Patrick Nolan and Michelle Reyers

Transitions, Trade-offs and Long-term Stewardship in Retirement Income Policy

Abstract

Debates about retirement income usually focus on where the system should end up. This article argues that how we get there matters too. Reforms affect people at different times in their lives and in different circumstances. Policies that appear similar in fiscal terms can have very different consequences, depending on when change begins and who they affect. Reforms are less likely to endure if the transition places unreasonable demands on the people affected. The challenge is not simply choosing a future retirement income system but developing a credible pathway to it.

Keywords pension reform, retirement savings, fiscal sustainability, transition design

Patrick Nolan is director of policy and research at Te Ara Ahunga Ora Retirement Commission. He has worked across a range of economic and public policy issues in New Zealand and the United Kingdom. **Michelle Reyers** is policy lead at Te Ara Ahunga Ora Retirement Commission. She has worked across financial services, academia and public policy in South Africa and New Zealand.

Retirement income debates often start with a choice between settings. Should KiwiSaver become compulsory? Should contribution rates increase? Should the age of eligibility for NZ Super rise? Should it be income tested? And so on. These are important questions, but they focus on the destination: what the future retirement income system should look like. In retirement income policy, the pathway matters too. When change begins, how quickly it is phased in and how much time people have to adjust can be as important as the destination itself.

This matters because retirement income reforms affect people at different points in their lives and in different circumstances. A higher KiwiSaver contribution rate introduced today may help a 40-year-old build additional retirement savings, but it does little for someone already close to retirement. Changes to New Zealand Superannuation (NZ Super) work on a different timetable: a higher eligibility age, income test or indexation change can affect people much sooner.

Policy debates can also be too quick to treat options as interchangeable if they produce similar fiscal outcomes. Fiscal sustainability is an important consideration, but it is not the only one. Policy options that generate similar fiscal savings can have very different distributional and economic consequences. Assessing these consequences requires attention to equity both between and within generations, including how different policy choices and transitions affect different groups.

For instance, three commonly discussed approaches to reforming NZ Super are raising the eligibility age, changing indexation and introducing income testing. While all may reduce projected expenditure, they distribute costs among people in different ways. A dollar saved through a higher eligibility age is not the same as a dollar saved through lower indexation or income testing. The key policy questions are not only how much a reform saves and what benefits it creates elsewhere in the system, but who bears the cost of those savings, how behaviour may change in response and whether people have a realistic opportunity to adjust.

This is not an argument for maintaining current settings indefinitely. Some degree of change will be necessary as the population ages and patterns of work and retirement continue to evolve. The question is not simply whether reform should occur, but how it should occur.

Answering that question requires consideration of how the costs of reform are distributed. Much of the debate focuses on the incidence of different policy designs and who gains or loses once a reform is fully in place. The transition itself, however, also matters. Reforms affect people at different life stages and in different circumstances, meaning that the costs of adjustment do not fall equally. Two reforms with the same long-run incidence can have quite different distributional consequences depending on how they are introduced. This article focuses on these transition and adjustment dimensions.

The 2025 Review of Retirement Income Policies highlighted this stewardship challenge. It emphasised the need for safe policy change, long-term stewardship and a roadmap covering NZ Super, KiwiSaver and retirement planning. The case for reform is not only that future costs need to be contained, but that change should be managed in a way that means the system continues to be fit for purpose given the changing needs of the population.

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The challenge is not just a fiscal one

Population ageing will place pressure on public finances. Statistics New Zealand projects that the population aged 65 and over, estimated at 0.87 million in 2024, has a 90% probability of reaching between 1.44 million and 1.55 million by 2051 (Statistics New Zealand, 2026b). At the same time, declining fertility rates mean growth in the working-age population is slowing. The result is a shift in the age structure of the population, with fewer people of working age relative to the number of older people. As the population ages, expenditure on programmes such as NZ Super is projected to increase relative to other demands on public resources, increasing pressure on public finances (Katz, 2025).

The fiscal implications of demographic change depend on a range of factors, including labour force participation, earnings growth and migration. These factors may offset some of the effects of population ageing for a period. Nevertheless, the broad direction of demographic change is clear, increasing the importance of decisions about how retirement income costs are shared across generations.

