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Submission on the 2025 Review of Retirement Income Policies

To the Retirement Commissioner,
Te Ara Ahunga Ora Retirement Commission
PO Box 106-056,
Auckland City 1143
Email: submissions@retirement.govt.nz

From: **The Anglican Diocese of Auckland Social Justice Group of the Anglican Church in Aotearoa, New Zealand and Polynesia.**

Our interest in this review is because we, as the Social Justice Group of the Tikanga-Pakeha Diocese of Auckland, are committed to the five-fold Mission Statement of the Anglican Communion and in particular "seek to transform unjust structures of society".

(I) To proclaim the good news of the Kingdom;
(ii) To teach, baptise and nurture new believers;
(iii) To respond to human needs by loving service;
(iv)**To seek to transform unjust structures of society;**
(v) To strive to safeguard the integrity of creation & sustain & renew the life of the earth

A. RESPONSE TO THE 10 FOCUS AREAS:

GENERAL:

1. **Commentary on the purpose of retirement income policies, the performance of those policies and emerging trends since the 2022 review.**

Retirement income policies should aim to provide all individuals with a dignified standard of living—covering essentials like food, housing, and healthcare. They should act as a safeguard, ensuring no one falls into poverty due to aging or circumstances beyond their control.

In considering retirement income policies, the SJG proposes that senior citizens should not be treated solely as individuals, but also as members of their families. This may be seen as systems thinking:

> Systems thinking is an approach to problem-solving that views problems as part of a wider dynamic system. It recognizes and prioritizes the understanding of linkages, relationships, interactions and interdependencies among the components of a system that give rise to the system's observed behaviour. Systems thinking is a philosophical frame, and it can also be considered a method with its own tools. (Systems thinking, accessed 23 June 2025)

The Good News of the Kingdom of God endorses the family as the most significant building block in our communities. Jesus the Messiah was born into a family. This endorsement is also expressed in such documents as the United Nations' Convention of the Rights of the Child, ratified by New Zealand in 1993, that sees "the family as the fundamental group of society and the natural environment for the growth and well-being of all its members" (UNCROC, accessed 21 June 2025). Further implications are set out in the Universal Declaration of Human Rights. These considerations have relevance to the provision of housing, to be addressed under paragraph b) of five major emerging trends impacting retirement income policies.

We uphold the need for Human Rights to be protected:
United Nations. 1948. Universal Declaration of Human Rights. https://www.un.org/en/about-us/universal-declaration-of-human-rights

> Article 25: *Everyone has the right to a standard of living adequate for the health and well-being of themselves and their family, including food, clothing, housing, and medical care, and necessary social services. They also have the right to security in the event of unemployment, sickness, disability, widowhood, old age, or other lack of livelihood in circumstances beyond their control.*

There are five major emerging trends which impact retirement income policies:

a) Pay equity issues. They flow from a global reduction of women's rights in the workplace and we have seen specific legal action in New Zealand stopping ongoing pay equity cases.
b) An increase in the number of renters in the 65 and over age group. In New Zealand, approximately 13% of people aged 65 and over still have a mortgage, while another 20% are renting. In 2023 the Retirement Commission's director of policy and research, Dr Suzy Morrissey, stated that she expected the number of people over 65 renting to jump to 40 percent, or 600,000 people, by 2048. In the 2023 Census, 48.7% of the population of New Zealand did not own a home or hold one in a family trust (Figure.NZ). By contrast, home ownership in 1991 reached 73.8% (Te Ara Encyclopedia of New Zealand). A major factor was the cancellation of family benefit payments in 1986: these could be capitalised to make a deposit on a house purchase. The sharp reduction in home ownership from 73.8% to 51.3% over 32 years requires policy changes to reverse. A proposal for a policy change is made under paragraph 9.
c) A lack of social housing suited for low income older people. Many people (mainly Māori and Pacifica women) are unable to save for retirement because of their housing situation and yet they have sat on the Kainga Ora waiting list with a "need score" of A16, A17 or A18 for several years.
d) Hardship prior to the age of 65. There has been a growing number of withdrawals from Kiwisaver funds under hardship and financial mentors report that it is mainly women with under $20,000 in total balances who are using their KiwiSaver funds to sustain current

living costs and support whanau. This leaves them with no to minimal KiwiSaver funds at retirement.

