



MINISTRY OF SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

Description of New Zealand's current retirement income policies

***Background paper prepared by the Ministry of Social Development
for the Retirement Commissioner's
2016 Review of Retirement Income Policy***

May 2016

Executive summary

- 1 This report provides an overview of public provision for retirement income in New Zealand. The purpose of the report is to assist the Retirement Commissioner to compile the three yearly *Review of New Zealand Retirement Income Policy* (The Review). Where possible, the report describes current provision as at March 2016 and compares this with provision in March 2010 and March 2013 to provide a comparison since the previous Reviews. Some figures have been updated subsequent to the completion of this report to reflect the Ministry of Social Development's 2016 Household Incomes Report.
- 2 This report includes other forms of social assistance provided under the Social Security Act 1964 that are accessed by older people.
- 3 We have also provided some context for the Review by briefly summarising some other aspects of retirement income provision beyond the responsibility of the Ministry of Social Development.

New Zealand Superannuation: fundamental principles

- 4 New Zealand Superannuation (NZS) is a simple, universal pension paid to all who qualify on age and residency criteria. Its simplicity and universality mean it has a low administration cost in comparison to publicly-funded retirement schemes in many other countries. Around ninety four percent of New Zealanders over the age of 65 receive NZS or another social security benefit.¹
- 5 NZS is an equitable, effective, simple and secure foundation for retirement income because:
 - it does not discourage personal saving as it is not income or asset tested
 - those still in paid employment can receive it
 - it is not contingent on past earnings history or contributions
 - annual indexing to wages and prices maintains its relativity with incomes of the general population.

New Zealand Superannuation: an overview

- 6 The New Zealand Superannuation and Retirement Income Act 2001 provides the legislative framework for NZS. To be eligible for NZS a person must:
 - be aged 65 years or older
 - be a New Zealand citizen or permanent resident
 - have been resident and present in New Zealand for not less than ten years since the age of 20, of which five years or more must be since the age of 50

¹ Based on a 2012 analysis of benefit recipients aged 65 and over, excluding those living overseas who were receiving a New Zealand social security benefit.

- be ordinarily resident in New Zealand on the date of application (unless, as noted in paragraph 38, they are a client in the Cook Islands, Niue, or Tokelau applying for NZS under the “special portability” provisions).
- 7 Veteran’s Pension (VP) is an alternative pension paid at the same rate as NZS to qualifying persons. A person who has reached the qualifying age for NZS, has served in a recognised war or emergency and is in receipt of not less than 70 percent of a War Disablement Pension, may qualify for VP under Part 6 of the Veterans’ Support Act 2014. A person may also qualify for VP who has not reached the qualifying age for NZS, but has served in a recognised war or emergency, and is unable to work for a substantial period due to either a physical or psychological disability. VP confers some additional advantages on recipients and their families (eg a payment upon death of a veteran or veteran’s spouse and eligibility to a community services card without an income test).
- 8 The rates of NZS/VP² payable vary according to living arrangements. The three main rates paid are known as:
- married, civil union or de facto couple (where both qualify for NZS/VP)
 - single sharing accommodation
 - single living alone.
- 9 A qualified New Zealand superannuitant who is married, or in a civil union or in a de facto relationship, with a New Zealand permanent resident, or citizen, who does not meet NZS/VP eligibility criteria, can elect to receive a special rate of NZS/VP that includes their spouse or partner (who is known as a non-qualified partner). This rate is subject to an income test against the couple’s joint income.
- 10 For people aged 65 and over who do not meet the qualifying criteria for NZS or VP and who have no other means of support, an Emergency Benefit may be available (subject to a test of income and assets). Some people aged 65 and over receive other social security benefits which can include Jobseeker Support, Supported Living Payment and Sole Parent Support. Unlike NZS/VP, social security benefits available to those aged 65 and over are income tested.
- 11 Table 1 illustrates the number of people receiving NZS/VP and other benefits in March 2016 compared to March 2010 and March 2013. The table counts a small number of people who are aged under 65. The majority of these are counted as NZS/VP recipients on the basis of being non-qualified partners of qualified people. Some have applied for NZS/VP in anticipation of turning 65 within the next six months.
- 12 A small increase in the number of people receiving VP between 2013 and 2016 (following a sharp decline in the previous period) is due to the Veterans’ Support Act 2014, which led to more people being entitled to VP.
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² NZS/VP refers to all recipients of either New Zealand Superannuation or Veteran’s Pension. Except where stated, this includes non-qualified partners (those usually under the age of 65 who receive NZS/VP because they are a partner of a qualified recipient).

Table 1 Summary of recipients of New Zealand Superannuation, Veteran's Pension (all ages) and recipients of other main benefits aged 65 and over

Description	End March 2010	End March 2013	End March 2016	Change from 2010 to 2013 absolute numbers	Change from 2013 to 2016 absolute numbers
NZ Superannuation	532,528	606,718	683,967	13.9%	12.7%
NZ Superannuation non-qualified partners	12,486	12,656	12,836	1.4%	1.4%
Total NZS	545,014	619,374	696,803	13.6%	12.5%
Veteran's Pension	10,369	8,910	9,016	-14.1%	1.2%
Veteran's Pension non-qualified partners	263	213	166	-19.0%	-22.1%
Total VP	10,632	9,123	9,182	-14.2%	0.6%
Emergency Benefit	4,952	3,788	4,225	-23.5%	11.5%
Other main benefit ³	2,876	4,041	3,543	40.5%	-12.3%
Total main benefit	7,828	7,829	7,768	0.0%	-0.8%
Total	563,474	636,326	713,753	12.9%	12.2%

Source: Ministry of Social Development administrative data

³ Currently includes Jobseeker Support, Supported Living Payment and Sole Parent Support.

