



Office of Hon Bill English

Deputy Prime Minister
Minister of Finance
Minister for Infrastructure

27 JUL 2009

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1. Liz Baxendale
2. Policy

22 JUL 2009

Liz Baxendale
President

Age Concern New Zealand Incorporated
P O Box 10-688
WELLINGTON 6143

Dear Liz Baxendale

Thank you for your letter of 10 June 2009 about New Zealand Superannuation (NZS) rates.

I acknowledge your concern **about the use of the 66 per cent** of the average wage figure to express the NZS entitlement of superannuitants. However, **as** you correctly note, in legislation it is the married couple rate of NZS that **is set by the chosen** wage floor, and directly determines other NZS rates. It is for this reason that the **Government considers it appropriate that the married couple rate is used** when references to NZS entitlements are described generally. In such statements, we generally refer to it as "the wage floor", or the married couple rate, **W e do so** in order to avoid the possible misperception you say **can arise**.

You say that superannuitants are finding it increasingly difficult to maintain their health and quality of life. Under **normal** circumstances, NZS is intended to **provide an** adequate, but basic, level of income. The Government **considers that** people need to save for their retirement if they want greater financial independence in their senior years.

While I am sympathetic to the stresses that can result from living on a modest income, **our view on the adequacy of NZS is backed up by a range of studies**. The **Positive Ageing** Indicators 2007 report **shows** that most older people have adequate incomes and enjoy a good quality of life. **This report** from the Ministry of Social Development will be repeated at five yearly intervals to enable the Government to measure **ten outcome areas that** capture aspects of wellbeing and quality of life for **older New Zealanders**. Each area holds a set of **Indicators that use data** from a range of sources, including the Census. If you are interested in **further information**, the report is **available** on the Ministry of Social Development's website at: www.msd.govt.nz/documents/work-areas/social-research/positive-ageing-indicators-2007.pdf.

This study is supported by a recent OECD study (*Growing Unequal? Income Distribution and Poverty in OECD Countries*, OECD 2008). This study considered income distribution and poverty in the developed world. This found that only 2 per cent of older people in New Zealand were living below the poverty line. This was the best equal result among the 30 countries in the OECD study. Poverty thresholds are set at 50 per cent of the median income of the entire population.

There are, however, approximately ten per cent of superannuitants who do not have any extra income to supplement their NZS entitlement. It is possible that some of these will genuinely struggle to make ends meet. To make *sure* these people do not suffer unnecessarily, the Government can make extra assistance available. For example, the Government can provide help with housing costs for low-income people, whether they are renting or paying a mortgage, through the Accommodation Supplement. People with health needs requiring them to visit their doctor often may be entitled to a Disability Allowance. Temporary additional support can also be made available under some circumstances. Any older person who is worried about making ends meet should contact Work and Income on 0800 559 009 to check on possible additional assistance.

I hope you find my comments helpful. Thank you again for your letter.

Yours sincerely



Hon Bill English
Minister of Finance