NZ Grey Power Federation Submission to the **Retirement Commission** on the **2022 Review of Retirement Income Policies**

2022 Arotake o ngā Kaupapahere Moniwhiwhi Ahungarua

Introduction

This submission is made on behalf of the New Zealand Grey Power Federation Inc.

The New Zealand Grey Power Federation (GPF) is a non-sectarian and non-party political, advocacy organisation that aims to advance, promote and protect the welfare and well-being of older people.

Grey Power is a voluntary organization founded in February 1986 by a group of Superannuitants protesting the imposition of a surcharge on New Zealand Superannuation. First started as the Auckland Superannuitants Association, the founders were very vocal in their anger at the surcharge. At that time, there was a media campaign against the Government of the day, so meetings were well publicised and attracted a media presence which meant the movement quickly spread and further Associations formed in other areas. The protest gained momentum and the surcharge was abolished.

The individual Grey Power Associations are all duly Incorporated Societies under their own right and together they form the Grey Power New Zealand Federation Inc: the National body of some 75 Associations throughout the country, with a combined membership exceeding 50,000.

GPF is the premier organisation representing the interests of older New Zealanders, and members have maintained a close watch on proposed legislative changes that would erode "entitlements" to NZ Superannuation for themselves and future New Zealanders.

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Summary

Grey Power Federation continues to endorse the key message that NZ Superannuation (NZS) is good value for money as reported in the 2019 Review of Retirement Income Policies.

> *"NZS is good value for money, and delivers positive impact for current NZ Superannuitants. It should be reinforced to do so for future generations, some of whom will need it more than many current NZ Superannuitants. We think that NZS is affordable on current settings, at least for the medium term."* [1]

Our position and recommendations for the future direction of NZS are summarised as follows:

1. **Maintain Eligibility to a Universal NZS Income in Retirement.** GPF is committed to all New Zealanders, with appropriate residency qualifications, remaining eligible to receive a universal NZS income from the age of entitlement.
2. **NZS in its Current Settings is Fiscally Sustainable.** GPF refutes media and political scaremongering that NZS is unsustainable and needs to be urgently overhauled
3. **Eligibility for NZS to Remain at Age 65**. GPF is committed to eligibility for NZS to be maintained at age 65, despite some political parties recommending an increase to 67 years of age.
4. **Calculation of Annual NZS Adjustments to be Maintained.** GPF is committed to supporting ongoing benchmarking the NZS after tax payments to a minimum % of the median national wage after tax (currently 66% for a couple), with adjustments for CPI increases where these exceed any increase in the median national wage increase.
5. **Means testing not to be used for NZS Eligibility.** GPF are committed to resisting any attempt to make NZS means tested.
6. **Increase support for those dependent on NZS alone struggling to meet living costs, and unable to enjoy a dignified retirement.** GPF is aware of a significant group of retirees struggling to survive on NZS at its current levels.
7. **Increase national long-term financial resilience with KiwiSaver improvements.** GPF supports the ongoing government and employer subsidisation of individual contributary savings accounts under the KiwiSaver scheme to enable future generations to have greater financial resilience when entering retirement.
8. **Maintain NZ Super Fund as buffer for future increases in NZS costs as a % of GDP.** GPF supports continuation of Government contributions to the NZ Superannuation Fund to partially "pre-fund" NZS to reduce the net fiscal cost ratio of NZ Superannuation to GDP in the future.

GPF endorse the recommendations to the NZ Government from the United Nations Independent Expert on the Enjoyment of All Human Rights by Older Persons, Rosa Kornfeld-Matte, in her report on her NZ visit in 2020.

