

**Institute of
Policy Studies & Retirement Commission**



**Retirement Income Policy Conference
Holiday Inn Wellington
22nd July 2010**

Retirement income policy and intergenerational equity

21-22nd July 2010

Susan St John

Co-director, Retirement Policy and Research Centre

Lumpsum KiwiSaver plus universal NZS?

Government Transfers to Households (In percent of GDP)			
	2005	2009	2014
NZ Superannuation	4.0	4.3	4.7
Unemployment benefit	0.5	0.3	0.4
Family and in-work tax credit	0.6	1.5	1.3
Other benefits	3.4	3.3	3.4
Total benefit expenses	8.8	9.6	10.0
Student loans	0.3	0.7	0.4
Kiwi Saver subsidy	0.0	0.7	0.5
Total transfers to households	9.0	11.1	10.9

Source: New Zealand Treasury, HYEPU December 2009.

More *intragenerational* sharing of the costs required

Wealthy, high income, younger working 65+

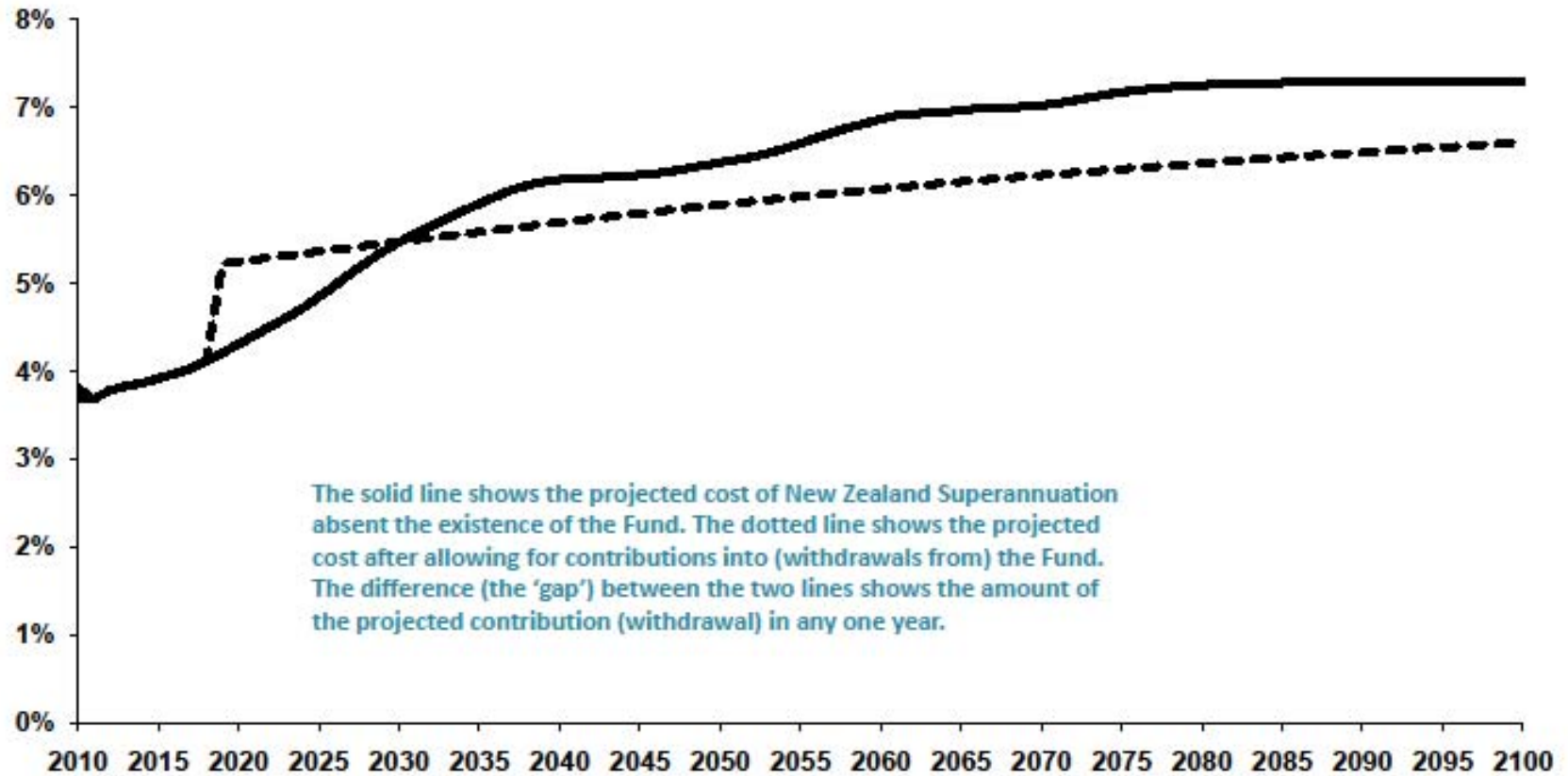
To contribute more

to the costs of Low income, older, less healthy

And thus also improve intergenerational equity

% of Nominal GDP

CONTRIBUTION RATE

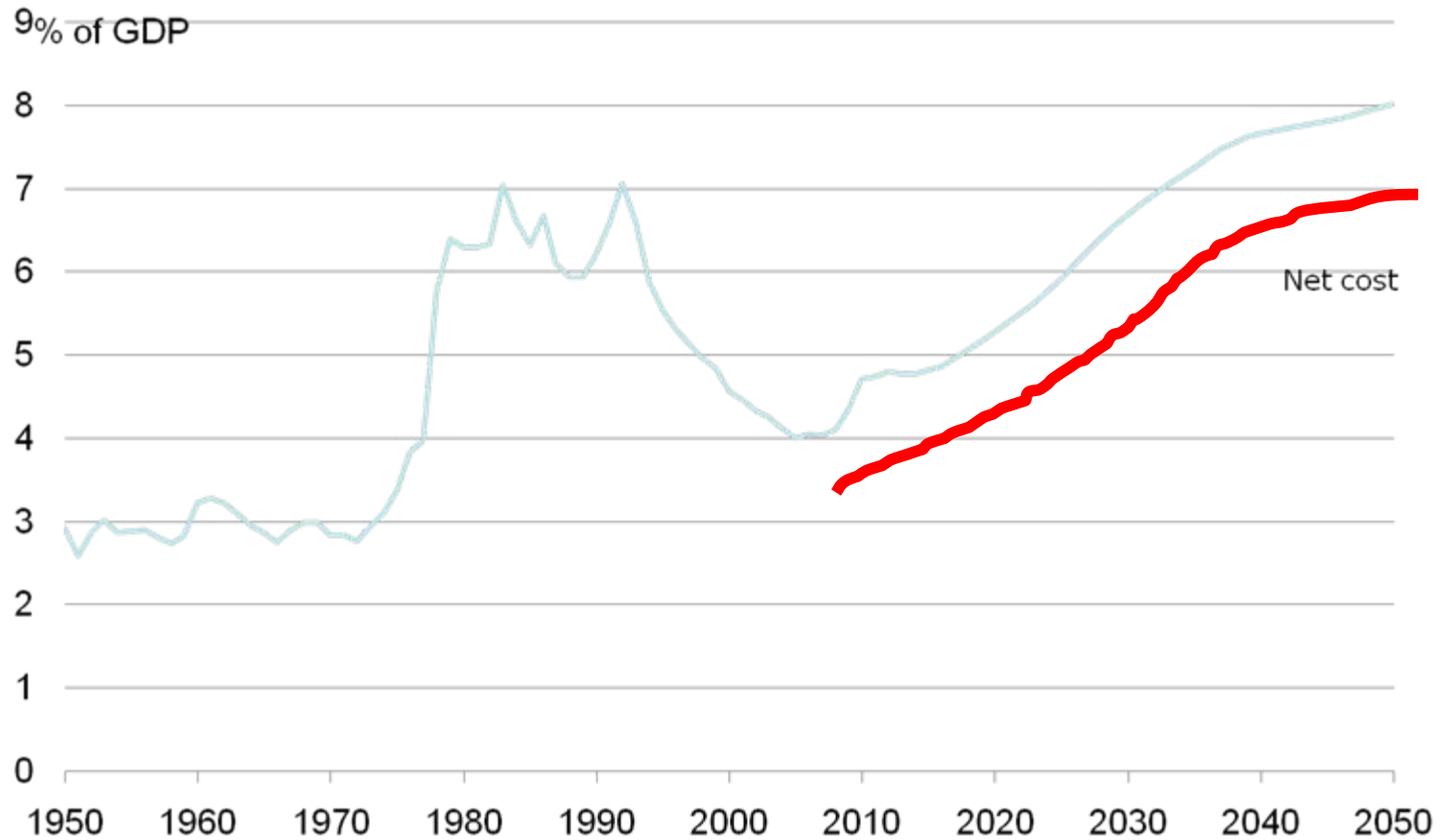


The solid line shows the projected cost of New Zealand Superannuation absent the existence of the Fund. The dotted line shows the projected cost after allowing for contributions into (withdrawals from) the Fund. The difference (the 'gap') between the two lines shows the amount of the projected contribution (withdrawal) in any one year.

