

Submission

By

Business|NZ

To

Social Services Select Committee

On

**New Zealand Superannuation Amendment
Bill**

2 July 2004

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**NEW ZEALAND SUPERANNUATION AMENDMENT BILL
SUBMISSION BY BUSINESS NEW ZEALAND
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1. INTRODUCTION

- 1.1 Encompassing four regional business organisations (Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, and the Otago-Southland Employers' Association), Business New Zealand is New Zealand's largest business advocacy body. Together with its 56-member Affiliated Industries Group (AIG), which comprises most of New Zealand's national industry associations, Business New Zealand is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.
- 1.2 In addition to advocacy on behalf of enterprise, Business New Zealand contributes to Governmental and tripartite working parties and international bodies including the ILO, the International Organisation of Employers and the Business and Industry Advisory Council to the OECD.
- 1.3 Business New Zealand's key goal is the implementation of policies that would see New Zealand retain a first world national income and regain a place in the top ten of the OECD (a high comparative OECD growth ranking is the most robust indicator of a country's ability to deliver quality health, education, superannuation and other social services). It is widely acknowledged that consistent, sustainable growth well in excess of 4% per capita per year would be required to achieve this goal in the medium term.
- 1.4 The health of the economy also determines the ability of a nation to deliver on the social and environmental outcomes desired by all. First class social services and a clean and healthy environment are possible only in prosperous, first world economies.
- 1.5 Ensuring that appropriate retirement income policies are in place is recognised almost universally as being one of the critical issues for New Zealand as the economy comes under increasing pressure from an ageing population.
- 1.6 Business New Zealand therefore welcomes the opportunity to comment on the New Zealand Superannuation Amendment Bill, which repeals the Retirement Income Act 1993. Business New Zealand agrees with the insertion of provisions relating to the Office of the Retirement Commissioner into the New Zealand Superannuation Act 2001, but we are concerned about the proposal to repeal the requirement for periodic reports on retirement income policies to be prepared by an independent report group.
- 1.7 Business New Zealand recommends that a provision requiring an independent assessment of retirement income policies should be added to the New Zealand Superannuation Act 2001. Such reports should be prepared at intervals of four years.

2. The Importance of Periodic Reports on Superannuation Policy

- 2.1 Business New Zealand is a strong supporter of the existing Periodic Reporting Group (PRG) process. For much of the period since the mid-1970s retirement income policy has been politicised and as a result unstable. This instability has caused much uncertainty not only for those in or nearing retirement but also for younger people who require certainty so that they may plan for their retirement.
- 2.2 The best way to provide New Zealanders with certainty is to build consensus and stability on retirement income policies. To achieve consensus and stability requires policies to be built on a sound conceptual framework that can generate informed and objective debate and result in policies that can withstand intense public and political scrutiny.
- 2.3 The 1993 Accord on Retirement Income Policies was a worthwhile initiative and its collapse in the late 1990s was very disappointing. However, although the Accord itself is now being removed from legislation through the repeal of the Retirement Income Act 1993, its underlying principles and objectives were valid and remain valid today.
- 2.4 The Accord led to the establishment of the Office of the Retirement Commissioner (ORC), which we consider to have played a most useful role in promoting retirement saving. We are pleased that the ORC will be continuing and we are comfortable with inserting the provisions relating to the ORC into the New Zealand Superannuation Act 2001.
- 2.5 Another key result of the Accord was the PRG process. This has also been a very useful initiative. It is very important for building consensus and stability for retirement income policies to be scrutinised by an independent expert group at regular intervals and for the public to be able to make submissions on these policies. Business New Zealand has taken the opportunity to do so.
- 2.6 Business New Zealand notes that the 2003 PRG considered a six-yearly review to be too infrequent. We would agree and suggest that a four-yearly PRG process would be appropriate. The PRG also recommended that future periodic reviews should be replaced by an ongoing work programme, undertaken by the ORC and assisted by an advisory group.
- 2.7 The Bill only partly addresses the PRG recommendations. Although it will repeal the requirement for periodic independent reviews on retirement income policies, there is no provision in the Bill for the appointment of an advisory group, nor is there any provision for regular stock-takes of policy. Rather than enabling the ORC to undertake an ongoing work programme, the Bill's provisions appear to constrain its functions in relation to policy. Meanwhile, what monitoring and reporting functions the ORC would have will fall well short of a mandate to undertake a comprehensive review of policy on a periodic basis.
- 2.8 There has been no compelling reason given in the Bill for the repeal of the requirement for periodic reports and nor has any provision been made for a

replacement process. We consider that achieving consensus and stability on retirement income policy will become more difficult without the credible and objective policy review that is provided by the PRG process.

Recommendation

- 3.1 Business New Zealand recommends that a provision requiring independent assessment of retirement income policies should be added to the New Zealand Superannuation Act 2001. Such reports should be prepared at intervals of four years.