> ***"The Independent Expert applauds the Government for its unqualified universal non-contributory pension, the New Zealand Superannuation, as a critical instrument in poverty alleviation efforts. At the same time, she stresses that levels need to be adequate to effectively lift older persons out of poverty, particularly for those who cannot opt in to the KiwiSaver, the voluntary work-based savings scheme. The Independent Expert encourages the Government to further consolidate the progress achieved so far and to address issues of adequacy, equality, portability and sustainability in a more systematic manner."*** [8]

Introduction

Better Later Life – He Oranga Kaumātua 2019 to 2034 is the current Government's strategy for our ageing population which focuses on making the future better for New Zealanders as they age. The document acknowledges the following regarding New Zealand Superannuation (NZS):-

> ***"NZ Super is provided to assure a basic standard of living for older New Zealanders. It is one of the government's key contributions to the financial security of those aged 65+"***
>
> ***"As our population continues to age and numbers of older people increase, central government will need to spend more on NZ Super and health care costs. We also expect to see increased numbers of financially vulnerable older people needing extra support, including housing support."***
>
> ***"People can age in a place they call home, safely and, where possible, independently."*** [2]

The Purpose Statement for New Zealand's Retirement Income System, developed by an Expert Advisory Group to the Commission for Financial Capability (CFFC) encapsulates the key objective of our NZS and associated support for older people:

> ***"A stable retirement income framework enables trust and confidence that older New Zealand residents can live with dignity and mana, participate in and contribute to society, and enjoy a high level of belonging and connection to their whānau, community and country."*** [3]

The current NZS is one of the most efficient national pension schemes internationally and GPF urges that any future proposed legislative changes be fully evaluated and open to wide consultation prior to implementation. Knee jerk ad hoc policies on NZS promulgated to capture segments of the voting public must not be implemented without full public scrutiny. Financial Advisor Martin Hawes expressed this well when he stated: ***"NZ Super is a system so simple and cheap that we need to give people certainty and stop playing football with it."*** [4]

New Zealand's NZS is one the most admired and more cost effective Tier 1 retirement schemes available worldwide. Roger Hurnard, in his paper to the 19th Colloquium of Superannuation Researchers [5], outlined clearly some of the very attractive features of NZS:-

- ***It is extremely low cost in an administrative sense because it is funded out of general revenue, requires no individual contribution records to be kept and places no compliance costs on employers. There is no cost in administering an income test or monitoring changes in financial or employment circumstances;***
- ***The absence of an employment or income test means that there are no built-in penalties from earning additional income beyond NZS eligibility age. The present value of future pension wealth embodied in NZS is unaffected by when a worker chooses to retire. This feature helps to explain why New Zealand has one of the highest rates of labour force participation of older people in the OECD.***

- ***Knowing well in advance how much NZS will be worth proves a secure basis for people to judge how much additional income they need to plan for in order to achieve their own desired standard of living in retirement.***
- ***Standard amounts for each person signals fairness and promotes social cohesion.***
- ***NZS covers longevity risk efficiently by providing a known, fully indexed gender-neutral annuity."***

To better inform our submission to the Commission, GPF has conducted a brief survey of members in June 2022 to better understand how they are managing on NZS in its current settings. Over 2800 members currently receiving NZS or Veteran's Pension responded to the on-line survey, and some of the relevant findings have been included in this submission. It is important to note that the survey is not demographically representative of the entire population currently receiving NZS in New Zealand. It under-represents non-European ethnicities, and the most seriously financially disadvantaged who lack access to internet and digital devices, while probably over-representing those who have a mortgage-free home. (A fuller outline of the survey and its results is included as an addendum to this submission.)

The remainder of this submission focuses on the GPF position and recommendations for NZS moving into the future.

Maintain Eligibility to a Universal NZS Income in Retirement

GPF is committed to preserving the right of every New Zealander, with appropriate residency qualifications, to receive a universal NZS income from the age of entitlement, regardless of any factors such as employment history, gender, race, assets, or health status.

To provide security for future retirees the guarantee of this provision in retirement provides a level of security and hope that is much needed in an increasingly unpredictable world. It allows those preparing for their future retirement to know what financial and accommodation goals they wish to achieve prior to retirement.

GPF was supportive of the recent legislation {NZS & Retirement Income (Fair Residency) Amendment Act 2021}, aimed at gradually increasing the threshold of residency from 10 years to 20 years to improve the sustainability of NZS in its current settings. as well as encouraging those wanting to retire in NZ to have made greater provision for their retirement should they retire after having resided in NZ for less than 20 years.

