



NEW ZEALAND

		Key indicators		
			New Zealand	OECD
New Zealand: pension system in 2008 The public pension is flat rate based on a residency test. The KiwiSaver, an auto-enrolment defined contribution private retirement savings scheme with capped public subsidies was introduced in 2007. Employed KiwiSaver members were estimated to be over 30% of the workforce by the end of 2008.	Average earnings	NZD	46 700	57 900
		USD	32 800	40 600
	Public pension spending	% of GDP	4.3	7.0
	Life expectancy	at birth	80.2	78.9
		at age 65	84.0	83.1
	Population over age 65	% of working-age population	21.2	23.6

Qualifying conditions

Ten years' residency since the age of 20 (including five years after age 50) entitles people to the public pension at 65 years of age.

Benefit calculation

Basic

The pension for a single person living alone was NZD 347.77 gross per week from 1 April 2008. For 2006/07, the rate was NZD 336.65. The increase is due in part to the normal annual adjustment process, outlined below and in part to a Government commitment, also outlined below. This gives a total pension for the tax year 2008 of NZD 18 084, equivalent to around 39% of average earnings.

State pension entitlements from other countries are taken into account in calculating the total payable.

The rate of public pension is indexed to prices, but is subject to a floor and ceiling linked to movement in wages. For a couple, the governing legislation requires that the net-of-tax rate at each 1st April must be not less than 65% and not more than 72.5% of a net-of-tax surveyed weekly earnings measure. The net-of-tax rates for single people are set at 65% (living alone) and 60% (sharing accommodation) of the net-of-tax couple rate. If movements in prices remain consistently below movements in the net-of-tax surveyed weekly earnings, effectively the latter becomes the index.

The current Government has made a commitment that the net-of-tax rate at each 1st April is to be a minimum of 66% rather than 65% of the net-of-tax earnings measure.

Voluntary private pensions

Coverage of occupational pension plans has been falling for some time, and is currently around 9%. The new KiwiSaver scheme, however, achieved coverage of 44% within its first year of operation (from July 2007). The default contribution rate for this scheme is 4% of earnings, divided equally between employees and employers.

Variant careers

Early retirement

It is not possible to claim the pension before the normal eligibility age of 65.

Late retirement

Receipt of the public pension is not dependent on retirement. It is therefore possible to combine pension and employment.

While people are not obliged to claim the public pension on reaching the qualifying age, there is no advantage in deferring a claim.

Childcare

Eventual public pension entitlement is not affected by periods out of paid work for caring purposes.

Unemployment

Eventual public pension entitlement is not affected by periods of unemployment.

Personal income tax and social security contributions

Taxation of pensioners

New Zealand does not provide any tax concessions specifically for older people.

Taxation of pension income

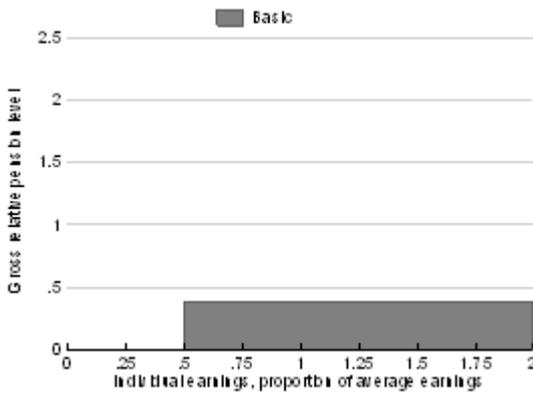
The public pension is subject to personal income tax (in the same manner as any other personal income). Note that the calculations for the worker tax differ slightly from those reported in the OECD's *Taxing Wages*. For workers, these include the Accident Compensation Corporation levy, set at 1.4% from 1 April 2008, which is not paid by pensioners. Thus, people of working age pay a slightly higher average effective tax rate than pensioners do.

Social security contributions paid by pensioners

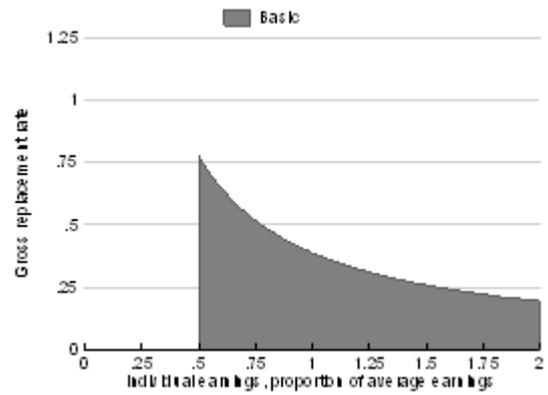
The New Zealand system is funded through general taxation and there are no specific social security contributions.