— Net NZS Expenditure - - - Capital Contribution plus Net NZS Expenditure

Year ended 30 June

NZS GROSS % GDP



CONTAINING THE COST

- 1. raising the age,
- 2. lowering indexing
- **3. targeting NZS payments,**
- 4. lowering 66% floor.

Universal and targeting history

- Muldoon- universal 1977-1985
 - Top tax rates 60% and 66%
- 1991 Budget—welfare benefit
- Surcharge 1985-1998
 - On other income
 - Cancelled out net super for top 5%
 - In its last year- only 16% of people affected
 - Cost of abolition \$400m or 10% net cost of NZS
- Universal 1998- 2010
 - Top tax rate falls 39% to 33% with PIEs 28% max

Intergenerational concerns

Still working and getting

NZS

NZS sharing

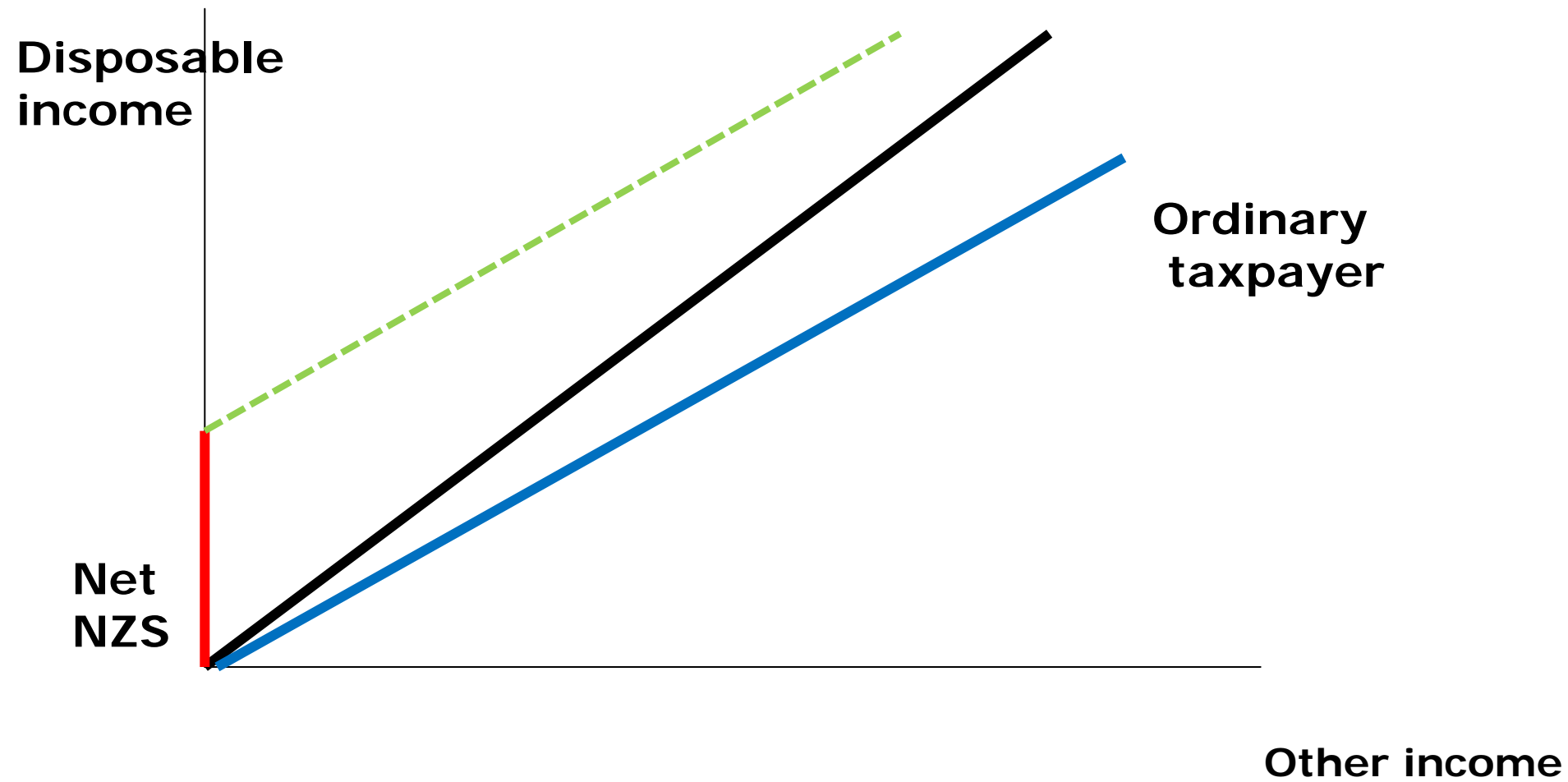
NZS + living alone---

minimum of net \$250
cf unemployment \$200

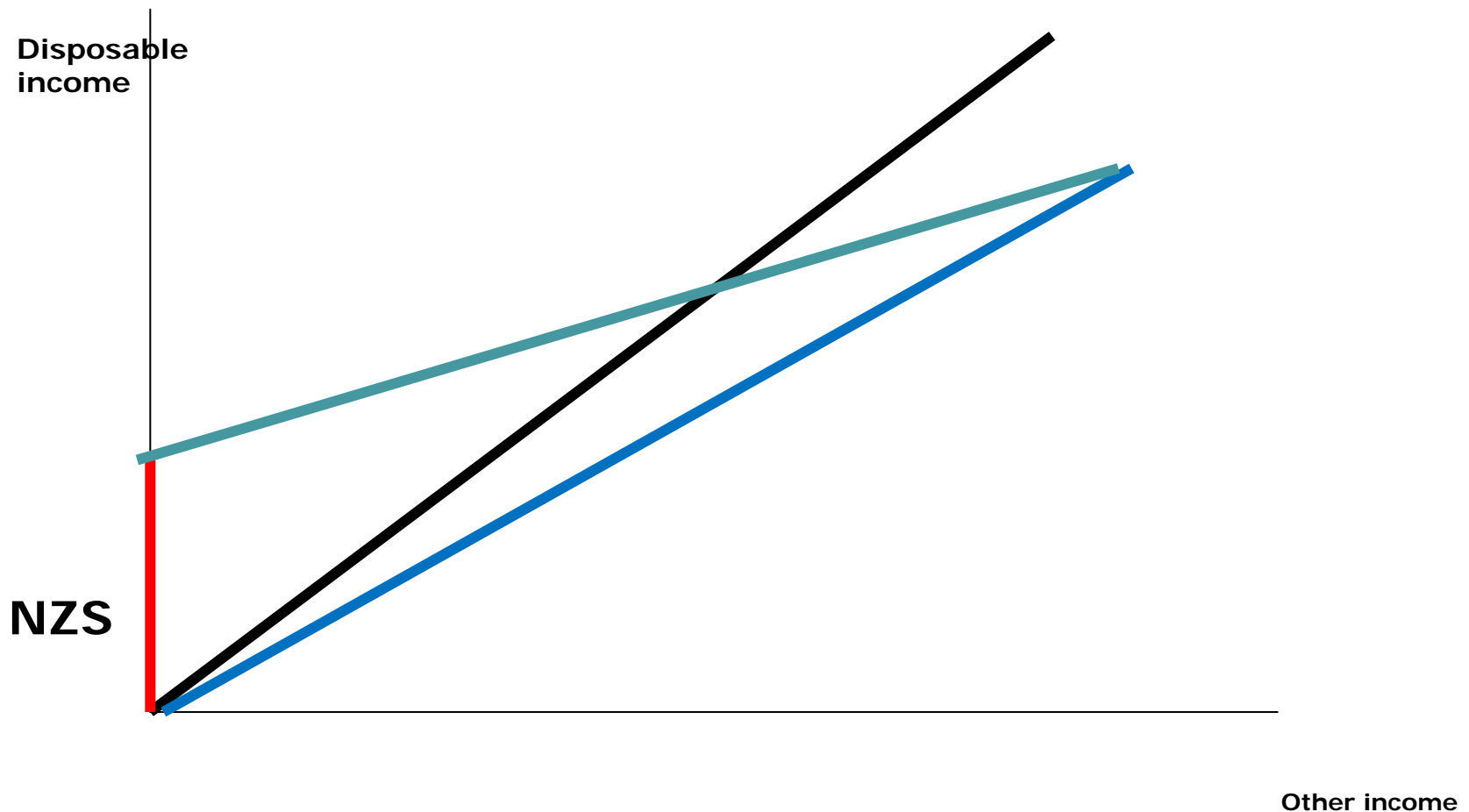
Gold card



NZS – UNIVERSAL TAXABLE



NZS - A BASIC INCOME FLOOR



How it would work at 65

Either

- 1. Opt for universal payment and NZS tax scale for all additional income**
- 2. Wait until end of year and take any NZS as a rebate**