However, the issue is not simply whether higher spending can be afforded. Public resources are limited and additional spending on NZ Super will require some combination of higher taxes, increased borrowing, lower spending elsewhere, or changes to retirement income policy settings (Treasury, 2025). There is also a question about when these costs should be met, including whether greater pre-funding could reduce reliance on future taxation or debt and distribute the costs of population ageing more evenly across generations (Hughes, 2026). The challenge is as much one of policy choices as affordability. Different choices distribute costs differently across taxpayers, retirees and future generations (Bayly et al., 2026).

There is also a legitimate debate about the extent to which future costs should be contained. Some people favour reforms that would lead to retirement income spending being broadly flat as a share of GDP over time. Others accept retirement income spending rising as a share of GDP, while seeking to keep that increase below the levels projected under current settings. In both cases, retirement income spending must be considered alongside other demands on public resources. How that balance should be struck is ultimately a political choice (Te Ara Ahunga Ora Retirement Commission, 2024).

This article does not seek to determine the preferred future path of retirement income spending. Rather, it focuses on a related question: if reform is undertaken, how should it be introduced? Whatever view is taken about the desired level of future spending, the issues of timing, sequencing and who bears the cost of adjustment remain central.

New Zealand starts from a relatively strong position. NZ Super is simple, has broad coverage and provides an effective retirement income floor (Te Ara Ahunga Ora Retirement Commission, 2025). KiwiSaver has also become a major savings institution, with more than 3.5 million members and around $140 billion in funds

under management (Reyers, 2026b), which is equivalent to around 30% of New Zealand's gross domestic product (Statistics New Zealand, 2026a).

The question is whether current settings will continue to meet their objectives as the population, labour market and housing system change. As retirement circumstances become more varied, reforms need to be assessed not only by their effect on total expenditure, but also by how costs fall across people with unequal resources and opportunities to respond.

Timing and the incidence of reform

The start date and implementation period of a reform help determine who bears its costs. Two reforms that lead to the same final settings can have different effects if one is introduced quickly and the other after a long lead time. Consider an increase in the NZ Super eligibility age. Announcing a change today to begin in 2045 gives affected people who are currently in mid-life around two decades to adjust their saving, work and retirement plans. Introducing the same change in 2030 would place more of the immediate burden on people already approaching retirement. The final eligibility age may be identical, but the cohorts bearing the transition costs are different, as illustrated by the policy scenario modelling discussed in Box 1.

The example in Box 1 focuses on differences between cohorts. However, timing does not affect everyone within a cohort equally. Even where people are given the same notice period, their capacity to respond may differ. Higher-income households may be able to save more, work for longer or draw on other assets, while others face constraints linked to income, health, caring responsibilities, housing or the nature of their work. Aggregate figures can understate how exposed some groups are to transition costs, including many Māori, Pacific peoples and women (Ministry of Social Development, 2025). Impacts may therefore differ by gender, ethnicity and family or household circumstances, including where adjustment costs are potentially shared between partners.

The choices available to policymakers can alter these distributional outcomes. Long lead times, gradual phase-ins, grandparenting and additional support can alter the distribution of these transition costs, but none of these approaches is costless. Grandparenting protects people close to retirement but delays fiscal savings. A phased change spreads adjustment over time but creates different rules for different cohorts. Additional support can protect adequacy but reduce the net fiscal savings. Transition design involves significant choices about how the costs of reform are distributed across and within generations. The responses expected of people may also have wider economic effects, including through changes in labour supply and current consumption.

KiwiSaver and NZ Super operate on different time horizons

The discussion so far has emphasised that the timing of reform affects who bears the costs of adjustment. Sequencing matters as well, because KiwiSaver and NZ Super operate on very different time frames. They are components of the same retirement income system, but they perform different functions and respond to policy changes at different speeds. KiwiSaver builds private assets through contributions and investment returns over a person's working life. NZ Super provides a current income floor that does not depend on earnings, regular contributions or investment performance.

Stronger KiwiSaver settings take decades to affect retirement incomes because higher balances must first be accumulated through additional contributions and investment returns. Modelling of case studies by the Retirement Commission illustrates this point. Holding earnings paths, contributions, investment returns, fees and tax constant, moving from combined employee and employer contributions of 4% plus 4% to 6% plus 6% materially increases projected balances (Nolan, 2026). The increase is larger for a 40-year-old than for a 50-year-old because a younger person has a longer contributions window and has more time for returns to compound.

