**Questionnaire**

of the Independent Expert on the enjoyment of all human rights by older persons on best practices in the implementation of existing law related to the promotion and protection of the rights of older persons

1. **Name of the practice:**

Public pension: New Zealand Superannuation (NZS).

1. **Area concerned:**

* Discrimination (e.g. legal/institutional framework, access to facilities and services, etc.)
* Violence and abuse
* Adequate standard of living (e.g. resource availability, housing, etc.)
* Independence and autonomy (e.g. legal guardianship, accessibility, etc.)
* Participation
* Social protection (e.g. social security, incl. pension)
* Education, training and lifelong learning
* Care (home, family or institutional care, long-term care, palliative care, geriatric services, quality of care and availability of services, care workers, etc.)

1. **Type of practice:**

* Legal (Constitution, law, etc.)
* Policy/Programme/Strategy/Action Plan on Ageing
* Institution
* Regulation
* Administrative practice
* Case law/jurisprudence
* Disaggregated statistical data by age/gender
* Training programme
* Other (please specify):

**4. Level of implementation:**

* National
* Local (Sub-national, community, urban/rural area)
* Other (please specify):

**5. Please describe the practice, including a) its purpose; b) when and how it was adopted; c) how long it has been used/implemented; and d) its geographic scope.**

New Zealand Superannuation (NZS) is a universal public pension scheme designed to afford all New Zealanders aged 65 and over a reasonable standard of living. It is paid every fortnight at a weekly rate[[1]](#footnote-1) based on living arrangement and relationship status. There is no compulsory retirement age in New Zealand, and citizens are entitled to NZS at the age of 65 regardless of income, assets or employment status and history. Currently about 15% of the New Zealand population is aged 65 and over.

The location of the NZS recipient within New Zealand does not affect its provision. However, to qualify for NZS, people must meet a residency qualification: the minimum requirement is having been resident and present in New Zealand for 10 years since turning 20, five years of which have been since turning 50. There are, however, situations where an absence from New Zealand can be counted towards a period of presence in New Zealand. Residence in another country covered by a social security agreement can be counted towards the residence required for NZS. [[2]](#footnote-2)

For New Zealand citizens residing overseas, the conditions of their NZS will depend on where they reside (based on any social security agreements or special portability arrangements with the country in which they reside) and how long they resided in New Zealand.[[3]](#footnote-3) New Zealanders are able to receive some or all of their NZS almost anywhere in the world.

Recipients of NZS are legally obliged to apply for any overseas pensions that they may be able to receive. Overseas pensions are deductible from NZS entitlements.[[4]](#footnote-4)

New Zealand has had some form of publicly funded retirement income since the Old Age Pensions Act of 1898. The current system of superannuation provision is based on the New Zealand Superannuation Act 2001, which set the current entitlements for NZS and also established a New Zealand Superannuation Fund to assist in meeting the future cost of NZS.

Each year there is a statutory obligation for the weekly rates at which NZS is paid to be adjusted based on the Consumers Price Index (CPI). Under the New Zealand Superannuation Act 2001, the net weekly rates are adjusted on 1 April each year in line with any percentage increase in the CPI; however, no decrease is permitted. The annual adjustment to NZS also takes into account the proportional relationship of the rates compared to the net average weekly wage. For example, the standard weekly amount of NZS that is payable to a married couple must not be less than 65 per cent (although current Government policy is 66 per cent) or more than 72.5 per cent of the net average weekly wage.

Although it is a separate initiative, attention must be given to the Kiwisaver scheme, a voluntary workplace-based savings scheme which came into operation in 2007. The main purpose of the KiwiSaver fund is for retirement savings, but participants can also use it to save a deposit for their first home. Under the scheme, participants can choose to contribute 3%, 4% or 8% (or any number for self-employed or unemployed people) of their gross pay to Kiwisaver, and have the 3% matched by their employer.

The Government makes a contribution towards Kiwisaver through a member tax credit, whereby it pays 50 cents for every dollar of member contribution annually up to a maximum payment of $521.43. Member tax credit ceases when the member reaches the age of eligibility for NZ super (currently 65) and has been a member for at least 5 years.[[5]](#footnote-5)

Member funds are then put into an approved Kiwisaver savings scheme, where the funds are managed and invested, and returned to the contributor at the age of 65 (or earlier if buying a house or under exceptional circumstances, such as extreme financial hardship). Kiwisaver currently has little impact on superannuitants, but in the future it will become an important financial support to supplement NZS.

**6. Which actors are involved in the development and implementation of such practice?**

NZS is administered by the Ministry of Social Development (MSD). MSD is also responsible for providing policy advice on NZS to the New Zealand Government when required. NZS recipients must apply for their NZS and are legally obliged to inform MSD of any change in their situation. Because NZS is a universal public pension, it makes it relatively simple to administer, as no means test or employment record is required.

**7. Which rights of older persons does the practice promote and protect?**

*International Covenant on Economic, Social and Cultural Rights (ICESCR)*

* *Article 9*: The States Parties to the present Covenant recognize the right of everyone to social security, including social insurance.
* *Article 11*: (1) The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent.

**8. How does the practice promote or protect such rights?**

NZS provides economic security to older people by ensuring they receive a reliable income from the time they turn 65 until their death, regardless of their current or previous employment status. NZS provides a guaranteed income source for those who qualify, and thus they do not run the risk of outliving their savings, as is possible with other pension models. Individuals who still suffer hardship under the NZS scheme may also be entitled to supplementary payments, such as an Accommodation Supplement or a Disability Allowance, which are subject to a means test.

