



BUSINESS SCHOOL

Economic Policy Centre Pensions and Intergenerational Equity Hub

He Manga Tauhokohoko | University of Auckland Business School



Pensions and Intergenerational Equity (PIE) Hub Annual Report

RPRC now named [*Pensions and Intergenerational Equity Hub*](#) of Economic Policy Centre.

2024 has been a year of heightened awareness of the fiscal implications of demographic change. It has also been a year of continuing recession, growing evidence of social distress, a crisis in housing and a widening of the wealth and income distribution.

New Zealand Superannuation expenditure at \$23 billion in 2024/5 towers over all other social security spending. The first babyboomers turn 85 in 2030 and as the ranks of the 85+ swell in the next 20 years, the costs of care will mushroom. Those aged 65+ already consume 50% of the cost of all health services (see [here](#).) And as PIE has argued, the NZ Super Fund does not guarantee any aspect of NZS, see [here](#). Nor will removing the tax on the NZ Super Fund as recently suggested make any material difference, see [here](#).

Housing for older people who do not own their home is a looming issue. M Claire Dale surveys housing options currently available to older people in Aotearoa New Zealand. Those who own their homes mortgage-free have multiple choices and opportunities to improve their wellbeing and comfort. No so for many others [PIE Briefing 2024-1: Housing options for older people in Aotearoa New Zealand: Trends and challenges](#).

To contribute to the debate around a Capital Gains Tax (CGT), PIE has collaborated with Terry Baucher to develop an alternative to CGT called Fair Economic Return (FER). A FER rate is applied to the aggregated net equity in housing of each individual, less a suggested \$1 million personal exemption. The income calculated is then taxed at the individual's tax rate and could yield immediate and significant revenue to address the many pressing problems New Zealand faces. The majority of home-owners are not affected and only the top echelon of property owners would pay significant extra tax. Details of FER have been set out in the following publications 2021-2024:

- [The Fair Economic Return: Restoring equity to the social fabric of New Zealand](#). RPRC working paper 2021-1 30th June.
- [The housing crisis, taxation policy: restoring equity to the social fabric of New Zealand](#) Wednesday, Auckland University of Technology, 28th April 2021.
- [The Fair Economic Return Revisited](#). PIE Policy Report 2022-2:
- Presentation at the housing affordability conference, EPC 9th Sept Auckland Business School, power point presentation, [ppts FER 9th Sept](#)
- [NZ's housing-market drives-inequality why not just tax houses like any other income](#). The Conversation, 21st June 2023, also Stuff, interest.co. Republished in: [A year of consequence—Essays that got the world talking](#), 2023 The Conversation, editors Grattan, M and Bergman J, Thames and Hudson, Australia
- [Susan St John on taxing wealth – Bryan Bruce Investigates](#) Head to head Episode 17 – or watch [SusanStJohnIV2.mp4](#)

- [Fair Economic Return rather than a Capital Gains Tax](#), interest.co.nz, 2nd Oct 2024
- [Fair Economic Return v Land Tax](#), PIE Policy report 2024-1

In 20th March 2024, the Retirement Commissioner held a Super Summit to engage with the superannuation community of interest groups and researchers on the shape of NZS. Susan St John contributed to a panel on fiscal sustainability of NZS, [see here](#). In May, several PIE Research Associates, including Claire Dale [here](#) and Susan St John [here](#), contributed to a Brightstar conference on equity for older New Zealanders.

In June, the Retirement Commissioner published her review of KiwiSaver. PIE is pleased to see that *"In keeping with the OECD recommendations for simple design, and given that some KiwiSaver providers also have the option of splitting investments across multiple providers, the current setting limiting membership to one provider should be retained."* We also support the proposed 4% contribution rate but note that as recessionary pressures build in 2024, more are turning to their KiwiSaver account to cash in savings under hardship provisions. To improve equity in tough times, PIE recommends making [employer contributions of 4% mandatory for all KiwiSavers, whether or not on a savings suspension](#).

We note with concern that the Retirement Commissioner's report states: *"More than half of employers have adopted a total remuneration approach for some or all of the employees, further eroding the incentive for employees to contribute to KiwiSaver."* We agree that *"employers could be doing more to match higher employee contributions and remove total remuneration approaches that may disincentivise saving"*.