NZS in its Current Settings is Fiscally Sustainable

NZS is one of the most efficient national pension systems worldwide, a gross cost of 5% of GDP in 2020/21. In 2060/61 Treasury estimates that its cost will rise to a gross cost of 7.7% of GDP. [7]

These figures need to be seen in context of other OECD countries where the average gross cost was 7.7% in 2017. (NZ was 4.9% in 2017). However, as NZS is taxed, as are additional earnings above NZS, the nett cost for NZS in 2017 was only 4.2%. (Average nett cost in 2017 in the OECD was 7.1%).[10]

The other significant caution is in the accuracy of forecasts on NZS expenditure compared to GDP from Treasury. Budget 2000 projected that NZS would be 7% of GDP by 2021, and 11.5% by 2060!

While it is evident that the cost of NZS as a % of GDP will rise over the next 30-40 years it is still affordable and excellent value compared to many others worldwide. Any proposed changes need to be carefully evaluated and consulted upon prior to implementation well into the future.

Peter Cordtz in the previous Retirement Commissioner's Review of Retirement Income Policies 2019, stated: "I wish to stress again though, that even from a fiscal responsibility perspective, NZS is sustainable." [1] This remains the situation and knee-jerk responses to uninformed opinions on sustainability of NZS must be resisted.

Eligibility for NZS to Remain at age 65.

For many groups of older people, such as those employed in manual occupations (eg farming and construction); single women with minimal incomes and/or savings; Māori and Pacifica with worse health status and life expectations; those who pre-retirement are carers for parents and/or for the wider whanau; as well as those living with disabilities, the availability of NZS at age 65 can deliver a greater ability to live with some dignity in retirement.

Raising the age of eligibility for NZS will potentially remove some of the more physically and mentally capable individuals from contributing towards essential volunteer work.

Volunteering NZ [6] have reported that the value of formal volunteering is over $4 billion per annum, with the highest participation in voluntary work being in the 65-74 age group, with participation dropping significantly for those aged over 75. The GPF survey of over 2800 members currently receiving NZS/Veteran's Pension showed that 38% volunteered each week, with over 50% of these contributing more than 4 hrs per week.

Calculation of Annual NZS Adjustments to be Maintained.

For those dependent on NZS as their sole or dominant income in retirement relativity should be maintained to the nett average wage, to avoid the eroding of year on year value.

The current legislation sets the benchmark at after tax NZS for a couple to be no less than 66% and no more than 72% of the after-tax average wage. Treasury have forecast that pegging NZS increases to CPI increases alone would create significant long-term savings on NZS expenditure going forward.[7] However this would have the greatest impact on the most vulnerable retirees as the value of NZS is forecast to fall from 66% of the after tax average wage to less than 50% in the 2050's if implemented from 2025.

Treasury acknowledge that reducing the value of NZS will have significant impact on many of our more vulnerable retirees: -

> *"Older people are often carers, and often volunteer their time, provide community leadership, and facilitate the transmission of culture. This is especially significant for some population groups (e.g. Māori, Pacific and Asian communities). Their ability to do these*

things is likely closely linked to the income support provided by NZS and is therefore likely to be affected by changes to it." [7]

*"..this approach [*adjustments limited to CPI increases*] would be likely to undermine the effectiveness of the present system at preventing poverty in old age and enabling older New Zealanders to share in increases in national income which their labour and investment have helped to create."* [7]

The United Nations Independent Expert on the Enjoyment of All Human Rights by Older Persons, Rosa Kornfeld-Matte, reported some key insights on the adequacy of the current level of NZS in NZ.

"Old-age poverty is below the Organization for Economic Cooperation and Development (OECD) average. Nevertheless, as the basic pension remains very close to the poverty threshold and house prices rise, there are still concerns about poverty among older persons. A large group of older persons, around 60 per cent of singles and 40 per cent of couples, have little or no additional income apart from the New Zealand Superannuation, which makes them very vulnerable to any changes in policy or economic circumstances.

Moreover, the Superannuation is based on the assumption of mortgage-free homeownership for older persons. As private rental housing is becoming unaffordable under this regime and in view of the ongoing changes of tenure patterns, the number of older persons facing material hardship will increase and many of them will be in rental accommodation. The homeownership rate for older Māori in 2018 was 48 per cent, compared to 58 per cent of older persons of European descent. There is also considerable variation by age group, with a much higher poverty rate for persons aged 75 or more. There are also important disparities for older persons living in rural areas, including higher levels of poverty." [8]

GPF strongly supports maintaining the existing formula for calculating annual adjustments to NZS, especially as the current payment levels are close to the poverty level and any move to rely on CPI adjustments only would compromise the most vulnerable who have few options to improve their financial situation in retirement.

