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UK Looks to NZ for a 'How To' on Pension Planning

Retirement Commissioner Diana Crossan reports on a recent visit to London

New Zealand is yet again the centre of international attention. This time it's not the All Black's or yachting, but something far more prosaic - our retirement policy.

Our particular model of future pension planning has attracted overseas interest because of its simplicity, affordability and focus on lifelong financial management.

I was invited to London in November to speak at a conference. While I was there I met with more than a dozen UK politicians, government officials and NGO staff members charged with financial planning and pensions policy.

I briefed them on the detail of New Zealand's approach to providing for pensioners today and in the future:

- The national policy of a citizen's pension for everyone
- The NZ Superannuation Fund for future financial pressures
- The Retirement Commission's approach to lifelong financial education.

The UK pension scheme is facing a major shakeup. At present 10 percent of UK GDP goes to pensioners. This will have to rise to 15 percent by 2050 if future pensioners are to enjoy the same living standards.

In comparison, the New Zealand state pension equates to about 4 percent net of GDP and this is set to rise to just under 8 percent net by 2051.

Britain's distinctive pension policy - a partnership between state (60 percent of pensioner income) and the private sector (40 percent) - was expected to deal with challenges posed by the aging population. However the funded private pension system is now in serious decline and individuals are not picking up the slack.

The UK is facing some tough decisions - either to reinvigorate the present system, to rebuild the state pension (which will cost equivalent of NZ\$102 billion in today's money) or to introduce a large-scale compulsory savings programme.

New Zealand has already made the tough decisions.

We tackled the complexity problem back in the '90s and now it is relatively straightforward.

We also made the decision to stick with state funded pensions. The 1997 Compulsory Superannuation Savings Scheme public referendum showed overwhelmingly that New Zealanders were against compulsory savings so successive administrations have shifted back to central government involvement in pensions. This policy also led to the development of the Superannuation Fund.

The respected UK Pensions Policy Institute has written a discussion paper *Citizen's Pension: Lessons from New Zealand* on how our system is a useful role model in reducing pensioner poverty and improving stability in pension policy.

However New Zealand cannot rest on its laurels and still has some things to learn from international experience.

Financial education is in the UK school curriculum, unlike New Zealand. It's not always well taught and it's not taught everywhere but at least it is present in the curriculum.

The Retirement Commission would like to see financial education in schools here. Our school's project is working towards financial education being embedded into the school curriculum. It is vital every child sees the benefit of planning for the future as there will always be onus on the individual to determine their quality of life in retirement.

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