual payments of NZ Super depend on demographic trends and nominal wage levels. It is now proposed to increase the NZ Super eligibility age from 65 to 67 over a four year period from 2038 to 2041. The proposed policy change means that the projection of future NZ Super expenses will change from the current projections, which are based on an age of eligibility of 65.

Given that it is a rolling 40-year discounted track of net NZS to GDP that drives the contribution formula, any change that impacts net (of tax) NZ Super expenditure on or before 2061 will impact the first capital contribution in 2021. To illustrate, based only on increasing the eligibility age to 67 from 2038 to 2041, the capital contribution required under the current fund framework (subject to other decisions) would be anticipated to fall by c.$820m from $3.058b (HYEFU) to $2.238b in the first year of restarting contributions in 2020/21.

Longer Term Practical Implications

The following graph illustrates the effect that an increase in eligibility age from 65 to 67 over a four year period from 2038 to 2041 has on the projected net NZ Super expenditure and the Fund capital contributions plus net NZ Super expenditure. Specifically, the graph illustrates how the Net NZ Super and Capital contribution/ (withdrawal) track lowers before the net NZ Super track does. It also illustrates the degree of change in the former is relative to the (later) change in the latter.



Over the ten years of forecasts and projections from 2020/21 (first year of contributions after holiday at HYEFU 2016 forecast) to 2030/31 the reduction in the “Net NZ Super & Capital contribution/ (withdrawal)” track, caused by the lower future net NZ Super track, rises from 0.26% to 0.31% of GDP. With GDP projected to rise from $317 billion to $483 billion, this equates to changes in capital contributions of between $820 million and $1,517 million.

Potential Impact on Net Debt

At the recent 2016 HYEFU the resumption of capital contributions to the Fund was forecast to occur in the final forecast year, 2020/21. It is likely, although dependent on both economic and fiscal forecasts still to be finalised, that this situation will reoccur at the upcoming 2017 Budget Economic & Fiscal Update (BEFU). If the Fund track is modelled with the proposed policy of increasing the eligibility age for NZ Super to 67 by 2041, this will reduce the capital contribution in this forecast resumption year, relative to Fund modelling based on an ongoing age of eligibility of 65. Furthermore it will also reduce capital contributions over the ensuing decade of projections illustrated in the Fiscal Strategy Report accompanying the BEFU. Because Fund assets are not included amongst the financial assets removed from gross debt to calculate the fiscal indicator, net core Crown debt, this will lead to a reduced net debt track relative to one based on no future changes to the age of eligibility for NZ Super.

Consequential Changes to Cabinet Paper

We propose extending the current paragraph 87 in the cabinet paper by including the italicised language below. We also suggest including this paragraph in the executive summary after the current paragraph 21.

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"Furthermore, under current settings, any change to factors that affect the projected NZ Super to GDP ratio, such as an increase in the age of eligibility, will have a direct impact on the fund by changing the required contribution or allowable withdrawal amounts. *To illustrate, looking only at the proposed increase in age of eligibility to 67 (i.e. before accounting for the impact of the increase to the residency requirement or removal of the non-qualifying partner option) the capital contribution required under the current fund framework (subject to other decisions) would be anticipated to fall by c.$820m from $3.058b (HYEFU) to $2.238b in the first year of restarting contributions in 2020/21."*

Matthew Bell, Senior Analyst, Modelling and Research, s9(2)(k)
Melissa Piscetek, Analyst, Modelling and Research, s9(2)(k)
Craig Weise, Manager, Commercial Operations - Strategy and Policy, s9(2)(k)
Shelley Hollingsworth, Senior Analyst, Commercial Operations - Strategy and Policy, s9(2)(k)