Recipients of NZS/VP

13 Table 2 illustrates the number of people receiving the various rates of NZS/VP, broken down by gender, as at 31 March 2016

Rate type	NZS		VP		Total
	Female	Male	Female	Male	
Individuals in a married, civil union, or de facto couple where each qualifies for NZS/VP	184,596	233,355	1,331	2,717	421,999
Single sharing accommodation	59,746	29,696	1,010	501	90,953
Single living alone	120,267	59,277	2,238	1,219	180,001
Single	15	15	-	-	30
Non-qualified partner in a married, civil union, de facto relationship where one qualifies for NZS/VP	11,221	1,615	166	-	13,002
Total	375,845	320,958	4,745	4,437	705,985

Source: Ministry of Social Development administrative data

14 The number of recipients of NZS/VP who receive each rate is further analysed in Tables 3 and 4 by both sex and age group. These compare the situation on 31 March 2016 with the same date in 2010 and 2013. General trends over the period observed show that:

- The age profile of NZS/VP recipients is changing. There are more “young” older people, as the proportion of recipients aged 65-69 increased slightly from 32 percent in 2013 to 33 percent in 2016. The number of recipients in this group rose by 14.8 percent. The highest growth in NZS/VP recipients was seen in the group aged 75-79 (a 19.5 percent increase), while the lowest growth was in those aged 80-84 (2.1 percent growth).
- Men are increasing as a proportion of NZS/VP recipients overall (there are 13.7 percent more male recipients than in 2013, while only 11.1 percent more female recipients).
- Men remain much more likely than women to be receiving the married rate of NZS/VP. Seventy three percent of male NZS/VP recipients receive the married rate, the same as in 2013. The proportion of female NZS/VP recipients receiving the married rate has risen slightly from 47 percent in 2013 to 49 percent in 2016.

Table 3 Female recipients of New Zealand Superannuation or Veteran's Pension (including non-qualified partners) by age group and rate type. Comparison between 31 March 2016, 31 March 2013 and 31 March 2010.

Female – rate type							
Period	Age group	Single Living Alone	Single Sharing	Single	Married	Non-qualified partner	Female Total
March 2010	<65*	136	46	0	533	10,983	11,698
	65-69	21,634	9,185	4	55,848	282	86,949
	70-74	20,760	8,089	4	37,899	92	66,840
	75-79	21,635	7,796	1	24,087	24	53,542
	80-84	21,415	8,842	2	13,476	2	43,735
	85-89	14,896	8,812	1	5,006	2	28,716
	90+	6,303	7,857	3	994	-	15,154
	Total	106,779	50,627	15	137,843	11,385	306,634
March 2013	<65*	131	61	-	651	10,919	11,762
	65-69	24,711	11,032	4	66,680	273	102,700
	70-74	23,366	9,858	1	46,146	110	79,481
	75-79	21,473	8,241	3	26,678	39	56,434
	80-84	21,223	8,834	1	14,946	2	45,006
	85-89	15,265	8,915	1	5,663	1	29,845
	90+	7,461	8,437	3	1,283	-	17,184
	Total	113,630	55,378	13	162,047	11,344	342,412
March 2016	< 65	164	55	0	585	10,856	11,660
	65-69	28,392	12,995	5	76,036	334	117,762
	70-74	25,037	11,215	2	52,262	122	88,638
	75-79	23,876	9,750	4	32,975	53	66,658
	80-84	20,418	8,830	2	15,921	17	45,188
	85-89	16,065	8,926	1	6,541	5	31,538
	90+	8,553	8,985	1	1,607	0	19,146
	Total	122,505	60,756	15	185,927	11,387	380,590

Source: Ministry of Social Development administrative data

* Includes people under 65, other than non-qualified partners, who have applied for NZS in anticipation of turning 65 within the next six months

Table 4 Male recipients of New Zealand Superannuation or Veteran's Pension (including non-qualified partners) by age group and rate type. Comparison between 31 March 2016, 31 March 2013 and 31 March 2010.

Male – rate type							
Period	Age group	Single Living Alone	Single Sharing	Single	Married	Non-qualified partner	Male Total
March 2010	<65*	181	61	0	857	1,145	2,244
	65-69	12,774	6,335	4	64,495	65	83,669
	70-74	9,779	5,081	1	47,285	76	62,221
	75-79	8,475	4,044	3	33,766	52	46,337
	80-84	7,274	3,617	2	21,946	21	32,858
	85-89	4,289	2,606	2	9,253	4	16,152
	90+	1,631	1,560	2	2,339	1	5,531
	Total	44,403	23,304	14	179,941	1,364	249,012
March 2013	<65*	147	54	1	788	1,265	2,255
	65-69	15,520	7,372	5	75,094	90	98,081
	70-74	11,682	6,228	5	57,248	76	75,239
	75-79	8,730	4,131	2	36,695	52	49,610
	80-84	7,490	3,782	-	23,874	33	35,179
	85-89	4,880	2,885	-	10,987	8	18,760
	90+	2,095	1,835	1	3,029	1	6,961
	Total	50,544	26,287	14	207,715	1,525	286,085
March 2016	< 65*	116	37	0	738	1,342	2,233
	65-69	18,557	8,938	5	85,178	94	112,772
	70-74	13,276	6,920	6	63,493	74	83,769
	75-79	10,094	5,247	3	44,670	57	60,071
	80-84	7,512	3,789	1	25,337	40	36,679
	85-89	5,357	3,040	0	12,897	6	21,300
	90+	2,584	2,226	0	3,759	2	8,571
	Total	57,496	30,197	15	236,072	1,615	325,395

Source: Ministry of Social Development administrative data

* Includes people under 65, other than non-qualified partners, who have applied for NZS in anticipation of turning 65 within the next six month

The structure of NZS/VP rates

- 15 The key legislative platform for retirement income policy is the New Zealand Superannuation and Retirement Income Act 2001 and Part 6 of the Veterans' Support Act 2014.
- 16 NZS/VP is governed by these Acts, which set out the rates of payment and how these are annually adjusted. The net weekly rates of NZS/VP must be adjusted on 1 April each year, in line with any annual percentage increase in the Consumers Price Index (CPI) for the year ending the previous 31 December.⁴
- 17 After this adjustment, the after-tax⁵ weekly amount of NZS/VP payable to a married couple (where both qualify) must be at least 65 percent of the average wage after tax, but cannot be greater than 72.5 percent of the average wage after tax. It is current Government policy to ensure that the after-tax married couple rate is maintained at a minimum of 66 percent of the average wage after tax.
- 18 If the after-tax married couple rate after the CPI adjustment is less than 66 percent of the average wage after tax, a further adjustment is made to bring the rate up to this level. Following the price and wage adjustment, the single sharing and living alone rates are set at:
- 60 percent of the married couple rate for single people sharing accommodation
 - 65 percent of the married couple rate for single people who are living alone (and qualify for the living alone rate).
- 19 Table 6 outlines the weekly after-tax payment rates of NZS/VP from 1 April 2016, based on the tax code 'M'. This is the amount people will receive if NZS/VP is their main source of income. Recipients have their NZS/VP taxed at a higher rate if it is not their main source of income.