Means testing not to be used for NZS Eligibility.

The NZS scheme is simple to administer, unlike systems with means testing such as in Australia. The bureaucracy involved with applying for and ongoing reporting requirements for Australian Pension recipients is inefficient and stressful for those entitled to a pension, while the administration charges are higher than for NZS as a universal benefit.

NZS does not distort incentives for employment and savings as much as means-tested systems. This was clearly evident when a NZS surtax was introduced from 1985 to 1998, when people went to great lengths to avoid paying it by hiding their assets in trusts etc.

Kaspanz editor Alec Waugh addressed the inefficiencies and unfairness of means testing in an article posted in July 2020.

One of the great strengths of universal benefits is that it is simple and economical to administer and operate. The opposite is true of means testing.

What means testing generally means is a lot more bureaucracy. This is quite likely to eat up any apparent savings that it is suggested it will make possible….. In summary the administrative mechanism for measuring need, is costly and difficult

We also know New Zealand remains full of trusts and asset protection schemes. These are designed to camouflage income, and for means testing to be at effective, all such protection schemes must disappear so all income earned is transparent. This is highly unlikely to occur.

Means tested benefits aren't actually fair. It has long been known that large numbers of needy people tend to miss out on such benefits. Either they don't know about them, they don't realize they are eligible for them, or perhaps, particularly important, they are reluctant to claim them.

This is because they have increasingly been encouraged to think of receiving benefits as meaning being dependent and "not standing on their own two feet". This is especially well known about older people and can result in them encountering health and other problems from under-claiming, which ultimately increases costs, as well as failing to ensure their access to entitlements.

When benefits have been universal, people have paid for them in their taxes. To change them into means tested benefits is quite simply a fraud, denying people entitlements they have contributed to and earned." [9]

Increase support for those dependent on NZS alone struggling to meet living costs, and unable to enjoy a dignified retirement.

While those retiring with significant savings and a lifetime of full employment are able to enjoy a level of enjoyment and comfort in their retirement, this is not the case for many.

Those most affected include women with low levels of employment and savings; those without a mortgage free home; those who live alone in rental accommodation; those with disability or poor health; those who have encountered a relationship breakup, those made redundant prior to retirement when re-employment is challenging, as well as many Māori & Pacifica. Securing adequate support for the more vulnerable retirees is not always easy and many older people are reluctant to ask or persevere to get the help they deserve. Several in the NZF survey indicated that the unsympathetic approach of some WINZ officers has prevented them persevering and from receiving the available support to which they are entitled.

The adequacy of a married rate equivalent to 66% of the median national wage, and a single living alone rate of 42%, could be strongly contested as some seniors who are dependent on NZS as their sole, or dominant income, are living in poverty unable to afford needed medical care, energy costs, insurance etc as they face increasing rent or local body rates that far outstrip increases in NZS. The current level of NZS as sole income for retirees is insufficient to enable a significant proportion of retired people to have the economic freedom to be active participants in society in line with the Government's "Better Later Life 2019-34" objectives. [2]

GPF has identified a number of areas where greater focused support for retirees facing poverty in their advancing years is urgently required. Specifically we want to address the following:-

- **Accommodation Supplement Levels and Eligibility.**
- **Facilitating retirees to downsize from larger homes**
- **Raising income threshold and annual increase in Rates Rebate Scheme**
- **Address inequity in payment of 50% of Couples NZS Rate when only 1 partner qualifies.**
- **Improved Access to Medical and Dental Services**
- **Winter Energy Payment with CPI adjustment annually.**

Accommodation Supplement Levels and Eligibility.

Currently the maximum assets a single person can have to qualify for an accommodation supplement is $8100, and $16,200 for a couple. For an independent retiree with a small car to maintain independence, $8100 is a stressfully small asset reserve to have for emergencies such as unexpected vehicle expenses or even replacement of the vehicle. Many also like to have some money saved and earmarked for their funeral, so drawing down their assets to under $8100 to become eligible for an accommodation supplement, would be irresponsible.

