

FACT SHEET: RESUMING CONTRIBUTIONS TO THE NZ SUPER FUND

Why are the changes being made?

- New Zealand is facing a looming fiscal crisis as the cost of NZ Super is set to double.
- New Zealand's population is ageing. By 2050 the number of people aged 65 and over more than doubles from 550,000 to 1.35 million – that's roughly the population of Auckland.
- We cannot escape this problem. The very first baby boomers retired this year. Our ageing population was one of the reasons for the Standard & Poor's downgrade.
- This year we spent \$8.8 billion on NZ Super alone. Treasury estimates that as a share of GDP, this cost is forecast to double over the next 40 years to 8 per cent.
- National's short-sighted decision to suspend contributions has left a \$30 billion hole in the fund by 2050.
- This means there will be less money available to help meet the future cost of NZ Super and has reduced the Fund's ability to contribute to these future costs by 25 per cent.
- In the last financial year the Super Fund generated returns of 25 per cent – its best ever performance.
- Since National suspended contributions in 2009, the fund has grown by over \$4 billion from profits on its investments.

What is changing?

- Labour will restart contributions to the New Zealand Super Fund in our first budget rather than waiting until 2017/18 as National plans to do.
- Contributions will be increased every year, starting with \$750 million in 2012/13, and then ramping up by \$750 million a year until we reach the legislated contribution rate.

What are the benefits?

- By resuming contributions Labour will ensure the Fund is better placed to help meet the rising cost of NZ Super.
- Over the course of thirteen years, Labour will contribute \$5.5 billion more than National resulting in an estimated \$12.8 billion more in the Fund at the end of that period.