Rate type	Net rate based on M tax code	Gross rate
Married, civil union, de facto couple (both qualify)	\$591.94	\$671.48
Single sharing accommodation	\$355.16	\$407.63
Single living alone	\$384.76	\$443.43
Married, civil union, or de facto couple (maximum payable to a couple where a non-qualified partner is included)	\$562.60	\$636.20

Source: Ministry of Social Development administrative data

⁴ The process for adjusting the rates of payment for Veteran's Pension, described under the War Veterans' Support Act 2014, mirrors that for New Zealand Superannuation.

⁵ After tax at the standard 'M' rate.

Non-qualified partner rate of payment

- 20 NZS/VP is not subject to any income or asset test unless an eligible superannuitant has elected to include a 'non-qualified partner'. If a couple's combined annual income (other than NZS/VP) is below \$27,519.89 gross⁶, it is financially beneficial for the qualified partner to elect to include their non-qualified partner in their NZS/VP rate of payment. The maximum gross amount of NZS/VP payable in this situation (the 'married/non-qualified' rate) is \$35.28 per week less than that paid to a couple who both qualify. Where the joint income of the couple is less than \$5,200 gross per annum, the full 'married/non-qualified rate' is payable. Each dollar of extra income in excess of this level reduces the before-tax amount of NZS payable by 70 cents.
- 21 Couples where only one partner qualifies for NZS/VP may choose not to undergo the income test. In this situation the eligible person receives half the married rate and their non-qualified partner does not receive NZS/VP.

NZS/VP rates – overall rationale

- 22 NZS/VP is designed to provide a basic but adequate standard of living. On its own, it is not designed to maintain the living standards that people may have been accustomed to during their working lives.
- 23 The Ministry's research shows the majority of older New Zealanders have sufficient income and assets to maintain a reasonable standard of living. Between 4 and 8 percent of older New Zealanders live in low-income households after housing costs.⁷ Around 3 percent of older New Zealanders are identified as being in hardship, using the Ministry's Material Wellbeing Index and a threshold that gives an overall population rate of 8 percent.
- 24 These relatively good outcomes are due to the mix of public provision (mainly New Zealand Superannuation) and the private provision and assets superannuitants have built up over lifetimes. A key component of the private provision is home ownership: 71 percent of older New Zealanders own or partly own their own home.⁸
- 25 This assessment of the relative material wellbeing of older New Zealanders is based on three strands of research using:
- household incomes (after taking housing costs into account) as an indicator of material wellbeing

⁶ From 1 April 2016. This threshold is adjusted annually.

⁷ Based on two standard After Housing Costs measures. The population rates are 11 and 16 percent respectively. The *Household Incomes Report* is available at <http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/monitoring/household-income-report/2016/2016-household-incomes-report.doc>.

⁸ Tenure holder by age group and sex, for the census usually resident population count aged 15 years and over, Statistics New Zealand.

Note that census data on home ownership rates for older people is particularly sensitive to different housing unit types and ownership mechanisms including occupancy rights of retirement village units and homes owned by family trusts.

- non-income measures which seek to get a more direct measure of actual daily living conditions in the population
 - self-ratings of income adequacy and material wellbeing.⁹
- 26 This research also found that for those over the age of 65:
- NZS provided virtually all the income for 40 percent
 - the next 20 percent have on average around 70 percent of their income from NZS and other government transfers
 - around 40 percent of older New Zealanders receive more than half their income from sources other than NZS/VP. This group has increased as more “younger” older people continue to work after NZS/VP entitlement age.

Rationale for relativities between single living alone (65 percent of married couple rate) and single sharing (60 percent of married couple rate)

- 27 The rate paid to a married, civil union or de facto couple, where both qualify, is the base rate for NZS/VP. This rate is then halved and paid to each individual in the couple – often referred to as a ‘married person rate’. The single rates are then calculated as a percentage of the rate for a married couple.
- 28 Setting the single rate at 60 percent of the married couple rate is a long-standing principle that has applied to the social security benefit system both in New Zealand and in many overseas countries. The issue of recognising the differing financial requirements for different household types to achieve a similar standard of living (all else being equal) is based on a concept called ‘equivalence scales’.¹⁰ Equivalence scales are used in a range of contexts by government, researchers and analysts around the world.
- 29 Couples living together in a married, civil union or de facto relationship are paid less than double the single rate because it is considered that they can take advantage of certain economies of scale that individuals in shared accommodation cannot. Thus, the rate paid to a married person is less than that paid to a single person. For example, a married couple:
- could be able to enjoy lower accommodation costs than two single people
 - could be able to have their personal household effects on one insurance policy whereas two single people who are sharing accommodation would be more likely to have separate insurance costs totalling a higher amount
 - could share vehicle expenses, while two single people may be more likely to have their own individual transport and vehicle costs

⁹ See the Ministry’s *Household Incomes Report*, available at <http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/monitoring/household-income-report/2016/2016-household-incomes-report.doc>.

¹⁰ Jensen revised scale 1988.

