

G	government
S	superannuitants
A	association

Executive Officer

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The Retirement Commissioner  
PO Box 12148  
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Dear Ms Maxwell

Your publication "**Focussing on the Future: A discussion document**" sought comment prior to your submitting a final report to the Government in December 2013.

The Government Superannuitants Association, representing more than 26,000 members of a scheme (that has a considerably higher employee contribution rate at 6.5% than most of the examples you give in your report) has only a passing interest in the KiwiSaver scheme that is central to your report. We do however have an interest in taxation, and particularly the TTE scheme, introduced in 1990, since when the current tax-paid annuities have been paid to our members. At that time the current and future GSF and NPF annuities were diminished by a "reduction factor" to avoid what was described at the time as a "windfall gain" arising from the taxation changes.

We have been for some time engaged in a dispute with our former employer, the Crown, over its refusal to lower the reduction factor to take account of the substantial reductions in taxation that have occurred since that time. This question of the treatment of annuities is becoming more important, as you have observed on page 14 of your report, as the defined contribution e.g. KiwiSaver retirement savings are "paid out as a lump sum or more often, converted into a pension-income stream on retirement". You note further, on page 31: "New Zealand's capital markets are relatively small and shallow, providing limited opportunities for investment of savings". A contributor to this, as the Capital Markets Development Task Force noted, may well be the 30% tax rate on annuities, a clear disincentive to those contemplating seeking to convert their lump sum into an annuity. Government election material in 2011 saying that 75% of taxpayers were paying 17.5% as their marginal tax rate highlights the inequity of this. You are right to conclude on page 51 that "the tax treatment of annuities" leads to a situation where "the tax system is still not optimal in terms of consistency of treatment of different forms of savings".

Our members signed up for a retirement scheme many decades ago and have the not unreasonable expectation that their responsible decisions and salary sacrifice over a working lifetime will not lead to them being unfairly burdened with a 30% GSF annuity reduction factor paid in lieu of tax. The Crown should not be able to take advantage of the fact that retirees are unable to alter those long past decisions to save for their retirement in a certain way to refuse to recognise an inequity that only the Crown, with its monopoly on taxation decisions, can correct.

We would hope that your final report will highlight the need to address this issue, and the need for governments to set an example and take the long view on examining retirement income provisions.

Yours sincerely

Jim Turner  
President