We also strongly agree that decumulation needs urgent attention. That report states: *"KiwiSaver was established to help people save or 'accumulate. It is still a relatively new scheme so it may not be optimised to assist those who wish to drawdown or 'decumulate' their assets. We conclude that improvements can be made to assist members as they navigate the drawdown phase after age 65."* In 2025 PIE intends working further on the KiwiSpend annuity idea proposed [here](#) and [here](#)

Following a debate early in 2024, [the departing CEO of Treasury, Caralee McLiesh, noted](#) *"With an ageing population, we're seeing an increasing share of government transfers going to the wealthy, because we have an increase in population of the over-65s, and some of those are in the higher income categories."* While there were few details of how to change the superannuation system, she acknowledged *"lifting the age of eligibility above 65 would leave some groups worse off than others, while means testing would be administratively difficult."*

While the May budget reinforced the coalition Government's desire to contain expenditure and reduce the fiscal deficit and debt accumulation, NZS and add-on benefits for seniors of free transport and winter energy payment have not been altered. But as future austerity budgets are projected that immunity may not last.

A PIE Policy Report 2024-3 (forthcoming) shows how a solution to the projected costs of NZS may lie in treating it as a basic income (an untaxed grant), removing single sharing and couple rate distinctions, and using a separate tax scale to clawback from the top end. This is a simple cost-effective way to reduce the fiscal cost. The report updates previous modelling with input from Treasury : [New Zealand Superannuation as a basic income 2021](#).

We interacted with many of our Research Associates (RA) in 2024. Former government statistician Len Cook wrote an important PIE working paper reported below concerning collection of census data in the face of demographic change. RAs Len Cook and Brian Easton took part in a Brightstar conference mentioned above. We were pleased to welcome RA David Harris TOR financial director and long-time support of PIE, on a trip to New Zealand in July with Michael Ambury from Standard Life, UK. We have appreciated

the ongoing interest in PIE of former co-director of the RPRC, Michael Littlewood and actuary Michael Chamberlain. We acknowledge also the contribution of Alex Waugh, RA and editor of KASPANZ (Annuities and NZ Protection Society Incorporated) for his strong advocacy of the NZ pension system see www.kaspanz.com.

PIE Commentaries

This PIE Commentaries encourage debate about policies and issues impacting pensions and intergenerational equity.

- [PIE Commentary 2024-10: Bigger deficit for Christmas from the deficit buster. Expect higher ACC levies.](#) In October, Treasury pointed to a higher than budget night deficit for 2023/24, and ACC was blamed for much of the deterioration. Although ACC is social insurance, the current private insurance approach requires actuarial full-funding. A shortfall in funding of future costs contributes to ACC's large operating deficit. Even if higher levies over the next 3 years (proposed by ACC to close the deficit) are inevitable under current accounting rules, are they necessary?
- [PIE Commentary 2024-9: The capital gains tax debate is hotting up: Time to check out the Fair Economic Return.](#) In collaboration with tax and accounting expert Terry Baucher PIE has been involved in producing an approach to the untaxed accumulation of capital gains in housing that would yield immediate and significant revenue to address the many pressing problems New Zealand faces.
- [PIE Commentary 2024-8: NZ's electricity market is a mess. Rolling out rooftop solar would change the game.](#) New Zealand is in the enviable position of already having abundant hydro power capacity. But with increasingly uncertain rainfall due to changing climate patterns, adding widely distributed rooftop solar would mean the country was less vulnerable to lower lake levels.
- [PIE Commentary 2024-7: Looming crisis means NZ must rethink how it pays for aged care](#) Recent submissions to parliament's Health Select Committee make it clear that a crisis looms for the aged care sector in New Zealand, centred on the funding and staffing of aged residential care & in-home care and support services.
- [PIE Commentary 2024-6: Should ACC levies be raised in 2024?](#) ACC is suggesting levy increases for three years to 2027/2028. This commentary examines the case in the context of ACC as social insurance and the context of the timing in the economic cycle.
- [PIE Commentary 2024-5: PIE 2024 Budget Analysis](#) This commentary offers some preliminary distributional analysis of the tax package based on media contributions in the week following the budget.
- [PIE Commentary 2024-4: Addressing financial hardship.](#) On a panel with Brian Easton and Len Cook at the Brightstar conference 'Delivering equity for Older New Zealanders', Susan St John addresses some of the immediate policy issues around the financial hardship experienced by an increasing number.
- [PIE Commentary 2024-3: Self-fulfilling expectations?](#) Emeritus Professor Tim Hazledine invites a discussion of the role of self-fulfilling expectations as New Zealand feels the chill winds of recession in mid-2024.
- [PIE Commentary 2024-2: Superannuation – a fiscal challenge or opportunity?](#) St John, S contribution to the Retirement Commission's Super Summit: New Zealand Super Issues and Options 21st March 2024, Wellington.
- [PIE Commentary 2024-1: The Great Welfare Reset.](#) Susan St John's invited 1News opinion piece on the direction of welfare reform in 2024 describes the return of a dated philosophy that makes paid work the only work that matters.