In contrast, those qualifying for public/social housing are allowed up to $42,700 in cash assets. (WINZ website). Also, for those on NZS, in social housing where their weekly income is below the current thresholds, they will only pay rent equivalent to 25% of their weekly after-tax income. The chart below based on accommodation in a small rural town with modest rents compared to much of NZ illustrates the significant inequities within current legislation.

NZS Sole Income Category	Weekly Nett Income	Assets Held	Rent/week	% income paid in rent
Single Person Living alone Council Pensioner accommodation	$462.94	$15,000 No accommodation Supplement	$184	39.7%
Married Couple Council Pensioner accommodation	$712.22	$20,000 No accommodation Supplement	$225	31.6%
Single person living alone 2 bedroom rental	$462.94	$15,000 No accommodation Supplement	$380 (LQ Market rent 2 bedroom- Tenancy Services data)	82.1%
Married Couple 2 bedroom rental	$712.22	$20,000 No accommodation Supplement	$380 (LQ Market rent 2 bedroom – Tenancy Services data)	53.4%
Single person living alone Social Housing	$462.94	$30,000	$115.74	25%
Married couple Social Housing	$712.22	$40,000	$178.06	25%

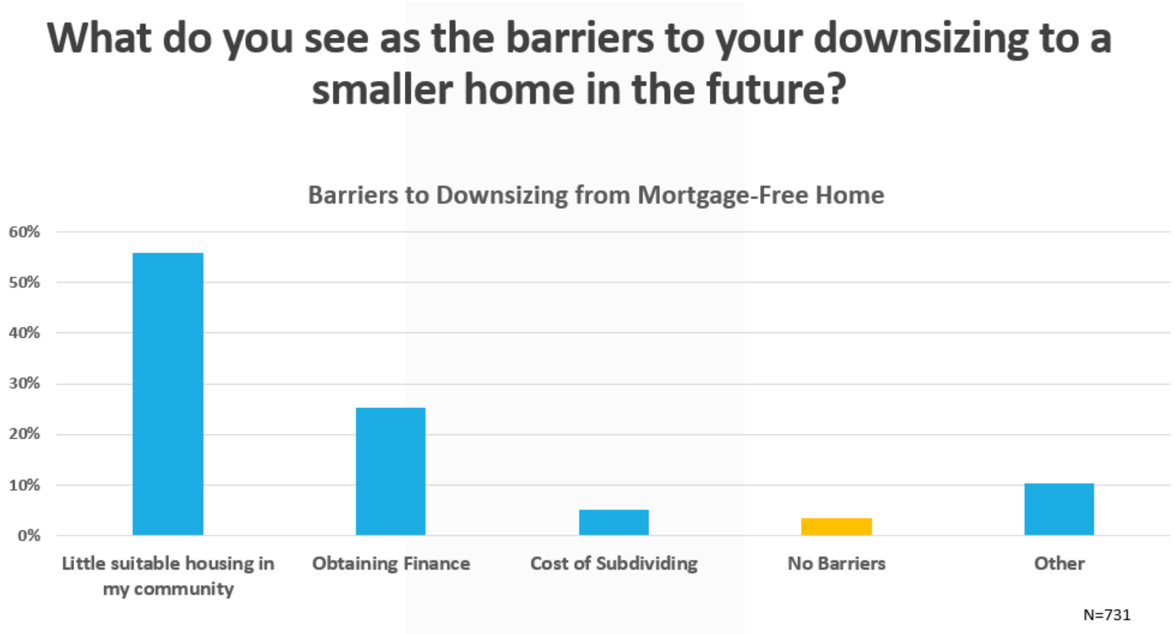
Inequalities in eligibility for accommodation supplements is forcing some seniors to resort to inadequately heat their homes in winter and to commence utilising Foodbanks to survive, for the first time in their lives. This trend has been particularly noticeable since the arrival of COVID in New Zealand.

GPF recommends urgent action on this inequitable, silo approach, situation with all those applying for accommodation supplement being allowed to have cash assets of up to $40,700. This would assist a significant number of retirees in rental accommodation currently paying well in excess of 40% of their NZS income in rent, and finding themselves unable to meet rising energy, and food costs.