- could generally share meals, while two single people sharing accommodation may not have merged their lives to that extent.
- 30 In 1990, the Living Alone Payment was introduced to recognise that single people living alone face greater costs than a single person sharing accommodation. Originally, this was paid as an extra payment of \$20 (gross) a week on top of the single sharing rate. From 1 April 2016, the difference between the single sharing and single living alone rates of NZS/VP paid to a single person is \$35.80 per week. The after tax difference is \$29.60 per week using the 'M' tax code. The extra payment meant that the total amount of NZS paid to a single person living alone was equivalent to 65 percent of the married couple rate.
 - 31 Expressing the two single rates as proportions of the married couple rate was formalised through the Accord on Retirement Income Policies (the Accord). The Accord was a document signed by the Alliance, Labour and National political parties in August 1993, and by the United Party in 1995. Its purpose was to achieve consensus on retirement income policies to be implemented in New Zealand. Some of the Accord provisions were then given legislative effect by the Social Welfare (Transitional Provisions) Amendment Act (No 2) 1993. The appropriateness of the settings for the single rates was last considered by Parliament with the passing of the New Zealand Superannuation Act in 2001.¹¹
 - 32 On 5 April 2013, the Social Assistance (Living Alone Payment) Amendment Bill received the Royal Assent. From September 2013, the separate Living Alone Payment has been replaced by a single living alone rate of NZS/VP. The total amount of assistance payable to a single superannuitant who is living alone did not change.
 - 33 The Australian state pension system also recognises the different living costs faced by single and married people by paying a higher rate to single persons than to each member of a couple. Their single rate is currently 60 percent of the combined couple rate.
 - 34 New Zealand research on this issue considered the question of the relativities between single and married couple households.¹² The tentative conclusion was that setting the single rates of NZS at 60 percent (sharing) and 65 percent (living alone) of the married couple rate was appropriate. This and later research indicate that the rate of hardship for married couples is lower than for those on single rates.¹³

¹¹ The Act was amended in 2005 to include the function of the Retirement Commission and renamed the New Zealand Superannuation and Retirement Income Act 2001.

¹² Ministry of Social Development *Living Standards of Older New Zealanders*, 2001.

¹³ *Household Incomes in New Zealand: trends and indicators of inequality and hardship* the current report is available on: <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/index.html>.

International aspects of eligibility to NZS/VP

35 Section 70 of the Social Security Act 1964 requires that New Zealand residents who are eligible for NZS/VP or a social security benefit, and who receive a public pension from an overseas country, have their New Zealand payment reduced by up to the amount of the overseas pension. The policy on the treatment of overseas pensions is commonly referred to as the 'direct deduction' policy.

36 When a client is eligible to receive or is receiving any overseas benefit or pension, a direct deduction of the gross amount is generally deducted from their New Zealand benefit.

The overseas benefit or pension is deducted from:

- the gross rate of New Zealand Superannuation or Veterans Pension and
- the net rate of any other New Zealand benefit (including Accommodation Supplement) .

37 When an overseas pension is considered to be in the nature of a Disability Allowance, it will be directly deducted from any New Zealand Disability Allowance but not any other New Zealand benefit.

38 NZS/VP can also be paid to New Zealanders living or travelling overseas under the following provisions:

- *Temporary Absence*: payment of NZS/VP may continue at the full rate to a person who is temporarily absent for up to 26 weeks, provided that the person returns to New Zealand within 30 weeks
- *Social Security Agreement*: payment may be made at up to 100 percent of the core¹⁴ rate, depending on the length of residence in New Zealand over a period of 40-45 years, to a person intending to reside, or already residing, in a country with which New Zealand has a social security agreement. These countries are Australia, Canada, Denmark, Greece, Ireland, Jersey and Guernsey, Malta, and the Netherlands. Although New Zealand has a social security agreement with the United Kingdom, this Agreement does not allow payment of NZS/VP to people who intend to reside in the United Kingdom. Instead, the Agreement allows former New Zealand residents now residing in the United Kingdom to access the United Kingdom Age Pension
- *Special Portability*: payment may be made at up to 100 percent of the core rate, depending on length of residence in New Zealand over a 20-year time frame, to a person who intends to live for 52 weeks or more in one of the 22 specified Pacific countries covered by this arrangement. Following the passage of the Social Assistance (Portability to Cook Islands, Niue, and Tokelau) Act 2015, it is possible

¹⁴ 'Core rate' does not include the Living Alone Payment, the non-qualified partner rate and supplementary payments such as the Disability Allowance.

to apply for New Zealand Superannuation from the Cook Islands, Niue or Tokelau without returning to New Zealand.

- *General Portability*: payment may be made at up to 100 percent of the core rate, depending on the length of residence in New Zealand between the ages of 20 and 65, to a person intending to travel or reside in one or more overseas countries not covered by the Special Portability arrangement or a social security agreement.

39 Table 7 illustrates the number of recipients of NZS/VP who have overseas pension deductions. The table shows that the proportion of all NZS/VP recipients who have deductions made has increased since 2010. The average annualised value of deducted pensions increased between 2013 and 2016. However, this may be substantially a result of changes to exchange rates.

As at end March	Number of recipients	Proportion of total NZS/VP recipients	Average annualised value of deducted pension in \$NZ
2010	53,938	9.9%	\$3,742
2013	65,042	10.3%	\$3,532
2016	83,271	11.8%	\$4,062

Source: Ministry of Social Development administrative data

NZS/VP: expenditure

40 Table 8 illustrates the expenditure on both NZS and VP for the year ended March 2016 compared to the years ended March 2007, 2010 and 2013. There was an increase in expenditure of around 20 percent between March 2013 and March 2016, a smaller proportional increase than between March 2010 and March 2013 (23 percent).

	New Zealand Superannuation 000s	Veteran's Pension 000s	Total 000s
Year ended March 2007	\$6,675,183	\$138,852	\$6,814,035
Year ended March 2010	\$8,165,022	\$179,899	\$8,344,921
Year ended March 2013	\$10,063,817	\$172,605	\$10,236,422
Year ended March 2016	\$12,079,972	\$188,166	\$12,268,138

Source: Ministry of Social Development administrative data

Main benefits received by people aged 65 and over who do not receive NZS/VP

- 41 People aged 65 and over who do not meet residency criteria for NZS can qualify for other main benefits. People on other main benefits prior to turning 65 (other than Emergency Benefit) are not obliged to transfer to NZS when they reach the age of eligibility or meet the relevant criteria, but it is financially beneficial for most to do so.
- 42 Compared to 2013, the number of people aged 65 and over receiving main benefits other than NZS/VP declined slightly in 2016.
- 43 The number of people aged 65 and over receiving the Emergency Benefit or another main benefit is shown in Table 9. Changes to main benefits between 2013 and 2016 make direct comparison of particular main benefits difficult.¹⁶ Current main benefits received by people aged 65 and over include Jobseeker Support, Supported Living Payment and Sole Parent Support.