PIE Presentations, Briefings and submissions

- [PIE Briefing 2024-1: Housing options for older people in Aotearoa New Zealand: Trends and challenges.](#) M.Claire Dale surveys housing options currently available to older people in Aotearoa New Zealand. Those with mortgage-free homes have multiple choices and opportunities to improve their wellbeing and comfort.

- [PIE presentation 2024-1: Building connected communities to improve equity for older people](#). M Claire Dale's Keynote presentation at "Delivering Equity for Older People in New Zealand", Conference 30 April - 1 May 2024.
- [PIE submission 2024-2: Ministry of Social Development's long-term insights briefing proposed topic for 2025](#). Dr M.Claire Dale made a short submission on the Ministry of Social Development's Long-term Insights Briefing proposed topic for 2025: Current and future disadvantage for older NZers.
- [PIE submission: 2024-1: KiwiSaver changes in Tax Bill](#). The Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Bill makes some changes for some parents on Paid Parental Leave. The submission argues the option chosen amounts to tokenism and will have very little impact on the identified problem of the gender pensions gap.

PIE Working Papers and Policy Reports

- [PIE Policy Report 2024-1: Fair Economic Return \(FER\) v Land Tax](#). This paper compares the Fair Economic Return (FER) to Land Tax (LT) to clarify the feasible policy choices if another damaging speculative housing cycle is to be prevented in Aotearoa New Zealand. FER would broaden the tax base to help meet the inevitable fiscal pressures arising from the ageing population and climate change.
- [PIE Working Paper 2024-1: Illuminating the intergenerational value of regular population censuses whilst amidst a population storm](#). As Len Cook reports, the value added from population statistics is obscured in cost benefit analyses because of the weak connection between producers and users. In the population storm we now have, the diversity, scale and speed of change demands we adopt the oversight mechanisms common elsewhere.

PIE media

- Interview with Bernard Hickey: Open letter and the taxation of the NZ Super fund. The Hoon, [\(51\) The Hoon around the week to November 22](#), from 48. November
- Open letter to Prime Minister and Minister of Finance [15 Economists call for immediate suspension of spending cuts](#), Susan St John PIE hub, November 21st
- Interview with Thomas Coughlan [Thousands fewer families getting support as unemployment rises](#) NZ Herald, 19th November 2024
- St John, S (2024) [The age of magical thinking: Taxation of the NZ Super Fund](#). Interest.co.nz 18th November 2024
- St John, S (2024) Economics- the key or the lock? Meeting of graduate women Northshore, 7th November 2024.
- St John, S (2024) [Bigger deficit for Christmas from the deficit buster. Expect higher ACC levies](#) Daily Blog, 26th October
- St John, S (2024) [Interview with Susan Edmunds: Hundreds of thousands of children could be put into financial difficulty as benefit numbers soar](#) RNZ 25 October
- St John, S (2024) [If foodbanks were the answer, can underfunding them be the solution?](#) Daily Blog 16th October
- [St John, S \(2024\) Govt failing NZ's most vulnerable says economist](#) Midday report, Radio NZ, 11th October
- [Episode 17 – Susan St John on taxing wealth – Bryan Bruce Investigates](#) or watch [SusanStJohnIV2.mp4 October 8](#) Bryan Bruce Investigates – Substack
- Dale, M C & St John, S, quoted in Irish Examiner [Why auto-enrolment can be a double-edged sword for women's pensions \(irishexaminer.com\)](#). 6 October 2024.
- St John, S [Fair Economic Return rather than a Capital Gains Tax](#), interest.co.nz, 2nd October 2024
- Dale, M.C. [The consequences of losing trust in our public institutions](#), Checkpoint RNZ, 25 September 2024.
- St John, S (2024) [We do not need ACC levy increases](#) Daily Blog, 22 September.
- Dale, M.C. [Aged Care in Crisis in Aotearoa](#), *Conversation*, 19 September 2024.

