

## General

**This submission is based on the principle** New Zealand Superannuation has become a generational transfer entitlement wrapped around family, equity and well-being principles.

Retirement income commentators need to acknowledge the world leading qualities of NZ Super/Kiwi Saver, praise their combined virtues, and build upon their combined quality platforms. Tinker too much at consumer peril!

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**1. An update and commentary on the developments and emerging trends in retirement income policy since the 2019 review, both within New Zealand and internationally.**

The Ministry of Business, Innovation and Employment (MBIE) and the Ministry for Social Development (MSD) will provide updates on KiwiSaver and New Zealand Superannuation since the last review in 2019.

The OECD publication 'Pensions at a Glance' 2021 provides an update on international developments and emerging trends ([available here](#)).

We are undertaking qualitative research to produce a 'Voices of Older New Zealanders' report. Dr Jo Gamble is conducting focus groups with older people in various locations across the country to gain a deeper understanding of people's experience in retirement (from a retirement incomes perspective). This report will be released in July.

## **SUBMISSION**

***Kaspanz notes the lack of NZ University funding Resource for Universities to focus on Retirement Income topics . PHD student support and contracting research funding for retirement income topics is required. Annual funding to groups like the Auckland Retirement Policy and Research Centre (RPRC) group is suggested.***

***The Retirement Commission should be funded to support contacted research on a range of Retirement Income topics, and also a pool of money annually available to support retirement income projects.***

***Targeting Economic commentators, Radio talk back hosts, and utilization of social media platforms to educate influencers on robust public policy options, is required.***

***A Retirement Income summit (last 1991) would be helpful to establish a platform of topics, material, and research papers.***

***Kaspanz is wary of the methodology used by the Mercer CFA Institute Global Pension Index, and draws attention to the critique of Littlewood on this issue. Mercer is not to be ignored, but its assumptions and comparative approach are questionable.***

### **2. The impact of government policy on the retirement savings outcomes and experiences of Māori as Treaty partners, and of Pacific Peoples and women.**

We are undertaking qualitative research to understand ‘What does retirement look for Māori?’ We had planned to hold hui to hear directly from Māori about what retirement looks like for Māori. However, the impacts from COVID-19 meant those hui were not able to be held. Dr Kathie Irwin instead invited Māori to complete an online survey, and asked people to address the focus questions the hui would have explored. Analysis of these findings will be included in her research report.

The Ministry of Pacific Peoples is interviewing people from nine Pacific backgrounds to research ‘What does retirement look for Pacific Peoples?’.

Research will take the form of talanoa (conversation) with the participants and their extended families in a number of regions throughout Aotearoa New Zealand, including Auckland, Hamilton/Tokoroa, Wellington and the South Island and will result in a report.

We are also undertaking research on 'What does retirement look for women?'. Dr Suzy Morrissey (Director, Policy) is preparing a report that examines women's current situation in retirement and investigates some of the causes (such as gender and ethnic pay gaps and the gender segregation of the labour market). The report will also apply a number of wellbeing frameworks to assess women's wellbeing in retirement.

All reports will be available here in July.

## **SUBMISSION**

***Kaspanz suggests the Māori Party and the Labour Māori Caucus be specific target groups for establishing relationships between Retirement Commission and key Māori Groups. Past experience has shown the Māori political parties often have no policy on retirement income, and also are difficult to engage with, not participating in Seminars or similar.***

***On line surveys are not the mechanism to target Māori, and should be avoided.***

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**3. Ensuring the 2022 Review of Retirement Income Policies has sufficient use of distributional analysis, cultural and gender lenses to understand the different impacts of retirement policies across New Zealand.**

We will ensure this is undertaken across all the research, analysis, and recommendations' Kathie Irwin has written and commissioned a series of technical papers to assist in this regard. They are as follows:

- Paper One Decolonising Public Policy: The Galaxy, The Gavel and The Gun by Dr Kathie Irwin
- Paper Two: Literature Review of Published Research by Dr Margaret Kempton
- Paper Three: Māori Demography 2040 by Len Cook
- Paper Four: What the people said, about 'what retirement looks like for Māori' by Dr Kathie Irwin (this paper is referred to under Term of Reference 2).