Facilitating retirees to downsize from larger homes

GPF notes that in many communities there are older people wanting to downsize from their larger homes who remain "trapped" in their house due to not having the financial resources to be able to transition to a smaller suitable property.

The NZF Survey asked those members with mortgage free homes: "Are you considering downsizing from your current home in the next 5-10 years?" 41.4% of the 1779 mortgage-free homeowners indicated they were considering downsizing. However, the majority of these saw significant barriers to achieving downsizing.



The GPF survey showed that 56% of those planning to downsize are concerned that there is little suitable housing available in their community. Many developers are focusing on providing more profitable accommodation for families and recent retirees seeking larger and more expensive properties, so that the availability of suitable 1-2 bedroom properties on smaller sections in the community is rare.

We have documented instances of elderly couples being encouraged to sell their home to move into a smaller property, only to discover that there were no suitable smaller properties for sale in their community. As a result, they were forced to move to smaller rural communities with available affordable homes. This breaking of all social ties at this age can be devastating for older retirees.

The majority of retirees lack the financial resources to fund the transition from a larger home to a smaller property in their community. Banks will not provide bridging finance or a mortgage to those dependent on NZS as their dominant income. 30% of those wanting to downsize in the GPF Survey, faced barriers related to costs of subdivision or obtaining of finance to facilitate the downsizing.

The availability of government bridging finance and a subsidy to encourage older retirees to downsize locally would benefit not only older people wanting to downsize, but also families seeking local accommodation.

An example of a potential solution can be shown in a small rural town in the Bay of Plenty, with a population of around 5500 – where over 38% of residents are aged over 65 years of age. The 2018 census data identified that there were 441 households with a single occupant aged over 65 (178 were occupied by a retiree over the age of 80). Currently there is minimal availability of rental accommodation or affordable homes for young families moving to work in the vicinity of the town and most are forced to reside around 30km away where housing is less expensive. However transport costs are escalating dramatically. Freeing up just 25% of the single occupancy retiree homes could provide 100 larger houses for families moving to the town for local work, or for potential subdivision, and construction of 100 1-2 bedroom warm dry homes for the elderly.

This could be a valuable investment by government which would have a significant local impact on the housing crisis and yet provide a win:win solution for the community. The housing intensification within the town could delay the need to utilise high value horticultural land for new subdivisions to accommodate population growth.

GPF recommend that Government offer an incentive grant of $10,000 to encourage retirees without the required financial resources to downsize, as well as the availability of an interest free bridging loan which would be repaid on completion of the transactions. (A 2 year maximum term may be appropriate.)

Raising income threshold and annual increase in Rates Rebate Scheme

GPF receives many communications expressing the concerns of retirees struggling to pay their rates each year, as increases over recent years have far-outstripped the annual increases in NZS. While the Rates Rebate scheme is appreciated it is plagued by the complexity of the application forms, the exceptionally low qualifying income threshold and, importantly, the ever-decreasing relative value of the rebate compared to the rates levied.

The rates rebate has only increased by 9% from 2016/17 to 2021/22, yet many homeowners have faced rates increases of more than 9% in a single year!

In the GPF survey of the 26.5% of respondents who struggle to afford their living expenses, 62.2% mentioned rates as the second highest financial challenge they face. For those owning their own home 81.3% made rates their greatest financial challenge.

The increasing rates burden for retiree homeowners largely dependent on NZS, and with limited financial reserves, is creating pressure on these owners to consider downsizing, with all the barriers outlined in the prior section.

To alleviate this situation GPF recommends the following:-

- That the household income threshold for the Rates Rebate Scheme be increased and maintained at an amount equal to that of the NZS couple's income (currently $42,511.04 gross, compared with the current Rates Rebate income threshold of $26,510)
- That the Rates Rebate amount be reviewed every 3 years and set at an amount equivalent to at least 50% of the median national household rates of the prior year, with annual increases at the rate of CPI increases.

While some Councils operate a rates postponement or rates deferral scheme, these are not universally available, nor with similar terms nationally. Improvement of these schemes with nationwide availability would be helpful, but many older people are very hesitant to accept increasing debt against their property, especially as interest rates increase.

