

2013 Retirement Income Policy Review

Submission by Boyd H Klap

Since 1982 I have been involved in ageing issues in my capacity as CEO Prudential then as CEO Life Offices Association, Associate Price Waterhouse, Chairman of Reverse Mortgage company Sentinel and as Chairman of the Council of Life time design, a charitable organization dealing with suitable design of housing for older people.

Organizations dealing with ageing issues

During recent years public and private organizations have been established dealing with older people issues and considerable research has been undertaken. Many meetings have also taken place such as the Symposium on older people on the 4th of September 2006 attended by CEO's of the Department of Labour and the CEO of Business New Zealand

Although the summing up stated that the following should be acted upon: "*Co-ordination across agencies and sector champions*" little action appears to have taken place.

There are Government bodies such as the Retirement Commission, the Senior Citizens Unit, Work and Income as well as many private organizations that seem to work in isolation. As a result duplication takes place in research and action

There have been positive outcomes such as Sorted by the Retirement Commission, the Positive Ageing Strategy by the Office of Senior Citizens in 2006 and Ageing in Place but much more could have been achieved if the recommendation of the above mentioned symposium was implemented.

There are many issues as a result of an ageing population in addition to income in retirement such as accommodation, health, "retirement age" and continued work needs that should be addressed as a whole and not in isolation

Recommendation

That an Ageing Working Group is set up to study organizations dealing with ageing issues and that they produce a report to the Government with recommendations.

It is essential that the group includes older members with practical experience but with an open mind

Retirement Age

Although we have removed a compulsory retirement age the New Zealand Superannuation benefit commences at 65 which is still an indication that 65 is a

special age. It is also still used by some employers who wish to retire workers using psychological pressure.

Life expectancy at birth in New Zealand for women is 82 years and for men 78 years. This represents an increase of 7 years for men and 5 years for women since the mid 1980s (Ministry of Social Development 2008)

That means a longer period in retirement whilst the general belief is that older people appear 10 years younger than people of the same age did some years ago

Workforce participation for people over 65 has also increased.

The Department of Statistics in its Labour Force Surveys for 1999 shows a 65+ participation rate in the first quarter of 7% and in the June quarter of 2009 15.9%, more than double.

A survey in 2006 by the Equal Employment Opportunities Trust found that although only 16% found the 65-70 age ideal to retire 45% expected to retire between 65 and 70. (See table1)

It is current Government policy not to change the age of eligibility of New Zealand Superannuation from 65. But even if it was changed to a later age it would just create another "retirement" benchmark.

Although retirement from the workforce is influenced by financial considerations many older people in good health and in a job where age is no problem prefer to continue to be part of the workforce but sometimes on a part-time or working from home basis.

I believe we should introduce flexibility in the payment of superannuation as many people who will continue to work may not have any need for a Government Pension whilst they are working.

The Government should consider a change to New Zealand Superannuation so people at 65+ people can elect to delay receiving New Zealand Superannuation. It could be available from 65 onwards but can be taken up later at a higher actuarially based payment.

In practice it could mean that somebody who is in the workforce decides that the payment is not necessary but when some years later he/she decides to stop working will receive a higher amount. (See table 2)

Recommendation

That at age 65 and over people will be given the opportunity to delay receiving New Zealand Superannuation and will receive an actuarially based higher amount when taken up at a later date

TABLE 1**Example of effect of delay in payment of NZ Superannuation benefit**

| Age | Gender | Expectation of Life (years) | Increase if deferred to later age | Gender | Expectation of Life (years) | Increase if deferred to later age |
|-----|--------|-----------------------------|-----------------------------------|--------|-----------------------------|-----------------------------------|
| 65 | M | 17.9 | | F | 20.6 | |
| 66 | M | 17.2 | 1.06 | F | 19.8 | 1.05 |
| 67 | M | 16.4 | 1.12 | F | 19.0 | 1.11 |
| 68 | M | 15.7 | 1.19 | F | 18.2 | 1.16 |
| 69 | M | 14.9 | 1.27 | F | 17.4 | 1.23 |
| 70 | M | 14.2 | 1.35 | F | 16.6 | 1.30 |
| 71 | M | 13.5 | 1.44 | F | 15.8 | 1.38 |
| 72 | M | 12.8 | 1.55 | F | 15.0 | 1.47 |
| 73 | M | 12.1 | 1.66 | F | 14.3 | 1.56 |
| 74 | M | 11.5 | 1.78 | F | 13.6 | 1.66 |
| 75 | M | 10.9 | 1.92 | F | 12.8 | 1.78 |

Based on NZLT 2005/07, assuming no inflation increases in benefit, no interest on deferred payments (Source John Melville consulting actuary)

Table 2a
Ideal age at which to retire (%) (Male and Female)

| | |
|----------|----|
| Under 50 | 8 |
| 50-54 | 12 |
| 55-59 | 23 |
| 60-64 | 30 |
| 65-70 | 16 |
| 70-74 | 5 |
| 75+ | 2 |

Table 2b
Age at which expect to retire (%) (Male and Female)

| | |
|------------|----|
| Under 50 | 1 |
| 50-54 | 2 |
| 55-59 | 7 |
| 60-64 | 22 |
| 65-69 | 45 |
| 70-74 | 9 |
| 75+ | 4 |
| Don't know | 10 |

(Source Equal Employment Opportunities Trust 2006)