

Purpose statement for New Zealand's retirement income system

SUMMARY

The Retirement Commissioner is tasked with developing and promoting methods of improving the effectiveness of New Zealand retirement income policies, and with monitoring the effects of retirement income policies that are being implemented. In order to consider whether a policy is effective requires understanding its purpose. As the retirement income system did not have a purpose statement, the Retirement Commissioner created one, and this paper considers its implications for policy design.

KEY POINTS

- NZ Super legislation does not include a purpose section and people hold a variety of views on what the purpose of NZ Super might be (poverty pension, basic standard of living, reward for previous social and economic contribution, payment of taxes).
- The purpose of the legislation enabling KiwiSaver is to encourage a long-term savings habit and asset accumulation by individuals who are not in a position to enjoy standards of living in retirement similar to those in pre-retirement.
- The Retirement Commissioner has created a purpose statement for the retirement income system, which includes NZ Super and KiwiSaver as well as other private savings, to facilitate policy analysis.
- The purpose statement has wide-ranging policy implications that require consideration of equity issues, as well as a broader view of which policies impact retirement income, including infrastructure.

MAIN MESSAGE

The retirement income system in New Zealand consists of NZ Superannuation, KiwiSaver, and private savings. Analysing the newly-created purpose statement of the retirement income system reveals wide-ranging policy implications including the need for transitional rules and gradual implementation of any changes, consideration of equality and equity, the need to identify any implicit assumptions, and to understand any impact on savings. It also highlights the importance of infrastructure, such as healthcare and transport, for the retirement income system.