e) Rise in “silver splitting” or late life divorce or separation. (https://www.nzherald.co.nz/lifestyle/silver-separation-why-more-kiwi-couples-are-divorcing-in-their-50s-60s-and-beyond/NQ2436X7HBBVPB4OXPHZNUOZGY/)

All these trends impact the most vulnerable senior citizens. There is a growing distance between those who do well in retirement and the most vulnerable group, who are on their own, renting, have no savings and whose well-being is severely impacted by the intersection of current Kiwisaver policy settings, suitable housing availability and Work and Income threshold settings.

Not owning a freehold home at retirement is becoming increasingly common and is one of the most important factors in predicting whether a person or couple will do well in their retirement years. The New Zealand Superannuation amount has for some years been based on an individual or couple having a mortgage free house, something that was reasonably high until the 2010s. This allowed many with mortgage free houses to move into a Retirement Village and as they got older, less mobile and more frail benefit from having people who can assist and a community that is both supportive and designed for old age.

Many of the benefits of a retirement village should be available to all, not just those who have managed to retire with a mortgage free house. The role for central or local government in providing “retirement villages” for those who cannot afford the cost of “buying” an apartment or villa in the existing villages should be considered. Inhabitants of such villages would not be able to receive anything from the village when they die but should be able to receive the services whilst living. They would also live in a community, instead of isolated as many do at present.

The set up for most Retirement Villages, and Rymans is possibly one of the better ones, is that the cost of the Occupational Rights to the apartment or villa is related to the housing values in the area at the time of purchase. Anecdotal evidence shows that a couple who sold their mortgage-free house in Howick for $870,000 in 2015 and paid $576,000 for Occupation Rights to an apartment would be able to live in that apartment as long as necessary. In addition, they made a weekly payment for Rates, insurance, maintenance and various services in the village which was $99.00 per month fixed in December 2015 and has now risen to around $250 per week. In addition, the value of the Occupational Rights decreases by 20% over the first five years of occupancy and is then fixed. The Occupational Right in this example is now about $461,000 which will go to the family at some point.

The other advantage of living in a village is the ease of moving into a serviced apartment at no capital cost as capability declines and in many cases a move to a Care Centre/hospital area with 24 hour nursing cover is possible. The cost of nursing care/hospitalisation is now some $5000 per week and includes everything including meals. Through the Residential Care Subsidy MSD covers the cost once the asset thresholds drop below a set threshold which is adjusted annually on July 1st to reflect inflation. This is equitable. For a single person the cash asset test is now $155,873.

As buying into a retirement village is not possible for those who are renting or have mortgages the Government can either substantially increase Super or provide the necessary housing services for those who do not have a mortgage free house. It is preferable for the Government to provide the housing as increasing the Super would only give more money to some who do not need it.

Any government set up “Retirement village” should have some basic facilities including some common areas for residents, a small weekly cost could be applied which residents could afford out of Super. There is a lot to be said for the Care Centre concept that Rymans have also being included as sooner or later many of the potential residents will need such facilities and the cost could be covered by the Residential Care Subsidy.

2. How these trends could play out in New Zealand over the next 25 years and their distributional and fiscal implications

No comment.

3. Evidence on retirement income policy innovation in other developed countries and lessons for New Zealand.

No comment.

4. Diverse savings outcomes and experiences of women in retirement given they are the majority population of over 65s, and that there is a 25% gap in average in KiwiSaver balances between men and women.

At the outset, we acknowledge that not all women are disadvantaged and not all men are advantaged. But on average, women are less wealthy than men at retirement and live longer, poorer lives.

