**Press release - section 4**

***The Missing 2016 Review* – tomorrow’s taxpayers will decide the annual NZS pension**

**24 July 2017**

Michael Chamberlain and Michael Littlewood have launched what they say is the review of retirement income policies that New Zealand should have received from the Retirement Commissioner in December 2016. Their report is called *The Missing 2016 Review – building trust for life beyond work* and is available online at [www.alt-Review.com](http://www.alt-review.com/).

This press release suggests that taxpayers of tomorrow will decide how much to spend on New Zealand Superannuation and that won’t be affected by the presence of the New Zealand Superannuation Fund.

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**Summary:** The Treasury makes regular estimates of the future cost of New Zealand Superannuation. However, tomorrow’s taxpayers will decide how much to pay in pensions and any decisions today’s voters make won’t make any difference to that.

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Michael Chamberlain and Michael Littlewood’s report *The Missing 2016 Review* picks apart the worries that some commentators have about the rising costs of an ageing population.

The estimated real cost of New Zealand Superannuation (NZS) in 2060, more than 40 years away, has actually fallen in the last 15 or so years when measured against expected levels of GDP. In 2000, the Treasury thought that the 2060 cost of NZS would be a net 9.7% of GDP. The latest estimate (2016) is that it will be 7.1% of GDP in 2060 and that’s after allowing for the latest estimates of improving longevity.

That’s still a large increase from today’s 4.2% but, in 2060, it will be less than the average OECD country pays today (7.3% in 2010).

However, it will be for tomorrow’s taxpayers to decide how much the annual NZS will be and no decisions about whether to continue the New Zealand Superannuation Fund or to increase the state pension age will affect tomorrow’s decisions about the annual pension. We cannot bind them.

In fact, Chamberlain and Littlewood argue that tomorrow’s taxpayers might object to decisions that we are making today:

“… taxpayers of tomorrow might resent having their hands tied in any way with respect to decisions that are theirs to make at the appropriate time and recognising the then appropriate competing demands on their taxes. A decision today about the state pension age in 2037 could be seen, in 20 years, as a constraint on tomorrow’s decision-making process.

Similarly, the presence of the New Zealand Superannuation Fund might be seen as a constraint on future governments’ ability to make decisions about the size of NZS. Today’s taxpayers have paid $15 billion more than is needed today for NZS (by the amount of the contributions to the NZSF) and might reasonably argue, when they become pensioners, that they have already partly paid for their pensions.”

The authors support the Treasury’s work on estimating tomorrow’s likely demographic costs because savers need to make decisions today about how much to save privately. But, they conclude “we should leave it to tomorrow’s taxpayers and not try to restrict their ability to make those calls. They will be paying the bills.”

Greater economic growth is top of Chamberlain and Littlewood’s list of the nine key elements that they think should form the framework of a sustainable, flexible, inclusive, successful retirement income framework.

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**Report accessible at:**

[www.alt-Review.com](http://www.alt-review.com/)

* Full report downloadable;
* Also, each of the 22 sections;
* And a press release for each of the 22 sections, including this one.