



Grey Power NZ Federation Inc Submission to the Retirement Commission on the 2025 Review of Retirement Income Policies

2025 Arotake o ngā Kaupapahere Moniwhiwhi Ahungarua

Introduction

This submission is made on behalf of Grey Power NZ Federation Inc (GPF)

GPF is a non-sectarian and apolitical, not for profit organisation that aims to advance, promote and protect the welfare and well-being of older people.

Grey Power is a voluntary organization founded in February 1986 by a group of Superannuitants protesting the imposition of a surcharge on New Zealand Superannuation. First started as the Auckland Superannuitants Association, the founders were very vocal in their anger at the surcharge. At that time, there was a media campaign against the Government of the day, so meetings were well publicised and attracted a media presence which meant the movement quickly spread and further Associations formed in other areas. The protest gained momentum and the surcharge was abolished.

The individual Grey Power Associations are all duly Incorporated Societies under their own right and together they form the Grey Power New Zealand Federation Inc: the National body of some 69 Associations throughout the country, with a combined membership of around 40,000.

GPF is the premier organisation representing the interests of older New Zealanders, and members have maintained a close watch on proposed legislative changes that would erode “entitlements” to NZ Superannuation for themselves and future New Zealanders.

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Summary of GPF Position on Review of NZ Retirement Income Policies in the context of the current evolving environment.

GPF continues to endorse the key message that NZ Superannuation (NZS) is excellent value for taxpayers when compared to other OECD countries, simply administered, and provides a degree of confidence for those planning for their future retirement. While some economic commentators urge successive governments to prune NZS eligibility this will only create uncertainty, financial hardship and a generation of seniors potentially living in poverty, rather than being supported and valued for their past contributions to society.

In the 2022 Review the Retirement Commissioner concluded that:-

“The most important aspect to NZ Super is that it is part of stable and consistent policy that allows people to plan over a long period of time. Maintaining trust and confidence in the system is vital and is a consistent message from this office to each government.

Currently NZ Super is a largely equitable system that is relatively simple to administer. It is clear to me that the age of eligibility to access NZ Super must remain the same, or a more complicated system be considered to reduce the inevitable inequity such a change would bring. Any increase to the age of eligibility will only further disadvantage women, Māori, and Pacific People.”¹

GPF position and recommendations for the future direction of NZS are summarised as follows:

1. Maintain Eligibility to a Universal NZS Income in Retirement.

GPF is committed to all New Zealanders, with appropriate residency qualifications, remaining eligible to receive a universal NZS income from the age of entitlement.

2. NZS in its Current Settings is Fiscally Sustainable.

GPF refutes media and political scaremongering that NZS is unsustainable and needs to be urgently overhauled. The NZ Society of Actuaries has elegantly summarised the situation in their January 2024 paper on **NZ Superannuation: An actuarial view on reform:-**

“We therefore are still of the view that it is not necessary to reform NZS. Debate usually focuses on the “cost” of NZS, which is often portrayed wrongly as in crisis. Contrary arguments which stress the value and purpose of NZS are strong. No reform to NZS is without difficulties.

We need to recognise trends which argue against diminishing the role or restricting the value of NZS. Today’s younger people may need NZS more than older generations. Although younger people can save in KiwiSaver for longer than older people could, they may have less potential to both own a home and save. KiwiSaver balances are not going to be high enough to allow any painless reduction in NZS. And inequalities in length of life are significant and visible to the extent that they should be addressed before planning to make them worse.”²

3. Eligibility for NZS to Remain at Age 65.

GPF is committed to eligibility for NZS to be maintained at age 65, unless measures are implemented in tandem to ensure that our most vulnerable seniors are not further disadvantaged by legislative changes to the age of eligibility.

4. Calculation of Annual NZS Adjustments to be Maintained.

GPF is committed to supporting ongoing benchmarking the NZS after tax payments to a minimum % of the median national wage after tax (currently 66% for a couple), with adjustments for CPI increases where these exceed any increase in the median national wage increase.

5. Means testing not to be used for NZS Eligibility.

GPF are committed to resisting any attempt to make NZS means tested. The NZS scheme is simple to administer, unlike systems with means testing such as in Australia. The bureaucracy involved with applying for and ongoing reporting requirements for Australian Pension recipients is inefficient and stressful for those entitled to a pension, while the administration charges are higher than for NZS as a universal benefit.

NZS does not distort incentives for employment and savings as much as means-tested systems. With additional earnings fairly taxed NZ has maintained a much higher % of 65+ people in the workforce than has been the case in Australia (25.3% vs 16.3%)³

6. Increase support for those dependent on NZS alone struggling to meet living costs, and unable to enjoy a dignified retirement.

GPF is aware of a significant group of retirees struggling to survive on NZS at its current settings. The 2022 Report raised concern about those who are *“struggling to get by in retirement, even where a home is owned outright, with people generally living just on NZ Super and perhaps being ‘asset rich but cash poor’.* NZ Super is relied upon by 40% of retirees and a further 20% only have a little more.”¹ (page 13)

This is a significant proportion of our retirees who really struggling to live in a dignified manner in their latter years, yet little appears to have been implemented to address this growing issue for our vulnerable seniors.

