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Media Release

UK follows NZ lead on retirement income

The UK Pensions Commission is today recommending that aspects of New Zealand's retirement income policy be adopted in the UK, including the suggestion of Kiwi Saver .

The recommendations follow a major policy debate in the UK in which New Zealand has been used as a model for tackling the rising pension costs of an older population and other pension problems.

Retirement Commissioner Diana Crossan said it is not the first time New Zealand's retirement income framework has been looked at closely by other countries.

"New Zealand's model is admired because it is equitable and people know what they are entitled to," said Ms Crossan.

"Unlike many other countries, in New Zealand superannuation is independent of a person's lifetime income. This means our system does not favour high income earners or other groups but provides people with a set level of income.

"Regardless of their own financial situation, New Zealanders know there will be a basic income at retirement and they also know how much they are likely to receive."

Ms Crossan said the changes recommended by the UK Pensions Commission were significant and had been brought on because the UK's current retirement income policy is inequitable, inadequate for some, and is so complex it is hard for many people to fully access its benefits.

"One of the biggest weaknesses of the UK pension policy has been that retirement income is tied to a person's income so people have found it difficult to plan how much they will receive in retirement from the State."

"While the UK has worked hard to improve its system it is still much more complex than ours. For example, they still need a separate process for looking after different groups of people - like carers, who tend to be women who've been looking after children, or older relatives. This is not a problem here because everyone is entitled to New Zealand Superannuation at 65, provided they meet residency criteria," says Ms Crossan.

Ms Crossan also noted that she agreed with the UK Commission's statements about the need for "open and careful debate" about retirement income policy, and sees that an important part of the role of the Retirement Commission in New Zealand.

The UK Commission is recommending a body be set up to monitor retirement income policy in a similar role to our Retirement Commission.

Diana Crossan has twice visited the UK at the invitation of the Association of British Insurers and Prudential to give a New Zealand perspective on retirement income policy. These visits took place in October 2005 and in August 2004.

In February this year a delegation from the UK Department of Work and Pensions and the Financial Services Authority visited New Zealand to better understand New Zealand's policy framework, including the role of the Retirement Commission.

For more information also see the UK Commission's report www.pensionscommission.org.uk

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