Emergency Benefit

- 44 The Emergency Benefit is an income and asset tested benefit payable to people who are experiencing hardship, or who do not qualify for any other main social security benefit or NZS/VP. At the end of March 2016, 4,225 people aged 65 and over were receiving an Emergency Benefit (compared to 692,092 on NZS/VP).
- 45 The common reason people aged 65 and over receive Emergency Benefit is that they do not meet the residency criteria for NZS/VP or they have no other source of income. To qualify for an Emergency Benefit a person must:
 - be unable to earn sufficient income for themselves (and any dependent family)

¹⁵ Any inflation effects are reflected in the average wage and CPI on which the NZS annual adjustment is based.

¹⁶ In July 2013, "welfare reform" replaced existing benefits with three new main benefits, Jobseeker Support, Sole Parent Support, and Supported Living Payment, with new eligibility criteria and obligations.

- be unable to receive another social security benefit
- be experiencing hardship (as determined by an income and cash asset test).

46 Unlike working age people, those aged 65 and over receiving Emergency Benefit are not expected to earn an income, although those who are willing and able to work are able to access help from the Ministry with obtaining employment.

Table 9 Number of people aged 65 and over receiving main benefits (other than New Zealand Superannuation and Veteran's Pension)		
Benefit	As at end March 2013	As at end March 2016
Domestic Purposes related benefits	78	0
Emergency Benefit	3,788	4,225
Invalid's Benefit	2,706	0
Job Seeker related	0	401
Sickness Benefit and Sickness Benefit Hardship	814	0
Sole Parent Support	0	2
Supported Living Payments related	0	3,139
Unemployment Benefit (in Training) and Unemployment Benefit Hardship (in Training)	2	0
Unemployment Benefit Student Hardship	1	0
Unemployment Benefit and Unemployment Benefit Hardship	39	0
Widow's Benefit	401	0
Widow's Benefit Overseas	0	1
Total other main benefits	7,829	7,768

Source: Ministry of Social Development administrative data

Supplementary social assistance payments to older people in need

47 Supplementary assistance is available on the basis of need to people receiving NZS/VP or a main social security benefit. Supplementary assistance is means-tested and assessed weekly, and includes:

- Disability Allowance
- Accommodation Supplement
- Special Benefit
- Temporary Additional Support.

48 Table 10 gives a snapshot of the total number of people aged 65 and over receiving one or more supplementary assistance payments as at the end of March in 2010, 2013 and 2016.¹⁷ The number of people aged 65 and over receiving supplementary assistance has increased in absolute terms since 2010 but has declined as a proportion of the total population aged 65 and over.

	As at end March 2010		As at end March 2013		As at end March 2016		Change from 2010 to 2013 absolute numbers	Change from 2013 to 2016 absolute numbers
	Number	Proportion of total population 65+ *	Number	Proportion of total population 65+ *	Number	Proportion of total population 65+ *		
Total recipients	141,876	25.8%	142,780	22.9%	145,427	20.8%	+0.6%	+1.9%

Source: Ministry of Social Development administrative data

* All Ministry of Social Development clients aged 65 and over (includes all NZS/VP and other benefits including non-beneficiary assistance)

- 49 Table 11 shows the number of people receiving the different types of supplementary assistance at the end of March in 2010, 2013 and 2016. This analysis is limited to those aged 65 and over who receive NZS/VP or other main benefits. This gives a more accurate picture of hardship amongst older people because a higher proportion of older recipients of other main benefits receive supplementary assistance than NZS/VP recipients.
- 50 The number of 'Total recipients' in Table 10 is not equivalent to the sum of the individual supplementary benefits shown in Table 11, as some people receive more than one form of supplementary assistance.

¹⁷ While NZS/VP payments and other main benefits are relatively predictable across the span of a year, supplementary assistance is demand driven and fluctuates, so this data is provided as a snapshot for the last week in March 2010, 2013 and 2016.

	As at end March 2010			As at end March 2013			As at end March 2016		
Supplement type	Number of recipients	Proportion of total population 65+*	Average payment	Number of recipients	Proportion of total population 65+*	Average payment	Number of recipients	Proportion of total population 65+*	Average payment
Accommodation Supplement	30,314	5.5%	\$54	35,045	5.6%	\$58	40,385	5.8%	\$61
Disability Allowance	129,743	23.6%	\$26	129,123	20.7%	\$25	129,505	18.5%	\$25
Temporary Additional Support	2,246	0.4%	\$48	3,253	0.5%	\$55	4,723	0.7%	\$65
Special Benefit	670	0.1%	\$56	383	0.1%	\$64	288	0.0%	\$73

Source: Ministry of Social Development administrative data

* All Ministry of Social Development clients aged 65 and over (includes all NZS/VP and other benefits including non-beneficiary assistance)

51 Total expenditure on the four supplementary assistance payments to people receiving NZS/VP in the year ended March 2016 was \$304.3 million, compared with \$276.3 million in 2013 and \$256.1 million in 2010. Table 12 provides details on expenditure for each type of supplementary assistance.

¹⁸ Excludes supplementary assistance provided to NZS/VP non-qualified partners under 65.

Table 12 Expenditure on supplementary assistance to recipients of New Zealand Superannuation or a Veteran's Pension¹⁹			
	Supplementary Assistance	NZS \$000	VP \$000
Year ended March 2010	Accommodation Supplement	\$66,547	\$1,077
	Disability Allowance	\$174,780	\$7,186
	Special Benefit	\$1,732	\$0
	Temporary Additional Support	\$4,757	\$23
	Total	\$247,816	\$8,286
Year ended March 2013	Accommodation Supplement	\$88,098	\$1,088
	Disability Allowance	\$171,847	\$5,750
	Special Benefit	\$1,247	\$9
	Temporary Additional Support	\$8,322	\$12
	Total	\$269,514	\$6,860
Year ended March 2016	Accommodation Supplement	\$112,217	\$1,185
	Disability Allowance	\$169,381	\$4,720
	Special Benefit	\$1,089	\$6
	Temporary Additional Support	\$15,654	\$20
	Total	\$298,341	\$5,931

Source: Ministry of Social Development administrative data

Disability Allowance

52 Disability Allowance provides non-taxable assistance to people who have on-going, additional costs because of a disability. At the end of March 2016, Disability Allowance was being paid to 129,505 people aged 65 and over, a slight increase from 2013.