## **SUBMISSION**

***Kaspanz notes the trend over time for the National Party and ACT to introduce Policy which detrimentally affects low economic groups, Māori and Polynesian and women.***

***Kaspanz suggests all MPP political parties Policy and Research groups, be a focus for the Retirement Commission on educating and influencing retirement income policy. Kaspanz is sceptical of classroom based Financial Literacy approaches.***

***Rather than resourcing Financial Literacy (well-intentioned but an expensive use of resource) , which a recent Harvard Research paper finds little evidence of improving financial decision making, the Commission should focus on influencing Political parties, Talk back radio hosts, economic commentators and enhancing their knowledge of retirement income policy decisions.***

## Savings

### **4. New non-government initiatives to encourage people to save in a complex COVID environment, in collaboration with the private sector.**

We are working with our National Strategy for Financial Capability partners and other private sector representatives to consider new initiatives to encourage people to save.

#### **SUBMISSION**

***Kaspanz notes the widening gap between Rich and poor over the last 40 yrs. Revisiting the NZ Taxation system, to alter this trend, is the best method to address this element.***

***Adjustment to taxation formula on savings would be helpful, the advantage to property owners and investors over the last 30 yrs., has continued unabated.***

***A land tax or Capital gains Tax would assist the adjustment process.***

## KiwiSaver

5. Policy considerations (including design and product availability) for decumulation of retirement savings from KiwiSaver and other retirement savings schemes and assets after reaching the age of NZ Super eligibility.

We are undertaking work to distil prior decumulation research (both overseas and local) into specific policy considerations for Aotearoa New Zealand. As part of this work, Dr Michelle Reyers is also focusing on understanding the magnitude of current and future decumulation need, using insights obtained from new data. Her report will be released in July.

#### **SUBMISSION**

***Decumulation ( a dreadful word, misunderstood by the majority of the population, use pension or regular***

**allowance) should be a compulsory tool in retirement income savings on scheme exit.**

**Kaspanz suggests 75% annuity stream formula and 25% lump sum option . The current Lifetime Income product <https://www.lifetimeincome.co.nz/lifetime-income/why-lifetime/>**

**could be the basis for a Government funded initiative in this area, with a top up product to supplement NZ Superannuation payment.**

**<https://www.blackrock.com/us/individual/products/variable-insurance-funds/decumulation-challenges-and-potential-solutions>**

**Tax Credit for Women (pregnancy/time out of workplace) should be considered.**

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6. Policy considerations arising from the exclusion of people from KiwiSaver who hold temporary, visitor, work or student visas.

The [New Zealand Work Research Institute](#) at Auckland University of Technology is utilising the Integrated Data Infrastructure (IDI) to investigate how inbound migrants become eligible for and members of KiwiSaver.

The research covers three areas. The first is the size of the population who experience KiwiSaver ineligibility, which will be determined by examining a particular cohort of inbound migrants on arrival (in 2009) and over 10 years (to 2019), tracking whether they remain in New Zealand and their visa status (whether they have moved from a temporary visa to a resident class visa). The research will reveal demographic details (age, sex, nationality and ethnicity) of this cohort. The final element of the research is to determine if and when people in the study cohort joined KiwiSaver, and to compare the enrolment rate to those migrants arriving in 2009 on a resident class visa.

This research will help clarify the period of time spent on temporary visas (potentially a 'lost' period of saving for retirement) and the 'adoption rate' of KiwiSaver by new migrants and will inform our consideration of recommendations to change policy settings.

This project is led by [Professor Gail Pacheco](#), Professor of Economics, and Director of the NZWRI, with a team consisting of Associate Director of the NZWRI, [Lisa Meehan](#), and Researcher Livvy Mitchell.

## NZ Super

7. Income adequacy of NZ Super for future retirees who are renting a home or do not own their own home outright.

The Treasury is undertaking work on the income adequacy of New Zealand Superannuation for renters and those with mortgages. We are looking to understand the extent to which NZ Super covers the costs of rent or cost of home ownership, and how various factors, such as people buying houses later in life, lower levels of home ownership, and larger mortgages that may not be paid off before a person retires, impact on the ability to cover housing costs in retirement using New Zealand Superannuation. Dr Luke Symes is leading this work.

