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NZ NEEDS SUPERANNUATION POLICY THAT INTEGRATES PUBLIC AND PRIVATE EFFORTS

The Investment Savings and Insurance Association expressed some support for the New Zealand Superannuation Bill when it presented its submission to Parliament's Finance and Expenditure Select Committee this afternoon in Wellington.

The ISI submission calls, however, for wider consideration of the total retirement planning issue.

"The ISI strongly urges that New Zealand Superannuation is considered as part of an integrated framework for public and private provision for retirement. We call on the political leaders to develop a comprehensive plan for the public and private provision of retirement income. We should not be considering the public provision through New Zealand Superannuation in isolation to essential private efforts," said ISI Chief Executive, Vance Arkininstall.

"Pre-funding and changes to New Zealand Superannuation should be considered as only one part of a 3 tier framework that integrates public and private provision, Mr Arkininstall says. This is in line with World Bank recommendations.

New Zealand Superannuation represents the first tier, providing the safety net of a basic, no frills, income in retirement. Certainty of a safety net is essential, especially for those who are unable to save."

"The second tier of the framework outlined in the ISI submission is to encourage work-based savings through employer sponsored superannuation plans. There is no doubt that retirement savings deducted directly from salary is the most effective means to save," says Mr Arkininstall.

Mr Arkininstall also stated that "work-based savings must be simplified with reduced compliance requirements for employers. Additionally, work-based savings would be more attractive if contributions were made from pre-tax earnings."

"New Zealand needs to seriously consider compulsory work-based savings as part of the overall formula to solve New Zealand's low savings rate. We accept that compulsion is fraught with political difficulties but it is an effective part of retirement planning overseas and independent surveys indicate a high level of support," said Mr Arkininstall.

The third tier of the recommended framework is private voluntary saving.

"We have grave concerns that pre-funding is viewed by many individuals as providing a total solution to adequate income in retirement. This is certainly not the case," said Mr Arkininstall.

"Pre-funding of New Zealand Superannuation on its own is not the answer and New Zealand Superannuation will not provide sufficient income for those New Zealanders who want more than a basic lifestyle in retirement.

Mr Arkinstall says that "We are all living longer, we will spend many more years in retirement than our parents and we will live a more active and demanding lifestyle. New Zealand Superannuation simply will not fund that lifestyle at anything other than the basic level. Individuals must see New Zealand Superannuation as a foundation which they should supplement with private savings."

"The ISI is also concerned that people may be being misled by the current method of defining New Zealand Superannuation as 65% of the average weekly wage. That is the level that applies to a married couple, but individuals will receive only approximately 39% of the average weekly wage. We strongly encourage a change that describes NZS at the individual level. New Zealanders will realise that they will not be able to achieve their retirement lifestyle ambitions from NZS alone."

"Government and politicians must quickly move to establish an environment that encourages savings in this country. There is no doubt that private savings will play an important role in strengthening the economy. There is also no doubt that presented with clear direction and certainty on savings policy and a savings friendly environment, New Zealanders will respond positively", said Mr Arkinstall.

Ends

Vance Arkinstall
Chief Executive
ISI