INTERNATIONAL PICTURE - Month Organiser

ACTIVITY IN OCTOBER

- The Commission hosted an OECD global symposium in Auckland under the theme of 'today vs tomorrow'. It attracted more than 300 delegates from 48 countries and focused on pensions and financial capability – see 'Heavy stuff'.
- Our 'Tales from the Tent' mobile video recording studio captured international delegates' views on pension reform at the OECD symposium – see 'Caught on camera'.
- A research paper was published looking at New Zealand Superannuation and overseas state pensions, prepared by the Retirement Policy Research Centre at Auckland University – see 'Heavy stuff'.

HIGHLIGHTS

- New Zealand Superannuation is highly rated internationally as an efficient pension system that largely prevents hardship among older people.
- Compared with other OECD countries New Zealand has the lowest residency criteria to receive a full benefit and a high payment rate indexed to average wages.
- About half of OECD countries have taken steps to improve the financial sustainability of their pensions systems in the past two years.
- The most common reform to pension systems has been raising the statutory retirement age. Notably, there have been no direct cuts to pension benefits.
- In 2016, 83,271 New Zealand Superannuation recipients, or 11.8% of the total, had deductions from their payments based on the amount they received from overseas state pensions.

THEMES

- Slow economic recovery and growth has seen many countries reduce public expenditure, with pensions systems being a key area of reform. A range of measures has been implemented to improve the financial sustainability of pensions in response to rising costs resulting from ageing populations and increasing longevity.
- Raising the age of eligibility for state pensions has been the main reform. The age of 67 has become the new norm among OECD countries, with a number passing laws to increase the age over the next decade. Most countries are implementing these increases gradually, allowing a long lead time so that people are able to adjust their retirement planning.
- The OECD recognises that working longer is not realistic for everyone, as the nature of some work and declining health mean some people have to stop work earlier.

- The financing of public pensions in OECD countries has focused on raising taxes; increasing contributions in defined pensions schemes; and measures to tighten criteria for access to pension benefits.
- New Zealand and Australia have the lowest residency criteria in the OECD to receive a full pension benefit after 10 years, while the OECD average is 26 years. All five Nordic countries require 40 years' residence for a full benefit, along with Canada and the Netherlands. More than half of OECD countries require contributions to pensions with substantial variations in the number of years of contributions required. The new UK state pension will require 35 years of contributions for a full benefit and 10 years for the minimum.
- Levels of pensions also vary considerably internationally. New Zealand's residence-based pension is the highest relative to average earnings at 40% (single living alone), while Australia's age pension is about 25% of average earnings with supplementary assistance.
- Indexing to prices alone is only used in five OECD countries, while the UK has a 'triple lock' mechanism that increases the basic pensions based on the highest of: annual changes in earning, prices or a rate of 2.5%.
- Australia has implemented a number of recent changes to its age pension including raising the qualifying age from 65 to 67 by July 2023. An asset test applies and in 2017 there will be an increase to a $3 deduction a fortnight from the age pension for every $1000 of assets over $250,000 single homeowner, and $375,000 for a homeowning couple.
- As a percentage of total government spending, New Zealand Superannuation accounted for 11.1% in 2011 compared to an OECD average of 17.5%. Australia was 9.7%, Canada 10.5%, UK 11.7% and USA 16.5%.
- New Zealand operates a direct deduction policy, whereby overseas state pensions are deducted from New Zealand Superannuation. The purpose of the policy is to prevent a person from receiving two state pensions.
- In 2016, 83,982 or 11.8% of all NZS recipients had a deduction under this policy, which had an average annualised value of $4,084 and totalled $342 million. The value of NZS paid to recipients that have deductions from overseas pensions was $1.3 billion as of March 2016.
- A deduction is also made to a spouse's NZS payment when their partner's overseas pension exceeds NZS payment rates. This is viewed as being unfair. There are around 500 couples affected by this, with the total amount deducted about $2 million per annum.
- Historical migration patterns to New Zealand are changing and an increasing number of people are becoming resident from countries with which New Zealand does not have social security agreements.

- Increasing international mobility, along with change and complexity in pension policy, has made the operation of New Zealand's existing overseas pension portability policy difficult and in need of reform. New Zealand is also seen as a comparatively attractive place to retire, with low qualifying residence criteria which adds cost pressure to New Zealand Superannuation.

MORE INFORMATION

- OECD Pensions at a Glance, 2015 report – see 'Heavy stuff'.
- New Zealand Superannuation policy and overseas state pensions, report prepared for the review by Retirement Policy and Research Centre, September 2016 – see 'Heavy stuff'.
- OECD symposium delegates' views on international pensions – see 'Caught on camera'.
- OECD graphs – see 'Even deeper'.