The gender pensions gap reflects the compounding effect of the gender pay gap, the fewer hours worked per week, the lower hourly rate paid, the fewer weeks worked per year, conscious and unconscious bias, silver splitting, and the way that KiwiSaver has been designed.

Older women are disproportionately dependent on welfare benefits pre-retirement. The problem here is that the benefits themselves in New Zealand are below a minimal level of adequacy forcing many to have to apply for supplementary second tier assistance (Accommodation Supplement and Disability) and third tier hardship and food grants. The possibility of saving for retirement is very limited for these women.

Dr Claire Dale, research fellow at the Pensions and Intergenerational Equity Hub in the Department of Economics at the University of Auckland Business School, notes that the use of conventional welfare benefits with stringent income and asset tests are particularly harsh for those over 50 who spend sustained times unemployed, care-giving or incapacitated. They are likely to exhaust their private retirement resources before reaching the age of eligibility for NZ Superannuation (NS). (https://www.thepost.co.nz/nz-news/360619731/urgent-reforms-needed-keep-older-people-affordable-homes)

For those who do manage to save the outcome is not good. An example is a woman on a Supported Living Benefit who, while boarding with a relative, managed to put $20 per week aside into her KiwiSaver scheme and thus obtain the maximum government subsidy for those years. Later she ended up renting and was making ends meet with her Supported Living Benefit, the Accommodation Supplement and some Temporary Additional Support. On turning 65 her income dropped! This was because she had managed to save $19,000 in her KiwiSaver fund and Work and Income rigidly applied the cash asset test on the basis that her funds were now available for her to use. This precluded her from receiving Accommodation Supplement until her cash assets dropped to $8,100 and she could not receive Temporary Additional Support (which was also needed to pay her Auckland rent) unless her cash assets dropped to $1,095! This effectively ensured a retirement life of poverty and poor well-being.

Many senior renters, particularly those with no close whanau support, are increasingly going to food banks to ask for food whenever an "emergency" crops up. Their food money is the only discretionary income they can use if unexpected costs arise such as their laptop or car breaking down. They also face high health costs, including dental costs. An indictment on our retirement income policies!

Increasing longevity requires that their limited amount of funds needs to last longer. The $8,100 limit would not cover many extra expenses, and once it is depleted, it is difficult if not impossible to accumulate a new emergency buffer. An additional barrier to accumulating or maintaining an emergency buffer is the annual before-tax income limit of $67,756 for a single person living in Auckland and receiving NZS. Means and asset testing disqualifies couples from the supplement if they have cash assets exceeding $16,200 (for singles, the limit is $8,100). This was last adjusted in 1988!

Increasingly renters are becoming aware that there is no point saving in Kiwisaver! Work and Income will ensure that their funds are used until the threshold caps are reached. A threshold that has not been changed for 30 years! (*Data from the Ministry of Social Development shows there were 48,789 people receiving NZ Super and an accommodation supplement in December 2024, up from 34,279 in December 2019.)*

This threshold for Accommodation Supplement is particularly draconian when considering that the threshold for tenancy in a Kainga Ora home is $42,700! An elderly person in a Kainga Ora subsidised rental home with sustainable tenancy has major advantages compared to someone in a private rental who has been stripped of all savings and is at the mercy of rental increases. The actual Accommodation Supplement payment amount has stayed the same for 13 years and is not inflation adjusted. The poor are being screwed down tighter and tighter.

We note that the Retirement Commissioner in the 2022 review on Retirement Income Policies recommended to Government that the cash asset test for the Accommodation Supplement be increased to at least $42,700 per person and that consideration should be given as to whether annual inflation adjustments were appropriate. This recommendation has not been acted upon.

KIWISAVER AND OTHER PRIVATE SAVINGS:

5. The performance of the KiwiSaver scheme, with a focus on default settings, opportunities to improve contribution rates, use of different KiwiSaver fund types, participation by the self-employed, and whether KiwiSaver has been effective in increasing the net national savings rate.