Changes to NZ Super, in contrast, can affect retirement incomes much sooner. A higher eligibility age removes payments during the period between the old and new eligibility ages. An income test can reduce

Box 1: Policy scenarios that illustrate timing trade-offs

The Retirement Commission used a policy scenario modelling tool to compare two pathways to increasing the NZ Super eligibility age to 67, one beginning in 2030 and one in 2045.[1] The 2030 scenario assumes a shorter phase-in period and earlier implementation, while the 2045 scenario assumes a longer phase-in period, with greater protection for people approaching retirement.

In both scenarios the eligibility age is increased gradually from 65 to 67, with the difference being the date at which the transition begins and the cohorts affected within the model horizon. Both scenarios are modelled over the same 2026–65 horizon and do not incorporate behavioural responses such as changes in labour force participation or saving.

The modelling shows that while the policy end-state is identical (with the projected cost of NZ Super falling from 7.8% to 7.2% of GDP in 2065), the timing of implementation changes both fiscal outcomes and who bears the costs of adjustment.

The earlier pathway produces around $87 billion in fiscal savings over the projection period to 2065, compared with around $44 billion under the later pathway. This difference reflects both the earlier implementation date, which means more people are affected as the higher eligibility age is introduced sooner, and the fixed 2065 end point used in the modelling. By reducing expenditure earlier, the earlier pathway also lowers the accumulation of public debt and the associated cost of servicing that debt.

With a 2030 start date, an illustrative person aged 55 in 2026 would need an additional savings balance of around $62,500 by age 65, expressed in 2026 dollars, to offset the expected loss of two years of NZ Super (based on the single, living alone rate). Under the 2045 pathway, the same person would not be affected because they would already have qualified for NZ Super before the higher eligibility age was introduced.

Table 1: KiwiSaver contribution rates and sources of income at retirement

Contribution setting	Replacement rate	NZ Super share of income at 65
4% + 4%	63.2%	79.5%
6% + 6%	68.1%	73.8%

Source: Nolan, 2026

Table 2: Savings rates needed to replace NZ Super

Current age	Required balance at 65 (real)	$50,000 income	$72,800 income	$80,000 income	$120,000 income
35	$1.06m	47.1%	32.4%	29.5%	19.6%
45	$0.91m	70.7%	48.6%	44.2%	29.5%
55	$0.79m	141.4%	97.1%	88.4%	58.9%

Source: Nolan, 2026

Table 3: Factors with greatest influence on retirement outcomes by age

Current age	Main influences on retirement outcomes
35–44	KiwiSaver contribution rates, contribution continuity, investment returns and long-run NZ Super settings as there is sufficient time for policy changes to accumulate and for people to adjust.
45–54	Both KiwiSaver and NZ Super settings matter. There is still time for additional saving, but transition risks begin to become more important.
55–59	NZ Super settings, particularly eligibility age and indexation, become increasingly important. There is less time for KiwiSaver changes to alter outcomes materially.
60–65	Outcomes are dominated by NZ Super settings, transition arrangements and decumulation decisions because there is little time to respond through additional saving.

Source: Nolan, 2026

payments as soon as it takes effect, while a change to indexation progressively alters income throughout retirement. These effects may begin well before higher KiwiSaver contributions have generated substantial increases in balances.

As noted above, whether KiwiSaver can offset such changes depends not only on time, but also on people's capacity to accumulate savings. KiwiSaver balances are shaped by earnings, regular contributions and time in paid work. Higher contribution rates can improve outcomes for regular contributors, but they do less for people with low earnings or extended periods outside paid employment.

Further, even where higher contributions produce substantially larger KiwiSaver balances, the effect on retirement income can be more modest. Retirement balances must be converted into a stream of income that lasts throughout retirement. With an annuity that provides a fixed real income, an additional $50,000 of savings at age 65 could provide around $2,000–$3,000 of additional income each year over retirement.