¹⁹ Table 12 only shows supplementary assistance paid to NZS/VP recipients - a different group to the analysis of people receiving supplementary assistance in Tables 10 and 11.

- 53 There are a number of possible explanations for the minimal growth in numbers of people aged 65 and over receiving Disability Allowance:
- Growth in the population aged 65 and over is currently concentrated in the lower age brackets, who are less likely to be disabled than the oldest older New Zealanders. As this current influx of “young” older New Zealanders ages, the numbers and proportion requiring Disability Allowance may increase.
 - Increasing numbers of New Zealanders are working past age 65. Consequently, they or their spouse or partner may not meet the income test for the Disability Allowance.
- 54 To be eligible for a Disability Allowance a person must:
- meet an income test
 - have a disability which is likely to last at least six months
 - have ongoing, additional costs because of the disability that are not fully covered by another agency
 - be a New Zealand citizen or permanent resident and generally be ordinarily resident in New Zealand (but no minimum period of residence is required).

Accommodation Supplement

- 55 An Accommodation Supplement is a non-taxable weekly payment that provides assistance towards a person’s accommodation costs.
- 56 At the end of March 2016, an Accommodation Supplement was being paid to 40,385 people aged 65 and over, a 15 percent increase over March 2013.
- 57 To be able to receive an Accommodation Supplement a person must:
- spend at least 25 percent of their income on housing costs (30 percent for home-owners)
 - have accommodation costs for the home they occupy (as renter, boarder or owner), providing it is not owned or managed by Housing New Zealand Corporation²⁰
 - meet an income and cash asset test
 - be a New Zealand citizen or permanent resident and generally be ordinarily resident in New Zealand (but no minimum period of residence required)
 - not receive a Residential Care Subsidy.
- 58 Many superannuitants do not meet the cash asset test, and others who are mortgage-free home-owners may have insufficient weekly housing costs to meet the criteria.

²⁰ Many Housing New Zealand Corporation tenants aged 65 and over receive accommodation assistance in the form of an income-related rental subsidy.

59 Table 13 below illustrates the numbers of people aged 65 or over receiving an Accommodation Supplement by tenure.

	As at end March 2010	As at end March 2013	As at end March 2016	Change from 2010 to 2013 absolute numbers	Change from 2013 to 2016 absolute numbers
Renting	20,652	24,522	28,614	18.7%	16.7%
Boarding	4,602	4,724	5,088	2.7%	7.7%
Owning	5,060	5,799	6,683	14.6%	15.2%
Total	30,314	35,045	40,385	15.6%	15.2%

Source: Ministry of Social Development administrative data

Temporary Additional Support

60 Temporary Additional Support is a non-taxable weekly benefit that can be paid for a maximum of 13 weeks. It can be granted for subsequent 13-week periods after a review. It is paid as a last resort to help a person with their regular essential living costs that cannot be met from their chargeable income and other resources.

61 At the end of March 2016, Temporary Additional Support was being paid to 4,723 people aged 65 and over.

62 To be able to receive the Temporary Additional Support a person must:

- meet a cash asset test
- take all necessary steps to obtain other financial assistance or resources available
- take reasonable steps to reduce their costs or increase their chargeable income
- be a New Zealand citizen or permanent resident and generally be ordinarily resident in New Zealand.

63 A person does not have to be receiving NZS/VP or other main benefit to qualify for Temporary Additional Support.

Special Benefit

64 Special Benefit is a discretionary non-taxable benefit which has been superseded from 1 April 2006 by Temporary Additional Support. At the end of March 2016, Special Benefit was being paid under grandparenting provisions to 288 people aged 65 and over.

Hardship or emergency payments to older people

65 In addition to weekly supplementary assistance payments, Special Needs Grants and/or Advance Payment of Benefit can be made to meet immediate and essential needs. These are subject to an income and cash asset test. Payments are one-off but a person can make more than one application subject to meeting the criteria. Each application is considered on its merits.

66 Table 14 illustrates the number of Special Needs Grants and advance payments of NZS/VP or other main benefit paid to people aged 65 and over.

Table 14 Hardship or emergency payments to people aged 65 and over			
	Year ended March 2010	Year ended March 2013	Year ended March 2016
	Number granted	Number granted	Number granted
Special Needs Grant	19,171	16,436	18,964
Advance Payment	22,126	19,283	23,875
Total	41,297	35,719	42,839

Source: Ministry of Social Development administrative data

Special Needs Grant

67 A Special Needs Grant (SNG) provides non-taxable, one-off financial assistance to meet immediate needs and can be recoverable (ie it must be paid back) or non-recoverable depending on the reason for the grant.

68 In the year ended March 2016, 18,964 SNGs were paid to people aged 65 or over.²¹

69 To be eligible a person generally must:

- meet an income and cash asset test
- have an essential need, emergency need or require payment for specific circumstances
- not be able to meet the need from their own resources or through other sources
- be a New Zealand citizen or permanent resident and generally be ordinarily resident in New Zealand
- purchase goods and services from an approved supplier when there is an arrangement in place.

70 A person does not need to be receiving NZS/VP or a main social security benefit to qualify for a SNG.

71 For people aged 65 or over, the average value for a SNG in 2013 was \$173.33, with the total value \$3.3 million.

²¹ The number of grants does not equate to number of grant recipients, as one person may receive more than one grant over the course of a year.

72 Table 15 illustrates the number of SNGs paid to people receiving NZS/VP or another main benefit (aged 65 or over) by reason. Over half the SNGs were for food, which is non-recoverable. The average value of a SNG for food was \$104.43, with a total value spent on food of \$1.1 million.

73 Ninety four percent of grants for “Medical And Associated Costs” were for dental treatment, with an average value of \$273.90 and a total value of \$1.2 million.