Some practical recommendations to relieve this unacceptable situation include the following:-

a. Urgently increase the Accommodation Supplement Levels and Eligibility

It is unconscionable that the Accommodation Supplement has not been increased since 2018 – 7 years during which the average market rent in New Zealand has increased from \$404 in 2018 to \$575 in 2025 - an escalation of 42%.⁴

The settings for the Accommodation Supplement need to be reviewed regularly – at least every 2-3 years rather than being conveniently overlooked for 7 years.

Some commentators feel that increases in the Accommodation Supplement just go into the pockets of landlords, and do not benefit the recipient. This has however been refuted in an MSD review published in 2022.⁵ Their conclusions were:

“Results suggest that, on average, around 90% of the increase in assistance stayed with Accommodation Supplement recipients as extra after-rent income. This broad finding holds for Māori and Pacific Accommodation Supplement recipients.

Long-term trends for the country show no noticeable change in overall average rents around the 2018 changes, or around the previous 2005 adjustment. Accommodation Supplement increases do not appear to be an important driver of the growth in accommodation costs that is occurring.”

Currently the maximum assets a single person can have to qualify for an accommodation supplement is \$8100, and \$16,200 for a couple. For an independent retiree with a small car to maintain independence, \$8100 is a stressfully small asset reserve to have for emergencies such as unexpected vehicle expenses or even replacement of the vehicle. Many also like to have some money saved and earmarked for their funeral, so drawing down their assets to under \$8100 to become eligible for an accommodation supplement, would be irresponsible.

In contrast, those qualifying for public/social housing are allowed up to \$42,700 in cash assets. (WINZ website). Also, for those on NZS, in social housing where their weekly income is below the current thresholds, they will only pay rent equivalent to 25% of their weekly after-tax income. Many single retirees are paying rent equivalent to 50% or more of the NZS weekly income!

This anomaly that removes the right to an accommodation supplement to many seniors with meagre savings to sustain them in their latter years, while those in social housing are allowed significantly higher cash assets needs to be urgently addressed.

b. Introduce a Zero Tax Rate for initial basic income.

As those who are struggling most with the high cost of living with escalating rates, rents, energy costs & insurance are those on the lowest incomes, including many seniors. To provide immediate relief to this cohort GPF urges that government investigates introducing a zero income tax rate for the first \$10,000 of income. This would immediately benefit the most vulnerable in our community. While this move would have some flow-on effects to government revenue a small increment to the tax rate for those on highest incomes could ensure this move is revenue neutral.

c. Adjust the winter energy payment by the CPI each year.

While the winter energy payment is much appreciated by retirees, the escalating energy cost increases are eroding the value of this support for our seniors and an annual CPI increase would be of great assistance.

In addition government review of escalating energy costs could provide other mechanisms to reduce the impact of soaring energy charges on all New Zealanders.

d. Reduce the impact of Local Body Rate Increases

GPF acknowledges the Government's recent increase in the income threshold for eligibility for the Rates Rebate. Raising the income close to the married NZS rate will enable many struggling retirees some much needed relief as Local Body rates continue to escalate. At the moment the Rates Rebate increases by CPI each year, but continues to fall well behind the rates increases faced by the majority of New Zealanders. Ratepayer discontent is widespread and the Government is encouraged to continue its work in this area to find practical solutions to reduce Local Body waste and to ensure that annual rate increases are capped close to the CPI.

7. Increase national long-term financial resilience with KiwiSaver improvements.

GPF supports the ongoing government and employer subsidisation of individual contributory savings accounts under the KiwiSaver scheme to enable future generations to have greater financial resilience when entering retirement. With decreasing home ownership and relatively low KiwiSaver balances currently it is essential that Government support a more sustainable and invaluable adjunct to NZS for the future of younger generations in their retirement.

GPF welcomes the recent budget announcement of enhancements to KiwiSaver that will improve financial resilience for future retirees with an increase to the employer & employee contribution rates from April 2026 and April 2028. The inclusion of 16-17 year olds is positive, but an opportunity to make employer contributions continue over age 65 was missed.

The recent cut in annual Government contributions to encourage savings was disappointing.

GPF support the Retirement Commission's recommendations⁶ to improve the future financial resilience of retirees specifically by:-

- a. Increasing the government contribution for those who do not benefit from employer matching (eg the self-employed)
- b. Supporting those on paid parental leave by continuing "employer contributions" for all, not just those who can continue to make their own contributions.

8. Maintain NZ Super Fund as buffer for future increases in NZS costs as a % of GDP.

GPF supports continuation of Government contributions to the NZ Superannuation Fund to partially "pre-fund" NZS to reduce the net fiscal cost ratio of NZ Superannuation to GDP in the future.

In conclusion GPF endorse the recommendations to the NZ Government from the United Nations Independent Expert on the Enjoyment of All Human Rights by Older Persons, Rosa Kornfeld-Matte, in her report on her NZ visit in 2020.

“The Independent Expert applauds the Government for its unqualified universal non-contributory pension, the New Zealand Superannuation, as a critical instrument in poverty alleviation efforts. At the same time, she stresses that levels need to be adequate to effectively lift older persons out of poverty, particularly for those who cannot opt in to the KiwiSaver, the voluntary work-based savings scheme. The Independent Expert encourages the Government to further consolidate the progress achieved so far and to address issues of adequacy, equality, portability and sustainability in a more systematic manner.”⁷

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