This difference between balances and income helps explain why NZ Super will continue to play a central role in the retirement income system. As Table 1 shows, in the case of a 40-year-old earning $80,000, increasing combined employee and employer contributions from 8% to 12% will increase replacement rates (retirement income as a proportion of pre-retirement earnings) and reduce the share of retirement income coming from NZ Super, but NZ Super will still account for nearly three-quarters of income at retirement. This assumes continuous contributions to age 65, so for people who have gaps due to time out of paid work the role of NZ Super will be larger. This suggests that stronger private saving can improve retirement outcomes but is unlikely to displace NZ Super as the system's principal income floor.

This can be illustrated by estimating the saving required to replicate NZ Super through private savings alone. As shown in Table 2, a 35-year-old earning $80,000 would require a total saving rate of around 30% to fund an equivalent stream of retirement income. The required rate is much higher for someone aged 55 and is also higher for lower earners, as for these people NZ Super represents a larger proportion of pre-retirement income.

None of this implies that stronger KiwiSaver settings are not worthwhile. Rather, it shows that if private saving is expected to carry a larger share of the retirement income system, stronger accumulation needs to precede any reduction in public support. And even then, some groups will not have enough time or earning capacity to absorb a reduction in support. The relative importance of different policy settings also changes across the life course. Table 3 summarises the factors that are likely to have the greatest influence on retirement outcomes at different ages.

How KiwiSaver performs now

The preceding section showed that private saving can support adjustment to reform, but that its effectiveness depends on how much people can accumulate and the time available to do so. Current KiwiSaver data shows that this capacity varies considerably across the population (Reyers, 2026b).

Around 70% of members contributed during the year to December 2025. Contributions were strongly related to income: around 90% of members earning more than $50,000 contributed. Non-contributors were concentrated among people with low incomes, weak labour market attachment or not in paid work (Reyers, 2026a). Differences in contributions are naturally reflected in balances. Contributing members held average balances of about $50,700, compared with about $19,600 for non-contributors. At ages 61–65, the average difference exceeded $62,000 (MJW, 2026).

However, the data also shows that the same contribution rates can produce very different dollar outcomes. Women were slightly more likely than men to contribute and on average women and men tend to contribute similar percentages of pay, but average male balances remain about 24% higher (Reyers, 2026b). The gap reflects differences in earnings and paid work patterns rather than a simple difference in willingness to save (Chen & Baddley, 2025).

Self-employed members are also less likely to contribute regularly than employees, reflecting the absence of employer contributions and the greater variability of self-employment income. Many people contribute intermittently, while others prioritise business investment, debt

reduction or household spending ahead of retirement saving (Te Ara Ahunga Ora Retirement Commission & Hnry, 2025). As a result, self-employed people can reach retirement with materially lower balances despite long periods of labour force participation, highlighting the importance of KiwiSaver participation and regular contributions alongside contribution rates.

The same KiwiSaver settings can therefore produce very different retirement outcomes for different people. Lower earners accumulate fewer dollars at any given contribution rate, while interruptions to saving and lower investment returns further reduce balances. Higher earners generally benefit more from earnings-based saving because larger dollar contributions are invested over time.

Investment strategy also matters. Retirement Commission modelling found that, for a 40-year-old, the difference between investing in conservative funds and growth funds produced changes in projected retirement balances of a similar order of magnitude to increasing total KiwiSaver contributions from 8% to 12% (Nolan, 2026). This highlights how improving financial capability and supporting better fund-choice decisions may be as important as changes to contribution settings for some groups.

Retirement outcomes therefore reflect the interaction of earnings, regular contributions, investment returns and time, rather than contribution rates alone. For groups with lower average earnings, lower rates of home ownership or more variable employment, including many Māori, Pacific peoples and women, these differences can compound over a person's working life and become more visible in retirement (Te Ara Ahunga Ora Retirement Commission, 2025). This suggests that policies aimed at improving retirement outcomes should focus not only on contribution rates, but also on participation, regular contributions and investment performance, while recognising that different policy instruments serve different purposes.

Recent work by the New Zealand Society of Actuaries highlights that the contribution rate which maximises retirement balances is not necessarily the contribution rate that should be set as a default (New Zealand Society of Actuaries, 2026). Their analysis suggests that while higher contribution rates may improve retirement outcomes for some groups, they may lead to excessive saving for others, particularly some lower-income earners. The role of a default is therefore to provide a workable setting that most people can sustain over time, including when their financial circumstances are constrained. People who can contribute more or choose a different investment approach should be able to do so, but the default needs to support broad and sustained participation rather than assume that all members can consistently meet a higher standard.