NZS, in conjunction with available supplementary payments, ensures an income that provides for the right to a standard of living adequate for the health and well-being of older people, including food, clothing, housing, medical care and necessary social services, and the right to economic security without employment.

**9. What groups of older persons** (for instance, older women, persons with disabilities, persons of African descent, individuals belonging to indigenous peoples, persons belonging to national or ethnic, religious and linguistic minorities, rural persons, persons living on the streets, and refugees, among other groups), **if any, particularly benefit from the practice?**

NZS provides the greatest benefit to people with the least wealth and particularly the least income (as someone whose wealth is tied up in an asset like a house may rely on NZS for their livelihood). About 40% of superannuitants in New Zealand have no other income beyond NZS. For some wealthier New Zealanders, the income provided by NZS may be superfluous to a comfortable standard of living throughout retirement. NZS also provides a particular benefit to those groups who are more likely to have no other income as super annuitants. In New Zealand, Māori and Pacific Peoples, particularly women, are overrepresented in this category.

**10. How has the practice been assessed and monitored? Please provide specific information on the impact of the practice, with data, indicators, among others, if any.**

There is a statutory requirement, brought in through the New Zealand Superannuation and Retirement Income Amendment Act 2005, for the Retirement Commissioner (an independent position) to review the retirement income policies being implemented by the Government and to report the Minister responsible every 3 years.

The *OECD Pensions Outlook 2012* shows that New Zealand’s gross public expenditure on pensions was 4.3% in 2010, against the OECD average of 9.3%.

We know that currently superannuitants enjoy low levels of hardship compared to the overall population, as the table below indicates, [[6]](#footnote-6) and that NZS contributes positively to this as well as the high rates of home ownership among superannuitants.

**Income poverty and hardship rates for age groups (%):**

**Average for Household Economic Survey 2013 and 2014**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Age group ==>** | **0-17** | **18-24** | **25-44** | **45-64** | **65+** | **ALL** |
| **Income poverty (low income)**   * AHC 60% median anchored (2007) | 23 | 20 | 16 | 14 | 8 | **16** |
| **Material hardship**   * Material Wellbeing Index (set to give 16% population rate) | 25 | 19 | 16 | 12 | 6 | **16** |
| * Material Wellbeing Index (set to give a 9% population rate) | 15 | 10 | 8 | 6 | 2 | **9** |

However, projections indicate that by 2035 there will 1.2 million people aged 65 or over, as opposed to 675,000 in 2015. This is almost an 80% increase in only 20 years and is expected to put pressure on the NZS system. In addition to this, there are indications (as the table shows) that people approaching 65 are more likely than current superannuitants to have a low income or suffer material hardship (and in particular, be more likely to never own a house), which may increase the number of superannuitants suffering hardship in future.

The New Zealand Superannuation Fund, which was established under the New Zealand Superannuation Act 2001, has been a successful investment that exemplifies good practice in terms of offsetting the increasing costs of pension schemes in light of the ageing population. Currently, the fund size is $29.8 billion, against the $14.88 billion invested by the Government. The legislation provides that the Government can start drawing on the Fund from 2020 to assist in meeting the increasing costs of NZS.

**11. What lessons do you believe could be learnt from this practice? How could it be improved?**

The current Government is committed to maintaining the NZS system as it stands.

**12. How could this practice be a model for other countries?**

A universal public pension scheme affords many benefits. Firstly, it does not disincentivise people from continuing to work once they have reached the age of 65, as their income will not affect their payment of NZS. It also encourages economic competition throughout working life, due to superannuitants not being ‘penalised’ for their wealth, as they receive the same amount of NZS no matter what their financial situation. NZS also offer superannuitants the security of not being able to outlive their money, as NZS is paid until a superannuitant dies.

The NZS system also relies on supplementary payments being available, so as not to disadvantage people who are less well off. People with relatively low income and/or assets have payments such as the Accommodation Supplement and the Disability Allowance available to them, which is considered a way to offset the equal payment of NZS to people regardless of need. Kiwisaver is another Government initiative that supports superannuitants, and it will become an increasingly important source of income to supplement NZS as time goes on.

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1. See the current NZS rates at <http://www.workandincome.govt.nz/individuals/brochures/benefit-rates-april-2015.html> [↑](#footnote-ref-1)
2. Please see <http://www.workandincome.govt.nz/individuals/how-we-can-help-you/travelling-or-migrating/residency-requirements-for-new-zealand-benefits-and-pensions.html> for details around residency requirements for New Zealand benefits and pensions. [↑](#footnote-ref-2)
3. For further details see <http://www.workandincome.govt.nz/individuals/how-we-can-help-you/travelling-or-migrating/pension-going-overseas/residing-overseas.html> [↑](#footnote-ref-3)
4. For further details see <http://www.workandincome.govt.nz/individuals/how-we-can-help-you/travelling-or-migrating/getting-an-overseas-benefit-or-pension-in-nz.html> [↑](#footnote-ref-4)
5. For further details see <http://www.kiwisaver.govt.nz/new/benefits/mtc/> [↑](#footnote-ref-5)
6. Taken from Bryan Perry’s *Household Incomes in New Zealand: trends in indicators of inequality and hardship 1982 to 2014*(2015). See https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/index.html [↑](#footnote-ref-6)