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Government urged to take planning for future New Zealand Superannuation costs more seriously

Retirement Commissioner Diana Crossan has expressed disappointment at the lack of action from successive governments in planning for the future funding of New Zealand Superannuation.

The Retirement Commission is charged with reviewing retirement income policy every three years.

"I made recommendations in the 2007 Review of Retirement Income Policy about the need for a report on the necessity, feasibility and implications of options for the future financing of New Zealand Superannuation. I have received a letter from Ministers that indicates we will not receive a report as expected and they want the issue addressed in the next review, due December 2010," said Diana Crossan.

"That doesn't alter the fact that we still need to see the detailed work now so New Zealand can make decisions based on the latest forecasts."

Statistics New Zealand estimates that by 2051 nearly 1.3 million of the population will be older than 65, and of those, 335,000 will be older than 85 years. The total cost of New Zealand Superannuation is expected to increase considerably over the next twenty years.

"An aging population is going to need more support from a shrinking working population. We need to be talking now about how we are going to meet these costs. Our last Review raised several options to meet the increasing cost of New Zealand Superannuation in the future including introducing income targeting, lengthening the required period of residence in New Zealand, reducing the ratio of benefit given to that of the average wage or gradually raising the age of entitlement.

"Australia announced in May that it is increasing the age of entitlement to their aged pension.

"It's important to note that improving the nation's productivity, increasing taxes and cutting government spending in other areas, are also options to meet the future cost of New Zealand Superannuation. A solution may be a combination of these options.

"Both major political parties have said they won't alter New Zealand Superannuation, but they need to say how they will fund increased future costs.

“Paying for New Zealand Superannuation in the future is either going to require new money or an adjustment to the current parameters of New Zealand Superannuation or else it’s going to be a significant burden on future generations.

“As a nation, we need to understand much more about how life expectancy will increase and what this is likely to cost. The fact that people are working longer and the impact of the aging population on the health budget need to be taken into account. We were expecting a report from government at the end of June 2009 outlining the implications of some of the options.

“We need this detailed material from the Treasury and the Ministries of Social Development and Health, so we can start seriously planning for the future,” said Diana Crossan.

More information on the 2007 Review of Retirement Income Policy is [available here](#)

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