


# New Zealand

## New Zealand: Pension system in 2012

The public pension is flat-rate based on a residency test. Coverage of occupational pension plans continues to diminish. Coverage of the KiwiSaver scheme continues to grow.

## Key indicators

		New Zealand	OECD
Average worker earnings (AW)	NZD	51 300	51 700
	USD	42 400	42 700
Public pension spending	% of GDP	4.7	7.8
Life expectancy	At birth	81.0	79.9
	At age 65	19.9	19.1
Population over age 65	% of working-age population	23.1	25.5

StatLink  <http://dx.doi.org/10.1787/888932909314>

## Qualifying conditions

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

## Benefit calculation

### Basic

The pension for a single person living alone was NZD 400.07 gross per week from 1 April 2012. For 2011/12, the rate was NZD 389.14. 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 of NZD 20 804, equivalent to around 41% of average earnings.

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

The rate of public pension is adjusted annually by the movement in the Consumer Price Index or the average net-of-tax weekly wage. For a couple, the governing legislation requires that the net-of-tax rate at each 1 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 government has made a commitment that the net-of-tax rate at each 1 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 the ratio of those in total employer sponsored schemes as a percentage of the employed workforce fell from 13.89% in 2003 to 10.38% in 2011. These plans are not government-subsidised through the tax system or otherwise.

KiwiSaver is a government-subsidised voluntary retirement saving scheme introduced on 1 July 2007. At 30 June 2012 the number of people enrolled in KiwiSaver was equal to approximately 34% of the working-age population aged 15-64. The default contribution

rate for this scheme is 4% of earnings, divided equally between employees and employers. From 1 April 2013, the default minimum contribution rate for this scheme increased to 6% of earnings, divided equally between employees and employers. Employees are able to select a higher contribution rate of 4% or 8%. Government subsidies are available to eligible savers, to a maximum of NZD 520 per year. KiwiSaver entitles members to a lump sum, not a pension, on withdrawal at age 65 or over.

## Variant careers

### **Early retirement**

There is no compulsory retirement age. However, it is not possible for persons to claim the pension, in their own right, before the normal eligibility age of 65. People aged 65 years and over can include a non-qualifying partner in their pension, subject to income-testing against the couple's income.

### **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 and retrospective claims are not allowed.

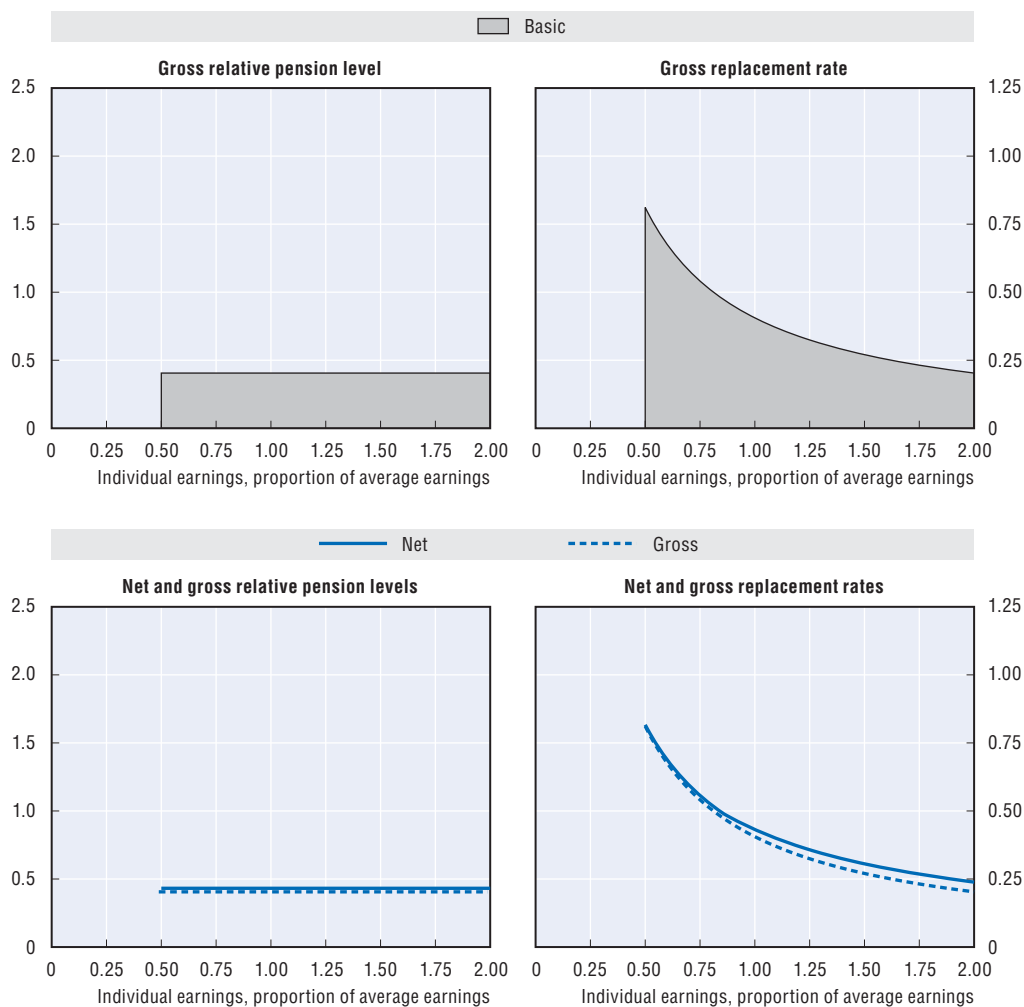
### **Childcare**

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.

## Pension modelling results: New Zealand



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)	40.6	40.6	40.6	40.6	40.6	40.6
Net relative pension level (% net average earnings)	43.2	43.2	43.2	43.2	43.2	43.2
Gross replacement rate (% individual gross earnings)	50.1	81.1	54.1	40.6	27.0	20.3
Net replacement rate (% individual net earnings)	51.7	81.7	55.7	43.2	30.6	23.9
Gross pension wealth (multiple of individual gross earnings)	10.9	17.6	11.7	8.8	5.9	4.4
Net pension wealth (multiple of individual gross earnings)	9.5	15.4	10.2	7.7	5.1	3.8
	10.6	17.3	11.5	8.6	5.8	4.3

StatLink  <http://dx.doi.org/10.1787/888932909333>