### SUBMISSION

**Kaspanz strongly endorses the Policy instruments of NZ Super and Kiwi Saver, both very sound Public Policy schemes. No alternatives suggested approach the same standard. Universality, and simplicity are enormous strengths . NZ Super needs to be applauded for its intergenerational sustainability. Both policy instruments are a platform for decades to come, not only they affordable, but because of their benchmark qualities, must be cemented into place as the basis for future retirement income policy. Parliamentary accord to achieve this would be helpful.**

**Kaspanz is sceptical of inter-generational equity research, comparing policy impacts over time. Instead, we support the believe that each generation has a range of issues, both negative and positive re their approach to retirement income, each balancing each other out.**

**It is impossible to quantify whether one generation has a better outcome than the other, choices and approaches are different in each generational cohort, resulting in different outcomes. The adjustment factor in each generation is very hard to quantify, and predictive assumptions dangerous in their inaccuracy. Kaspanz strongly challenges assumptions that previous**

## **generations ( period 1930-2020 )have had it easier than current generation.**

8. The impact on retirement income adequacy, and retirement planning for New Zealanders who live abroad, of the proposed change to a 20-year residency eligibility period for NZ Super.

The [New Zealand Work Research Institute](#) at Auckland University of Technology is utilising the Integrated Data Infrastructure (IDI) to investigate how the upcoming residence change to eligibility for New Zealand Superannuation might impact Kiwis who spend time working overseas.

The research will track three cohorts of New Zealanders who leave to go overseas for at least a year. Of those departures in 1998, the research will identify the period of time spent overseas (up to 5, 10, 15, and 20 years). The research will also track emigration of New Zealanders in 2005 and 2010 and their emigrant or returned status as at 2019.

This research will provide the greatest detail for one cohort only, and departures in other years may have been different (in quantum or destination country), and it relies on the information on departure cards (that would not capture any subsequent move to another country). However, despite these caveats, the research will provide a summary of destinations (that we can compare to the list of countries with whom we have a social security agreement) and details of the duration of absence (to consider whether the need to spend 20 years in New Zealand will make many people ineligible for NZ Super).

These outputs will help clarify the impact on New Zealanders of the change to the NZ Super policy settings.

This project is led by [Professor Gail Pacheco](#), Professor of Economics, and Director of the NZWRI, with a team consisting of Associate Director of the NZWRI, [Lisa Meehan](#), and Researcher Livvy Mitchell.

## Housing

9. How diverse housing options for seniors would have different impacts on pre-retirement savings and retirement income. The work should be complementary to that undertaken by the Office for Seniors and other relevant agencies.



The Ministry of Pacific Peoples is interviewing people from nine Pacific backgrounds, in two age groups, to understand their housing experiences and preferences, before and after retirement, focusing on those who live in multi-generational housing arrangements.

The [James Henare Māori Centre](#) at the University of Auckland is conducting research on the housing experiences of older Māori. This project is led by [Dr Marama Muru-Lanning](#), Director of the Centre.

Dr Jo Gamble is surveying pre-retirees on their housing preferences and how this impacts their current savings. She is also conducting qualitative interviews with people who live in co-housing arrangements, to better understand their income sources and areas of expense relating to housing.

## **SUBMISSION**

***Kaspanz strongly supports a range of housing for seniors ranging from Tiny Homes to normal stand-alone homes. Kaspanz strongly suggests past and current Council rules, the 1991 Resource Management Act and developer business practice, plus the lack of a Capital Gains tax has resulted in a narrow and restrictive housing approach, which has favoured (large stand-alone homes).***

***High rise, terraced housing, town houses and smaller dwelling size must be 'prioritised: to buyer advantage in future policy and housing rules.***

***\*Kaspanz notes the size of residential homes is currently averaging 156m, down from 2010 high of (2020m), all well above the 1974 130 (m). Large homes, expensive to heat, and larger building costs, have dominated the NZ housing market for the last 4 decades, contributing to the expensive and overheated NZ housing market.***

## NEW ZEALAND SUPERANNUATION: GENERATIONAL WELLBEING



Len Bayliss a well-respected New Zealand economist (1927-1918) said in 1996, *"Doomsday rhetoric characterizes NZ media handling of retirement income policy"*. Twenty-five years later his comment still retains validity.

I suggest some of the language about NZ Superannuation over the last two decades has moderated, and there is now a growing awareness that our superannuation scheme is excellent public policy, supported by the sound

Kiwi Saver scheme. The recent Q+A with Jack Tame, New Zealand Superannuation discussion (29<sup>th</sup> August), was an example of how commentator knowledge has improved over the last two decades.