Table 15 Number of Special Needs Grants paid for clients aged 65 or over		
Reason group	Year ended March 2013	Year ended March 2016
Ambulance Subscription Fees	144	146
Domestic Violence Programme	2	0
Driver Licence	2	6
Effluent Treatment	130	94
Food	9,376	10,859
Health Related	301	297
Medical And Associated Costs (SNG)	4,117	4,735
Other Emergency Situations (SNG)	921	515
People Affected By Benefit Stand Downs (SNG)	2	11
Re-Establishment Accommodation Element	15	13
Re-Establishment Grants (SNG)	101	112
Sickness benefit/invalid benefits Assessment Travel	1	0
Student Allowance Transfer Grant	13	0
Transfer To NZS (SNG)	1,307	2,173
Youth Transition	4	3
Total	16,436	18,964

Source: Ministry of Social Development administrative data

Advance payment of NZS/VP or other main benefit

74 A person receiving NZS/VP, or other main benefit, and who requires assistance to meet a particular immediate need for an essential item can apply to access advance payment of up to 6 weeks of their net entitlement. This payment is recoverable from subsequent benefit payments.

75 In the year ended March 2016, the number of advances made to people aged 65 or over totalled 23,875.²²

76 To receive an Advance Payment of Benefit a person must:

- be receiving a benefit or pension
- have an immediate and essential need

²² The number of grants does not equate to number of grant recipients, as one person may receive more than one grant over the course of a year.

- meet an income and asset test
- purchase goods and services from an approved supplier when there is an arrangement in place.

77 For the year ended March 2016 the average advance value was \$534.19. The total amount paid for advances was \$12.8 million.

78 All Advance Payments of Benefits for Medical and Associated Costs in the year to March 2016 were for dentures, glasses or hearing aids. The average advance value in this category was \$682.00, for a total amount of \$4.9 million.

79 Table 16 illustrates the number of Advance Payments of Benefit paid to people receiving NZS/VP or another main benefit (aged 65 or over) by reason.

Table 16 Number of Advance Payment of Benefit paid for clients aged 65 or over as at March 2013			
Reason	Year ended March 2013	Year ended March 2016	
Advances	472	490	
Ambulance Subscription Fees	14	14	
Medical And Associated Costs (SNG)	6,236	7,174	
Other Emergency Situations (SNG)	Accommodation	844	1,428
	Bedding	31	41
	Beds, Table, Chairs	322	400
	Bonds, Tenancy	1,385	1,814
	Car Repairs	1,793	2,045
	Car Restraints, Safety Helmets	1	1
	Clothing	208	258
	Electricity, Gas	1,375	1,200
	Fire Loss, Burglary	10	7
	Funeral, Tangihanga	157	157
	Other	3,710	5,584
	Rent Arrears	332	425
	Stranded Travel	146	128
Telephone Installation	92	38	
Washing Machines, Fridge	1,340	1,914	
School Education Costs (SNG)	298	236	
Urgent House Repairs and Maintenance	517	521	
Total	19,283	23,875	

Source: Ministry of Social Development administrative data

Service Delivery

80 On 16 March 2015, the Ministry's service delivery functions were integrated into a single Service Delivery group. Service Delivery includes Senior Services (responsible for administration of NZS/VP payments, SuperGold card, Community Services card, International Services and Residential Care Subsidies) alongside Work and Income, StudyLink, and Integrity Services.

81 In service centres, Senior Services, Work and Income and Studylink staff come together to work as one team, though they retain specialist responsibilities (eg case managing older people), and not all service centres have the full range of specialists. Contact centres, processing units, and the Ministry's National Office have been realigned on a functional basis.

SuperGold card

- 82 The SuperGold card was introduced in August 2007. It is a discount and concession card managed by the Ministry. It is available free of charge to all New Zealanders aged 65 and over, and those under 65 years receiving NZS/VP. It allows its holders access to a wide range of concessions and business discounts, including free off-peak travel on public transport, and facilitates easy access for older people to government entitlements.
- 83 As of March 2016 there were 8,204 participating businesses represented by 12,876 outlets, a significant increase from the 4,401 businesses with 8,750 outlets in June 2013, and 1,137 businesses with 5,165 outlets in March 2010. The SuperGold Card can also be used at participating Seniors Card businesses in participating states in Australia.

Community Services Card

- 84 The Community Services Card is available free of charge enabling access to subsidised health services. Recipients of NZS must meet an income test to qualify for a Community Service Card. NZS clients and their non-qualified spouse/partners who receive an income-tested payment must also meet the Community Services Card income test. Clients who transfer to NZS from another benefit do not need to reapply for the Community Services Card. Eligible NZS recipients can have a combined SuperGold/Community Services Card. Veteran's Pension clients and their spouse/partners automatically qualify for and receive a Community Services Card.
- 85 At the end of March 2016, NZS/VP recipients held 274,794 Community Services Cards. These numbers are largely stable over time. In March 2013, they held 276,148 cards, and 278,130 cards in March 2010.

Appeals process

- 86 A person who is unhappy with a decision made by the Ministry under the Social Security Act 1964, Part 1 of the New Zealand Superannuation and Retirement Income Act 2001, or Part 6 of the Veterans' Support Act 2014, can apply for a review of that decision by a Benefits Review Committee.
- 87 Initially, an internal review of the decision is undertaken. If this does not resolve the issue, the matter is formally considered by a Benefits Review Committee. If the issue is still not resolved, there is a right of appeal to the Social Security Appeal Authority. From the Appeal Authority's decision, any question of law can be taken to the High Court, Court of Appeal and Supreme Court.
- 88 In relation to NZS/VP, 270 decisions were taken to review in the year to 31 March 2016. There were 267 NZS decisions taken to review and three decisions were reviewed for VP.
- 89 Across the whole Ministry, 4,462 requests for review were made during this time. Approximately 70 percent of reviews are resolved at the internal review stage, with 30 percent proceeding to the Benefits Review Committee.

Other forms of government assistance for people aged 65 and over

- 90 Older people may also be eligible for subsidies and rebates. Assistance typically available to older people includes Residential Care Subsidies, Funeral Grants, and the Rates Rebate Scheme.

Residential Care Subsidies

- 91 A Residential Care Subsidy is available to people aged 65 and over who have been assessed as requiring long-term residential care and who meet income and asset thresholds. Most of an eligible resident's income is paid to the care provider and a personal allowance is paid to the resident. The Ministry of Health assesses aspects of a person's eligibility and makes payments to the rest home or hospital. The income and asset testing is the responsibility of the Ministry of Social Development.

