



# SALT INSIGHT

By: **Bevan Graham**, Economist  
8 April 2026

## New Zealand's Retirement Income Debate Is Too Narrow

*This Insights paper was first published as an opinion piece in the New Zealand Herald*

Debate around New Zealand's retirement income system is once again intensifying. Much of the political and media focus has centred on KiwiSaver including contribution rates, default settings, and the role of private savings. Yet this narrow lens risks missing the larger and more pressing issue - the long-term fiscal cost of New Zealand Superannuation (NZS). Retirement policy cannot be designed in fragments. It must be assessed as a coherent system embedded within the Crown's broader balance sheet.

New Zealand's framework rests on three pillars: a universal public pension, quasi-compulsory private saving through KiwiSaver, and voluntary additional saving. But these components are rarely considered together. Reform energy tends to focus on KiwiSaver, while the largest and fastest-growing fiscal component, NZS, is often ignored. That imbalance matters. Demographic change is steadily

lifting the cost of NZ Super, alongside rising age-related spending pressures such as healthcare, as the population ages and dependency ratios rise, placing increasing pressure on public finances - either crowding out other priorities or shifting the burden onto future taxpayers.

### **The real issue is the opportunity cost**

But the issue is not just fiscal cost. It is also opportunity cost. Every dollar committed to maintaining current NZS settings is a dollar unavailable for other national priorities. Persisting unchanged inevitably constrains the country's ability to invest elsewhere, whether that is paying our best teachers and nurses wages that are globally competitive, reducing child poverty, strengthening public services, or lifting long-term productivity through infrastructure and human capital. Framing the debate purely in terms of affordability understates the real policy choice: how scarce fiscal resources are allocated across generations and competing social objectives.

## **KiwiSaver is not the solution to a fiscal problem**

This is where the current debate becomes incomplete. KiwiSaver settings do matter. Higher contribution rates, broader coverage, and improved investment outcomes can strengthen household balance sheets and reduce vulnerability in retirement. But KiwiSaver was never intended to offset the fiscal realities of a universal, wage-indexed public pension with a relatively low eligibility age by international standards.

Treating KiwiSaver reform as the primary lever risks confusing private adequacy with public sustainability. Put simply, stronger KiwiSaver balances may improve individual outcomes at the margin, but they do not reduce the fiscal cost of a universal public pension. Nor do they fully address differences in lifetime earnings and saving outcomes across the population, which a universal NZ Super payment partially mitigates.

## **The Super Fund and the allocation of national savings**

A more complete conversation must also confront the role of the New Zealand Superannuation Fund (NZSF). Established to help pre-fund the rising cost of NZS, the NZSF represents a significant pool of public capital accumulated precisely because of long-term demographic pressures. It is widely regarded as a high-quality institution, and rightly so. But its existence raises a natural extension of the opportunity cost argument.

At the same time as New Zealand accumulates assets in the NZSF, it faces elevated public debt, constrained fiscal capacity, and large infrastructure deficits. In that environment, it is reasonable to ask whether current policy settings represent the optimal use of national savings. The question is not simply whether the NZSF delivers strong long-term returns, but how those returns compare to alternative uses of capital, whether that is reducing debt, accelerating infrastructure investment, or addressing pressing social needs.

There is also a geographic dimension to this trade-off. The NZSF invests predominantly offshore, reflecting a rational desire for diversification and higher returns. But this means that national savings, collected through taxation, are being deployed largely into foreign capital markets, rather than into New Zealand's own productive capacity. That sits uneasily alongside persistent domestic challenges, including weak productivity growth, infrastructure gaps, and capital constraints within the local economy.

## **Governance risk vs capital allocation**

This is not an argument to abandon pre-funding lightly. The discipline of saving in advance of demographic change strengthens fiscal credibility and supports intergenerational fairness. But nor should the NZSF be treated as beyond question.

A common counterargument is that any relaxation of the current framework risks the NZSF being diverted into politically motivated or low-quality spending. That concern should not be dismissed lightly. But it is ultimately a question of governance rather than strategy. The appropriate response is not to avoid the debate altogether, but to ensure that any alternative use of capital, whether infrastructure investment, debt reduction, or otherwise, is subject to the same rigorous cost-benefit analysis, return thresholds, and institutional discipline that currently apply.

The risk of poor allocation exists regardless of the vehicle; ring-fencing the NZSF does not eliminate it, it simply relocates it. It is not clear that the possibility of political misuse is a sufficient reason to lock in a potentially sub-optimal allocation of national savings.

## **An uncomfortable interaction**

The deeper tension is that both sides of the system are interacting. On one hand, the cost of NZS is rising and absorbing an increasing share of public resources. On the other, the NZSF is accumulating assets to help meet those future costs. But if the structure of NZS ultimately proves unsustainable in its current form, as official (NZ Treasury) projections suggest, then the liability being pre-funded is itself uncertain.

That only sharpens the question of whether current arrangements represent the best use of scarce national capital.

## **A system, not three separate debates**

A durable retirement income strategy requires an integrated perspective. Eligibility age, indexation, fiscal sustainability, private saving incentives, the opportunity cost of public spending, and the strategic role of the NZSF must be assessed together rather than in isolation.

It also requires confronting trade-offs honestly. Maintaining adequacy, preserving incentives to save, ensuring intergenerational fairness, funding infrastructure, improving social outcomes, and safeguarding fiscal

credibility cannot all be maximised simultaneously without adjustment somewhere in the system.

Election cycles naturally favour incremental and politically comfortable changes. But retirement policy operates on demographic and fiscal horizons measured in decades, not parliamentary terms. The real risk is not that New Zealand debates retirement settings too often, but that it debates them too narrowly.

### **Conclusion: a question worth asking**

Ultimately, this is a question of intergenerational choice and political honesty. A society that promises everything to current retirees without confronting the implications for younger generations is not avoiding hard decisions, it is simply postponing them.

Sustainable retirement policy does not require abandoning fairness or adequacy, but it does require aligning promises

with resources and priorities with long-term prosperity.

Because KiwiSaver, NZS, and the NZSF are not separate conversations. They are interdependent parts of a single system. Judging one without the others is not just incomplete - it is economically misleading. And continuing to do so risks leaving future New Zealanders with fewer choices, weaker public services, and a bill they did not agree to pay.

---

Disclaimer: The information in this publication has been prepared from sources believed to be reliable and accurate at the time of preparation but Salt Funds Management Limited, its officers, directors, agents, and employees make no representation or warranty as to the accuracy, completeness, or currency of any of the information contained within, and disclaim any liability for loss which may be incurred by any person relying on this publication. All analysis, opinions and views reflect a judgment at the date of publication and are subject to change without notice. This publication is provided for general information purposes only. The information in this publication should not be regarded as personalised advice and does not take into account an individual investor's financial situation or goals. An individual investor should, before making any investment decisions, seek professional advice. Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance. Salt Investment Funds Limited is wholly owned by Salt Funds Management Limited and is the issuer of units in the Salt Investment Funds Scheme. A Product Disclosure Statement can be found at [www.saltfunds.co.nz](http://www.saltfunds.co.nz)

More information is available at: [www.saltfunds.co.nz](http://www.saltfunds.co.nz).