As explained in Section 4 the ability to save is very much lower for women particularly low income women who will be the most vulnerable group in their retirement years. As knowledge of the disadvantage to renters through Work and Income's non-adjusted cash asset thresholds grows it is likely that more renters will consider decreasing their KiwiSaver savings by not voluntarily saving (as some beneficiaries and self-employed do now), lowering the percentage they save, requesting a savings holiday and/or by pulling money out of KiwiSaver under hardship and spending it before reaching 65.
The net savings rate for those in the bottom quadrant of KiwiSaver balances is likely to decrease not increase.

6. Government contributions to KiwiSaver, particularly the costs and benefits of government contributions, and which groups benefit most from receiving these contributions.

The 2025 budget set lower government contributions going forward and this will weaken any incentive for low income people, including those on benefits and those self-employed, to save. Currently a number of beneficiaries restrain their spending and budget carefully to put $20 per week aside voluntarily to receive the $520 contribution. The decrease in the government contribution will likely decrease the incentive to save for those with the smallest KiwiSaver balances.

7. Whether any market distortions arise from the KiwiSaver model.

No comment.

8. The role of (Non KiwiSaver) private savings in providing retirement income.

No comment.

9. Opportunities for innovation and improvement of provider and industry guidance/products supporting the decumulation/drawdown of retirement savings and other assets.

Susan St John and Claire Dale, in 2019 (Intergenerational Impacts: the sustainability of New Zealand Superannuation) noted a critical gap in KiwiSaver policies is a decumulation mechanism that would allow for the KiwiSaver lumpsum at age 65 to help provide an ongoing supplementary income. Given that many seniors in retirement are on their own and given the prevalence of dementia, an annuity option may improve simplicity and certainty. But for there to be such an annuity, state intervention in the decumulation phase will be required. Protection for long-term care expenses may also be desirable and might be incorporated in an annuity option.

Policy change to reverse the sharp decline in home ownership.
In considering retirement incomes, the SJG also proposes that unencumbered home ownership is of prime importance in securing adequate financial support of retirees. Paying rent is not sustainable if retirees are dependent only on universal superannuation. However, as already noted, home ownership in New Zealand has declined from 73.8% in 1991 to 51.3% in 2023. One explanation for this is offered by Ashley Church, the former CEO of the Property Institute of New Zealand (his full analysis is appended to this submission). Church suggests that the provision to capitalise the universal Family Benefit to purchase a first home was taken up by “tens of thousands of Kiwi families” (OneRoof, accessed 23 June 2025). As already noted, Church observes that home ownership peaked in 1991 five years after the withdrawal of the option to capitalise FB in 1986, “at which time it was replaced by the Family Support Scheme (now known as “Working for Families”) by the Lange Labour Government. Home ownership has been subsequently reduced by almost a quarter (22.5%). In 2025, average weekly rents in the country’s most populous city Tamaki Makaurau Auckland were $633 (Infometrics, accessed 23 June 2025).

Universal superannuation for a couple amounts to $1656.68 per fortnight. If this is their sole source of income a fortnightly average Auckland rent of $1266 consumes 76% of that superannuation. Affordable housing is defined as a payment not exceeding 30% of income (Canstar). The average rent for universal superannuitants is manifestly unaffordable. Church suggests that one option to address this unaffordability might be to allow families to capitalise Family Support Tax Credit payments. Readers are referred to Ashley’s Church’s appended analysis for specificity.

GOVERNANCE:

10. Opportunities to enhance retirement income policy-making processes in New Zealand. This should include advice on the frequency and scope of the reviews of retirement income policy undertaken by the Retirement Commission and how to ensure retirement income policies encourage ongoing trust in the system.

