

New Zealand First Response to:

“Focusing on the Future: A Discussion Document”

New Zealand First policy is to deliver a long-term, sustainable superannuation scheme, secure from political tampering.

There are a number of important issues that the Commission for Financial Literacy’s “*Focusing on the Future: A Discussion Document*” omits or does not cover adequately.

Below is a summary of the major retirement income issues that we think needs to be addressed in the document.

Undermining of New Zealand Superannuation (NZS)

New Zealand’s retirement income framework works well for the majority of people over 65 to achieve good outcomes. It is no exaggeration that NZS is a foundation stone for a fair and equitable society.

Currently, at 4.78% of GDP (gross), NZS is clearly affordable and will be for any foreseeable future. I attach a copy of Michael Littlewood’s recent paper on this issue, which NZ First considers to be a fair summary of the situation. For this reason, NZ First Superannuation Policy is to retain the age at 65 years, non-contributory with no means testing, indefinitely.

Overall, NZS is a very good scheme, affordable, clear and simple to administer. NZS is the envy of many countries. And yet, the propensity of some commentators and the financial services sector to undermine the scheme with propaganda on future “unaffordability” and “unsustainability” of NZS is astounding.

In its July 2013 Long Term Fiscal Statement, Treasury projections are that NZS will account for 7.2% of GDP in 2050 and 7.9% in 2060. (Commendably, the Commission has included this data in the discussion document). Clearly, there is no “unaffordability” crisis and we consider that the Commission should counter, directly and clearly, the alarmist rhetoric aimed at undermining NZS.

Residency Criteria

Currently, at 65, all migrants get full NZS after 10(5) years residency. This is an unusually generous residency requirement compared to all other countries. Over 60,000 migrants entered New Zealand under the parent reunion in the last 15 years. Those who enter under Parent Category have no requirement to work in NZ.

In our view it is unfair that those who have been here just 10(5) years entitled to full NZS, the same as those New Zealanders who have lived here all their working lives.

We also consider this generous NZS entitlement acts as a magnet drawing in excessive numbers of migrants who then also place demands on public services such as health.

NZ First policy is pro-rata entitlement to NZS based on 45 years residence between the ages of 20 and 65 years for a full entitlement. Simply put;

residents of 10 years get 10/45th NZS

residents of 25 years get 25/45th NZS

residents of 35 years get 35/45th NZS

I have a private member's bill already prepared and in the ballot, for this purpose

Overseas Pensions

New Zealand's overseas pensions' policy is a minefield of anomalies and inequities. Section 70 of the Social Security Act (1964) requires people who have earned an overseas state-run pension to forfeit this amount from their NZS under the Direct Deduction Policy. Usually, these state-run pensions are contributory (SAYGO) whereas NZS is PAYGO. Almost 70,000 out of 638,000 superannuitants suffer some level of deduction.

NZ First policy is to ensure all pensioners with overseas pensions retain their overseas pensions, which are no business of the NZ Government. There would then be no further need for the labyrinth of complexities and unfairness of reciprocal agreements. NZ First policy addresses the unfairness faced by "Section 70" migrants and expat Kiwis who have worked overseas, bringing back their contributory overseas pensions.

KiwiFund

The general consensus is that New Zealanders need to increase their savings rate as part of its overall approach to providing adequate retirement income. In October 2013 NZ First launched KiwiFund; a new KiwiSaver scheme.

KiwiFund would be a state-run KiwiSaver provider. Savers would be able to choose between a state-run provider and existing KiwiSaver providers. KiwiFund would offer minimal fees and a guaranteed return of capital.

KiwiFund would also appeal to New Zealanders because the focus would be to invest far more in New Zealand land, assets, enterprises and infrastructure than do existing KiwiSaver providers. Patriotic New Zealanders want to see their savings invested in the development of their own country when it makes financial sense.

Conclusion

It is essential that NZS gives people certainty and financial safety in their senior years. NZS is what makes the real difference for hundreds of thousands of Kiwis.

We see a concerted campaign designed to undermine NZS deceiving the public that all the experts are in agreement the current age of entitlement is unaffordable. The Commission should take a clear stand to counter this misinformation

NZ First is committed to ensuring the scheme is safeguarded and improved for the future. The issues we have raised in this memorandum are important aspects of achieving that objective.