In the NZF survey interest in the availability of a Government Reverse Mortgage scheme, similar to that operated by the Australian Government, allowing homeowners to supplement their NZS by up to $10,000 per year, was canvassed. Just under 15% of homeowners said that they were "very" or "extremely" interested in such a scheme. 38.6% were not all interested, with the remainder rather ambivalent. Although uptake may be initially low, this may be another way of providing financial support for homeowners being squeezed with escalating rates and other expenses, provided the interest charged is minimal and not at commercial rates.

Address inequity in payment of 50% of Couples NZS Rate when only 1 partner qualifies.

Since November 2020 those attaining eligibility for NZS have been unable to include a non-qualifying spouse in their NZS payments. This has been challenging for those retiring with a younger spouse who is not earning significant income. What is particularly challenging is that the qualifying spouse is only paid 50% of the Couples rate, which is significantly below the Single Living with others rate. If the new retiree has been the principal household earner this can be a very stressful regulation.

GPF urge that this discriminatory anomaly be urgently rectified.

Improved Access to Medical and Dental Services

In the GPF Survey the impact of healthcare costs and access were identified as key issues for a significant proportion of retirees. At the conclusion of the survey respondents were asked how the Government could improve NZ Super, or associated benefits, to ensure that retirees in the future are protected from poverty and can live the rest of their lives in dignity. Over 10% of the 2157 members responding with recommendations spontaneously mentioned they sought improved access to healthcare with free or subsidised doctor and dental visits.

For the 26% of respondents struggling with regular expenses, doctor and dentist visits featured highly. (46% mentioned doctor visits, and 59% dental visits.) Delaying doctor and dental visits has adverse health impacts on older people, leading to hospitalisations and more intensive healthcare costs.

"Postponement of seeking primary health care can have serious consequences for health and health care costs through increased rates of complications, specialist care or longer hospital stays, which could have been prevented by timely access to primary health care."[12]

While longitudinal evidence shows lower rates of missed doctor visits in those aged over 65, compared to younger cohorts in New Zealand,[12] the GPF survey demonstrates that 12% of those on NZS are struggling to afford visits to the GP.

For those without a Community Services Card, either due to being ineligible, or unaware that they qualify, doctor fees have risen significantly in many parts of the country, creating a barrier to consulting a GP unless seriously ill.

New Zealand healthcare evidence[12] has demonstrated that the any health deterioration was greater from deferring a dental visit than from deferring a doctor visit. However, the adult NZ population is largely responsible for the full costs of dental care – creating a significant barrier when living expenses are constrained, as demonstrated in the GPF Survey, where 15% of those on NZS are struggling to afford dental visits.

"The detrimental sequels of poor oral health extend far beyond the mouth as there is a growing body of evidence linking oral diseases with various systemic health conditions, especially amongst the elderly such as cardiovascular disorders, metabolic disorders, inflammatory disorders, mental health problems, and even increased mortality. Moreover, the quality of life of the elderly is compromised with respect to various domains including functional limitation, physical disability, psychological discomfort, pain, social disability, and handicap that might arise from oral health-related conditions."[13]

"Investing in oral health care can be a positive return on investment as it can reduce the health care costs potentially resulting in saving more dollars to the government."[13]

New Zealand research on financial barriers to access to dental care concluded *"Given the importance of oral health in maintaining overall health it is important to design a co-payment regime that ensures that dental care is affordable."*[12]

Under the DHB funding model many retirees have faced issues related to "post-code" health with significantly higher barriers to surgery for hip & knee replacements and cataract surgery in some DHBs with a higher % of retirees compared to other DHBs with a younger demographic. This inequity has created suffering, and loss of independence for many older people who did not have the financial resources to pay for private hospital surgery. GPF is urging that "postcode" health be rapidly abolished with the establishment of Health NZ, to ensure equitable access to surgery nationwide.

GPF recommends that the financial barriers to healthcare access for a significant proportion of those on NZS be addressed either through improving access to the Community Services Card, or greater subsidisation of primary healthcare with lower co-payments for GP and Dental visits.

Winter Energy Payment with CPI adjustment annually.

GPF was disappointed to note that Budget 2022, while maintaining the Winter Energy Payment, made no provision for a CPI increase. This was a missed opportunity, especially as a large % of retirees are on low-tariff plans that are escalating in price over the next few years.