Pension modelling results: New Zealand

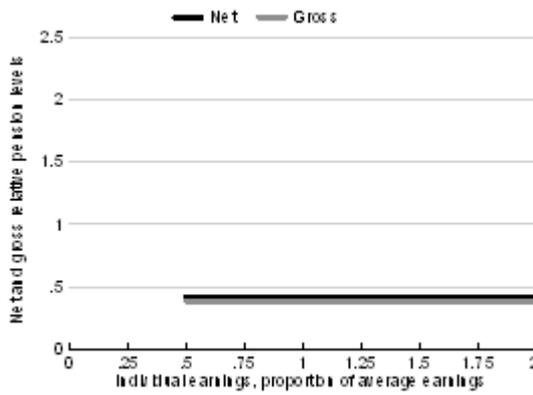
Gross relative pension level



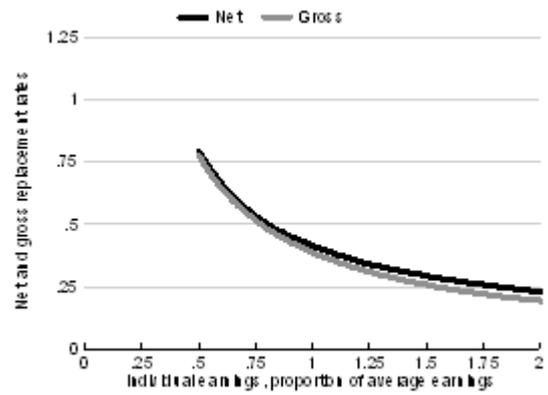
Gross replacement rate



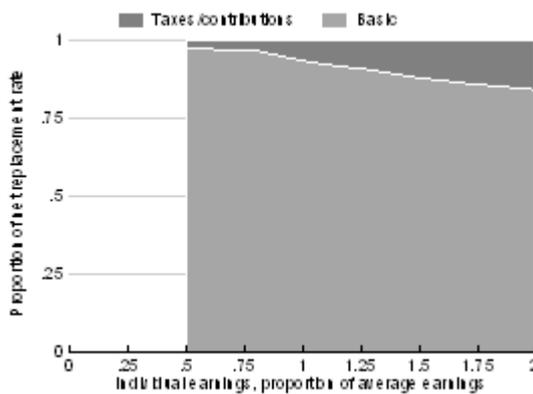
Net and gross relative pension levels



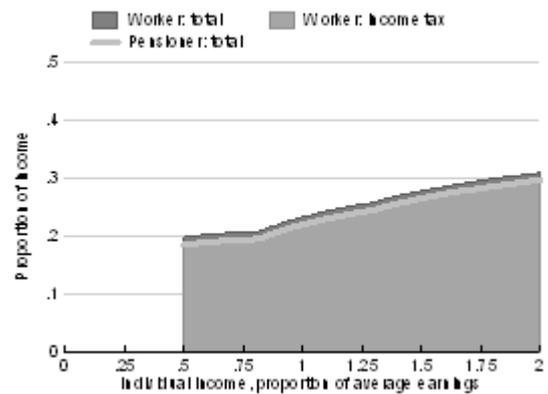
Net and gross replacement rates



Sources of net replacement rate



Taxes paid by pensioners and workers



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	38.7	38.7	38.7	38.7	38.7	38.7
Net relative pension level (% net average earnings)	41.5	41.5	41.5	41.5	41.5	41.5
Gross replacement rate (% individual gross earnings)	47.8	77.5	51.7	38.7	25.8	19.4
Net replacement rate (% individual net earnings)	49.6	79.4	53.5	41.5	29.4	23.0
Gross pension wealth (multiple of average gross earnings)	9.9 11.3	16.1 18.3	10.7 12.2	8.0 9.2	5.4 6.1	4.0 4.6
Net pension wealth (multiple of average net earnings)	8.2 9.3	13.2 15.1	8.8 10.0	6.6 7.5	4.4 5.0	3.3 3.8