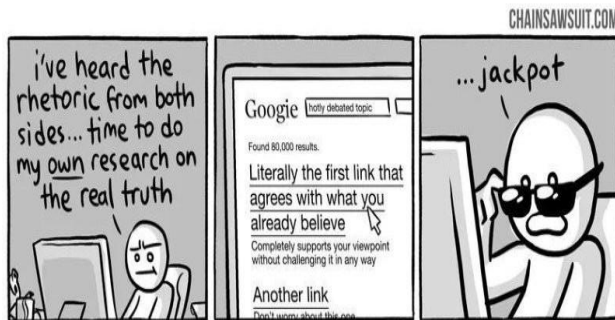
Knee Jerk reactions do continue, pop up commentators with dubious credentials are everywhere. Talk back radio is one example; social media platforms another. Fascinated by their own one-line rhetoric, and often conservative political orientations, some talk back hosts run the risk of becoming on-air



trolls .

No issue here with voicing opinions, just be more transparent about your leanings. Those with the strongest bias are often the most strident in disguising their rigidity of conviction.

The media continues to do a poor job in the transparency stakes about the faces and voices engaged in 2021 communications, and the bias they bring to the microphone.



Long term projections often appear in the Retirement income discussions. Time-frames around 2050-2080 projections are useless and can be disregarded. Why disregard? History shows such assumptions are so wide of the mark they lack value, and the projections cannot factor in society changes over time. Inevitably, commentary over states the extent of existing knowledge and its degree of certainty.

Those who are prepared to research NZ Retirement income policy should start

with Roger Hurnard, previously a consultant on NZ retirement issues), with his 2011 paper *“Mixed messages :the future direction of NZ retirement income policy”*<sup>1</sup>. Then read the *2019 Retirement Commissioners Review paper to government*<sup>2</sup> It is a thoughtful and restrained discussion paper. Add in Michael Littlewood’s various superannuation papers published throughout the two decades 2000-2020.  
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Commentary by commentators Martin Hawes, Mary Holm, Rob Stock and analysis work by Susan St John and Dr Claire Dale further add substance to readers’ knowledge . They all help provide the platform for useful contributions to the topic and the further development of sound public policy.

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<sup>1</sup> The assessment of retirement income system options A paper for the External Panel on the Treasury’s Long-Term Fiscal Statement October 2012 Roger Hurnard

<sup>2</sup> CFFFC Review of Retirement Income Policies 2019

<sup>3</sup> **Michael Littlewood: Our pensions are affordable for future taxpayers 17 Aug, 2018**

*The myth “burden of the ageing population”* continues to be aired, rarely understanding the fact that superannuation policy is far more than a monetary formula. It is linked to issues of physical security, personal well-being, economic productivity, social health and the distribution of income and wealth.

New Zealand’s superannuation scheme is a recognised world leader, with a simple structure, low-cost administration, and with no exceptions.

Be alert and wary to those suggesting means-testing or removing universality, as these are wonderful pub fare one liners, but are poison for the greater public good. Be sceptical of those saying *“throwing younger generation under the bus”*. Referencing such throw away lines usually means one is unable to sustain a coherent argument.

The dollar cost of NZ super as a proportion of GDP is also exaggerated. Unlike many other countries New Zealand does not pay a tax free Superannuation pension. That needs to be factored into the numbers. The current after-tax figure is 4.5% of GDP, a low figure, and future projections within a reasonable time frame (2030) show around 6%, also a sustainable figure.

Many of today's seniors are economically active, boosting the participation rate and paying tax. We should talk about "multipliers". More people working means increased output, stimulating the economy, and increasing productivity.

Conversely rampant discrimination and the fact many of the elder generation have many quality-of-life health issues, means the vision of working seniors does not apply. Research strongly suggests that usually it's only the well-

educated who can find regular income after 65 years of age. The next paragraph shows a paradigm shift in New Zealand's economic landscape .

Voluntary and unpaid work needs to be factored into all economic costings, with seniors involved in less crime, road accidents etc. Seniors are the backbone of New Zealand family child care arrangements. Seniors are also assisting with many housing deposits, and early inheritance lump sums, frequently at their own savings disadvantage. The input of the older generation in providing a place of abode for those who often don't leave their childhood home is now everyday living arrangements. Many children who have departed are also returning to their original 'nesting place' after the ravages of failed marriages and independent living arrangements. All these issues are the new normal, and represent a significant community adjustment.



We are talking of a fundamental societal shift over recent years. Seniors are now the backbone of many of the family economic arrangements in New Zealand. New Zealand Superannuation has become a generational transfer entitlement wrapped around family, equity and wellbeing principles.

Alec Waugh

Chairman

Kiwi Saver, Annuities, New Zealand Superannuation,  
Protection Society Incorporated