- St John, S (2024) [Ballet dancing is as dangerous as rugby? Or is the complex super structure of levy setting dangerous to much needed 21st century reform of ACC](#) , Daily Blog, 24 September.
- St John, S [Review of crippling debts to government now delayed to the Never Never.](#) Daily Blog 24th August 2024.
- Guest speaker, Susan St John, 'Challenges to the NGO sector' Variety, 20 August, and Citizens Advice Bureau AGM, West Auckland, 22 August 2024.
- [Bryan Bruce Podcast with Susan St John on Working for Families](#), Head to Head, [Audio](#) substack Bryan Bruce series, 19 August 2024.
- St John, S (2024) [Just listen to Matthew and apply market-based technology to solve complex social problems](#) Daily Blog 13 August 2024.
- St John, S (2024) [Some may be worse off due to tax cuts: expert | RNZ](#) 31 July 2024.
- St John, S (2024) [There are many more past injustices for the state to answer](#) Daily Blog, 29 July 2024.
- St John, S (2024) [Time to cut through the weirdness, be bold and simplify Working for Families.](#) Daily Blog 23 July 2024.
- Dale, M C ["Tiny House" or "Granny flat"? What a difference a name makes.](#) [Newsroom](#), 22 June 2024.
- St John, S [Time for a multi-party focus on working for families](#), [Newsroom](#), 20th June 2024
- St John, S quoted in Susan Edmunds(17th June) ['We don't cope': 55,000 people have Working for Families debt | Stuff](#)
- St John, S quoted in Susan Edmunds (16th June) [Warning as Working For Families debt increases by more than \\$42m | RNZ News](#)
- St John, S [The rich get richer while child poverty just increases](#) Daily Blog 4th June 2024. Also see: [Christopher Luxon says low- and middle-income Kiwis get 'emphasis' of tax package, Treasury figures say the opposite – NZ Herald](#)
- St John, S [What impact did the Coalition government budgets have on the reduction of child poverty?](#) Waatea interview 4th June 2024.
- Bryan Bruce podcasts: <https://lnkd.in/gxWVG7Sk> (12 mins) featuring CPAG co-founder [Susan St John](#) [Bernard Hickey](#) and [Max Harris](#). 30th May CPAG Auckland Post-Budget event.
- St John, S [Budget hot takes Ask the experts.](#) Spinoff [Budget 2024: The great Spinoff hot-take roundtable | The Spinoff](#) 30th May 2024
- [St John, S Will the true debt figure please stand up.](#) Daily Blog 21st May 2024
- Dale, M C, 13 May 2024, re-interviewed by Natasha Hakimi for her book "Another World is possible" to be published by *The New Press* in February 2025.
- St John, S [Simplistic views of the causes of inflation don't do the left any favours.](#) Daily Blog, 10th April 2024
- St John, S [Is child poverty really too hard to cure?](#) Daily Blog 28th February 2024
- St John, S [Stats show "an unprecedented depth of poverty" :Economist](#) RNZ Interview 24th Feb 2024 Nine to Noon
- St John, S [Opinion: The Government's great welfare reset is a broken record](#) [TVNZ One news](#) 21st Feb 2024 republished University Auckland News.
- St John, S with Charlotte Cook [Fears Government will target more beneficiaries after moves to impose sanctions on job seekers](#) RNZ Midday report 20th Feb 2024