Residential Care Loans

- 92 A Residential Care Loan is available to those people aged 65 and over who do not qualify for a Residential Care Subsidy. The Residential Care Loan is an interest free loan that is secured over the client's former home. The loan is generally due to be repaid when the client dies or the former home is sold or otherwise disposed of, whichever happens earlier. The Ministry of Health is responsible for the payment of the loan to the rest home or hospital. The Ministry of Social Development administers the loan scheme.

Funeral Grants

- 93 A Funeral Grant is a non-taxable lump sum payment of up to \$2,008.76 that provides assistance towards a person's funeral expenses. The Funeral Grant helps people with actual and reasonable funeral costs only and is available to people of any age who meet an income and asset test. The test also depends on whether the deceased has a surviving partner or dependent child.

Rates Rebate scheme

- 94 Low income owner-occupiers of all ages qualify for a rates rebate of up to \$610 a year. Income thresholds²³ for this rebate enable many older people whose sole source of income is NZS/VP to qualify for this assistance. The scheme is mainly accessed by older people, and is administered by local authorities. The Department of Internal Affairs is responsible for the rates rebate scheme, and reimburses local authorities.
- 95 In 2014/2015 104,410 people received a rates rebate, a nine percent reduction from 2011/2012. The average value of a rates rebate was \$556.39. It is estimated that around three quarters of that group were recipients of NZS/VP.

New Zealand's retirement income policy: future context

- 96 Population ageing is a world-wide phenomenon. Increasing numbers of people will become eligible for NZS/VP each year. Currently, around 15 percent of New Zealanders are aged 65 and over (around 676,200 people in 2015). By 2035, this will be around 23

²³ For the rating year June 2015–2016 the income threshold is \$24,440, increasing by \$500 for each dependant in the household.

percent, and the number of people aged 65 and over will exceed 1.2 million.²⁴ Life expectancy will increase for the population over the age of 85, resulting in a significant additional increase in the number of superannuitants.

- 97 Maintaining policies that encourage people to make adequate provision by saving for their retirement years is critical to retirement income in the future. Policies need to be designed so that older people are not discouraged from working if they choose to. This section outlines some aspects of this issue.

Increasing labour force participation by those aged 65 and over

- 98 Baby boomers²⁵ reaching the age of superannuation entitlement will have quite different expectations of life after 65 from their parents or grandparents. While many will be actively involved in voluntary work, caring for family – such as a spouse, grandchildren, or increasingly their older parents – many will also be continuing in paid work, whether by financial necessity or choice.
- 99 The proportion of the population aged 65 and over in the labour force is expected to rise from the current rate of 22.3 percent²⁶ to reach up to 31 percent by 2038.²⁷ The labour force aged 65 years and over increased from 25,000 in 1991 to 62,000 in 2006 and was 146,200 in 2016.²⁸ It is projected to reach 229,000 by 2023 and 325,000 by 2038. This means that around 8 percent of our total labour force will be aged 65 and over by 2023 (up from the current 6 percent), and 11 percent by 2038.²⁹ Labour force participation is defined as regularly working one or more hours per week or actively seeking work.
- 100 While the trend of those aged 65 and over remaining in the workforce is likely to continue, eventually the baby boomer cohort will age to the point where they exit the workforce, and growth in labour force participation rates will slow.
- 101 New Zealand's participation rates of older workers compare well with its OECD counterparts. Unlike many member countries of the OECD, New Zealand has policy settings that encourage older people to choose to remain active in the workforce after they qualify for NZS/VP. These are:
- no compulsory retirement age
 - superannuation that is not means tested or contributions based
 - legislation against workplace age discrimination
 - no age-based workplace insurance obligations on employers.

²⁴ National Population Projections: 2014 (base) to 2068, (median projections), Statistics New Zealand, Wellington, November 2014.

²⁵ Generally regarded as those born between 1946 and 1964.

²⁶ Household Labour Force Survey: March 2016 quarter, Statistics New Zealand, Wellington, May 2016.

²⁷ National Labour Force Projections: 2015 (base) – 2068, Statistics New Zealand, Wellington, December 2015.

²⁸ Household Labour Force Survey: March 2016 quarter, Statistics New Zealand, Wellington, May 2016.

²⁹ National Labour Force Projections: 2006 (base) – 2068 (median projections), Statistics New Zealand, Wellington, December 2015.

102 In addition to these policy settings, a number of other factors may influence a person turning 65 to stay in work.³⁰ These are:

- financial motivators such as having a mortgage, needing income for day-to-day or additional expenses, or wishing to pursue travel and other interests
- non-financial motivators such as keeping busy, feeling they have something to contribute, and contact with other people
- changing attitudes and expectations of those reaching 65.

103 Features that could facilitate workforce participation for older people include:

- removing labour market barriers such as age discrimination
- flexible work hours
- work with less responsibility or fewer physical demands
- being able to take more unpaid leave
- job-sharing
- age-specific provision of employment assistance services.³¹

Projected economic contribution by those aged 65 and over: 2011 to 2061

104 Recent research indicates that over the next four and a half decades New Zealanders aged 65 and over will make a significant contribution to the economy. In addition to paid work, older people will contribute through unpaid work, voluntary work and caregiving. They will also contribute through their growing power as consumers.³² The research highlights that:

- older New Zealanders earnings from paid employment are projected to rise from \$2.8 billion³³ in 2011 to about \$24.3 billion by 2061
- the amount of tax paid on older New Zealanders' earning from employment is projected to increase from about \$380 million in 2011 to about \$3.3 billion in 2061
- the value of unpaid and voluntary work undertaken by older people could rise from an estimated \$8.5 billion in 2011 to over \$45 billion by 2061
- older consumers are expected to spend around \$86 billion in 2061, compared to around \$14 billion in 2011.³⁴

³⁰ Ministry of Social Development (2009) *To Work, or Not to Work?*

³¹ Ministry of Social Development (2009) *To Work, or Not to Work?*

³² *The Business of Ageing Update 2015*, Ministry of Social Development, Wellington, 2015.

³³ Values are expressed real 2013 dollars and adjusted for real growth in the value of wages between 2013 and 2051.

³⁴ Ibid.

Conclusion

105 This report has outlined the public provision of retirement income in 2016, and compared this with 2010 and 2013. The Ministry looks forward to being of any further assistance to the Retirement Commissioner in completing the 2016 Review. Supplementary material covering social housing will be provided shortly.