A key requirement for retirement income policy-making processes in New Zealand are collaboration with Kainga Ora on housing needs for the elderly and vitally with Work and Income on the setting of cash asset thresholds that allow for overall well-being and their annual

adjustment.
Current non-adjusted cash asset thresholds that are used to determine eligibility for Accommodation Supplement and Temporary Additional Support assistance strip the majority of senior renters of their nest eggs and deprive them of a small amount of discretionary income. This means that the ability to connect socially, to visit family, to have regular medical checkups is reduced and this leads to poor health outcomes and an increasing national health burden caring for seniors whose self-determination has been undermined.

B. RECOMMENDATIONS

1. Increase the cash asset test for the Accommodation Supplement to at least $46,240 per person and annually adjust this. (Note that $42,700 in 2022 is equivalent to approximately $46,240 today. To calculate this the New Zealand CPI data was used. The CPI for December 2022 was 1219.8, and the CPI for December 2024 (the most recent data available) is 1299.0.)
2. Increase the cash asset test for Temporary Additional Support to at least $10,000 per person and annually adjust this.
3. Increase the amount of the maximum Accommodation Supplement weekly payment and annually adjust it to provide relief for seniors in rental accommodation.
4. As poverty is strongly accommodation-related, an expanded programme of state housing for older people is needed.
5. Authorise the capitalisation of Family Support Tax Credit payments as proposed by Ashley Church to enable increased home ownership and affordability for the retirement years via universal superannuation. This is a long-term policy change.

C. CONCLUSION

Thank you for this opportunity to provide our views on New Zealand’s Retirement Income Policies and the need for change to prevent an increasing percentage of New Zealanders from living in poverty in retirement.

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APPENDIX

Family Benefits (Home Ownership) Act of 1964: Analysis by Ashley Church (OneRoof, accessed 23 June 2025)

The Family Benefit was universal (meaning everyone with kids received it) and was paid to mothers at a standard rate, per week, per child, from birth, usually until that child turned 16. It was one of a package of measures designed to increase the post-war population by incentivising people to have children — and it was certainly a contributing factor to the phenomenon known as "the Baby Boom".

The weekly amount changed over the years — from around 4 shillings, per child, per week in 1945 to $6, per child, per week in the 1960s — a period with which I'm familiar because it's the decade in which I was born. It's also notable for the introduction of a significant piece of legislation — the Family Benefits (Home Ownership) Act of 1964.

This Act introduced the ability to "capitalise" the Family Benefit — which allowed families to take the entire amount which would be payable for a child, until age 16, as a lump sum, provided they were using it to buy a first home. At $6 per week, the capitalised amount payable for a child from birth to 16 would be $4992 — although the legislation limited the capital sum to $4000 per family. This was still a substantial amount in 1964 — and would represent $86,000 in today's dollars. Tens of thousands of Kiwi families took up this option to use the Family Benefit to buy their first home.

The Family Benefit (and the ability to capitalise it) continued through until 1986, at which time it was replaced by the Family Support Scheme (now known as "Working for Families") by the Lange Labour Government. This new policy targeted support to those who actually needed it rather than paying it universally, regardless of need — but this "means testing" element of the policy also meant that a family's circumstances could change and they may not qualify in any given year. Because of this, capitalisation was no longer viable, since a family could not be guaranteed to qualify for the programme throughout the life of a child.

Is it a coincidence that our rate of home ownership peaked just five years later, in 1991? Probably not.
But how could we replicate the success of Family Benefit capitalisation without a return to the crude, clumsy and costly downsides of universal benefits?

One option might be to allow families to capitalise Family Support Tax Credit payments on the proviso they would be required to repay a portion of this amount in any year in which they did not qualify. The numbers to provide an example are difficult to calculate as payments are tailored to individual family circumstances — but if the capitalised sum was set to a maximum of $50,000 and was claimed for the full qualification period of 18 years for a family with one child — that family would be required to repay up to $2700 in any year in they did not qualify, or in which their entitlement was reduced.

Since Family Support is now managed by IRD this would be relatively straightforward to monitor and manage - and such a program would have the added benefit of directing support to that part of kiwi society which is arguably currently under the most pressure. (One Roof, accessed on 23 June 2025).