For those dependent on NZS as the major income, the Winter Energy Supplement has been a much-appreciated boost, allowing many to maintain their homes at a healthier temperature during winter. The GPF survey showed that for the 26.5% of members struggling to pay their living expenses on NZS, their greatest concern was meeting energy payments – identified by 68% of respondents.

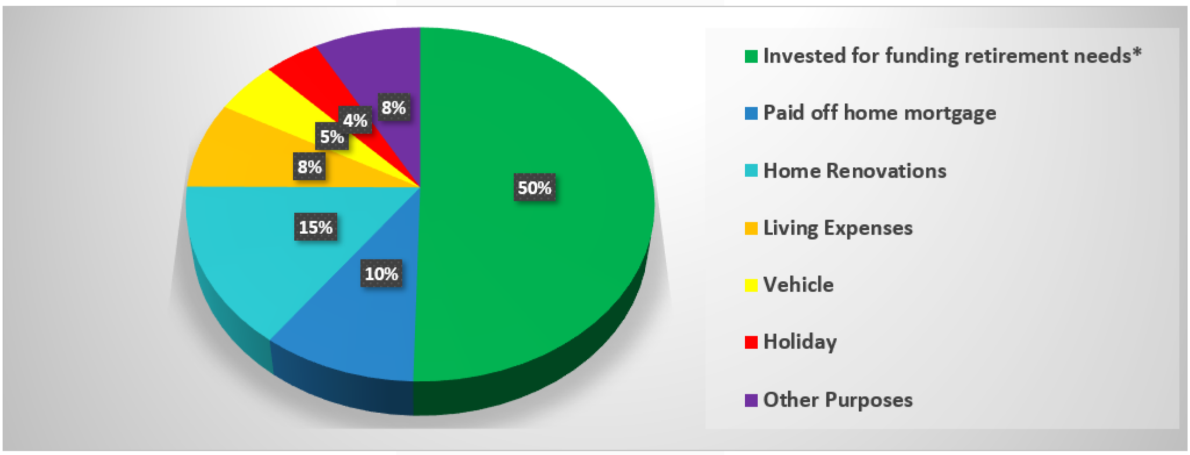
For this reason GPF would support the continuance of the Winter Energy Payment, but indexed by the CPI each year.

Increase National Long-term Financial Resilience with KiwiSaver improvements

Due to the relatively low level of savings in Kiwisaver to date, the requirement for compulsory participation of all employees, as well as provision for the self employed and beneficiaries should be revisited to improve financial resilience across the whole population.

In the GPF Survey 40.5% of respondents had invested in KiwiSaver prior to retirement.

How have you used the Majority of your KiwiSaver Funds in Retirement? (n=1039)



GPF Survey June 2022

* A number have not accessed to date, or are still contributing

While 50% have invested, or kept their KiwiSaver funds within the scheme after retirement, many had relatively low balances and have utiised these for living expenses, reduction of mortgages/debt, and home renovations.

The average KiwiSaver balance for over 65 year olds, despite rising over the past 4 years, was $48,700 in the year to April 2022. This is way below the Massey University Retirement Expenditure Guidelines that recommends a one-person household has reserves of $600,000 to live in a metropolitan city and to have choices in retirement - $688,000 in provincial areas! “Even those expecting to live a no-frills lifestyle in the provinces would require a lumpsum equivalent to $170,000.” [11]

In the GPF membership survey 67% of the 2180 members providing financial information had reserves (excluding their home) of less than $100,000 to draw upon in their retirement. Despite this 75% of those surveyed are supplementing NZS by up to $30,000 annually from savings, investments and part-time work. Clearly reserves are not going to last for many years and increasing numbers of retirees will require supplementary benefits or a significantly higher rate of NZS. Even today 18% of our members on NZS are living close to the poverty line with no ability to supplement their NZS at all.

GPF supports the value of KiwiSaver to better prepare future New Zealander generations to be more financially resilient. However, the amounts accumulated to date are significantly below what is required, and the ability to “opt out” means that the scheme is not as effective as it could be. We would encourage a review of how KiwiSaver could provide greater retirement support going forward, with potential compulsory participation and a small increase in the employer and employee contribution rates gradually phased in as average wages in NZ begin to increase.

References

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