The government contribution performs a different role. Defaults are primarily a way of supporting participation and regular saving across the membership. Government contributions are better suited to addressing gaps that arise because some people have less capacity to contribute. This distinction matters because a broadly applied subsidy may have only a limited effect on total saving, while more targeted support may help prevent inequalities during working life from being carried into retirement.

The way fiscal savings are made matters

The preceding sections have focused on the timing of reform, people's capacity to adjust, and the different roles played by NZ Super and KiwiSaver settings. However, timing and sequencing are only

Box 2: The way savings are achieved matters

The Retirement Commission used a policy scenario modelling tool to run a range of illustrative scenarios that generated similar levels of fiscal savings of around $170 billion over the projection period to 2065. These were:

- CPI-only indexation from 2027;
- an age of eligibility for NZ Super of 69 introduced from 2027; and
- an income test with an abatement rate of 100% applying to annual non-NZ Super taxable income over $900.

The age and income-testing settings may be unrealistically severe as practical policy options, but that is partly the point: indexation is such a powerful fiscal lever that very substantial changes to other settings are required to produce an equivalent net present-value saving.

Required retirement balances are used here as an illustrative measure of the private adjustment needed to offset the loss of NZ Super under each reform. The modelling estimated the additional savings balance needed at age 65 to offset the expected loss of NZ Super under each scenario, expressed in 2026 dollars.

For an illustrative 35-year-old median earner, the required age-65 balance is around $252,000 under CPI-only indexation, compared with around $149,000 under the eligibility-age scenario and around $76,000 under the income-test scenario.

For an illustrative 55-year-old median earner, the corresponding balances were around $117,000, $124,000 and $76,000 respectively.

The differences in required balances reflect who is affected and for how long. CPI-only indexation affects a broader group and generates larger adjustment requirements for younger cohorts because the gap between CPI-indexed NZ Super and the current formula widens over time. By contrast, the income test affects only people with taxable income above the threshold. As many people have relatively little taxable income outside NZ Super, its impact on the illustrative median-income person is smaller than the headline policy settings might suggest.

The timing of fiscal savings also differs across the scenarios. Indexation changes begin affecting expenditure immediately and generate savings throughout the projection period, whereas eligibility-age increases and income testing generate savings through different mechanisms and with different distributions across affected groups. Similar cumulative savings therefore do not imply similar fiscal, distributional or individual adjustment outcomes over time.

Further details of the modelling assumptions, scenario specifications and results are available in Reyers (forthcoming).

part of the story. The form that reform takes also matters. A higher eligibility age, income testing and changes to indexation may all reduce projected expenditure, but they distribute costs differently across different people. This is illustrated in Box 2. The sections which follow consider in more detail how these reforms allocate adjustment costs in different ways.

Raising the eligibility age

Raising the NZ Super eligibility age illustrates how a particular reform can allocate adjustment costs across the population. If eligibility begins at 67 rather than 65, people who retire at 65 receive no NZ Super for two years and must bridge the gap through continued employment, private savings, a partner's income or other forms of assistance.

The costs of this adjustment are concentrated on the cohorts directly affected by the higher eligibility age. People already above the eligibility age experience no direct effect, while those approaching retirement when the change is introduced may face a substantial reduction in expected retirement income. As a result, even where an eligibility-age increase delivers fiscal savings similar to other reforms, those savings are generated by imposing larger adjustments on a narrower group of people.

Differences also exist within affected cohorts. Some people may be able to remain in employment for longer and maintain earnings during the additional years before eligibility begins. Others may face constraints arising from health conditions, caring responsibilities, labour market disadvantage or the physical demands of their occupation. The same increase in the eligibility age can therefore have markedly different consequences depending on a person's household circumstances and opportunities.

A higher eligibility age may also increase labour force participation and encourage additional private saving among some groups, contributing to fiscal savings through both reduced NZ Super expenditure and higher economic activity.

These distributional considerations also affect fiscal outcomes. Robust estimates of the net fiscal savings from raising the eligibility age should take account of any associated increases in other forms of income support, including supplementary assistance, hardship assistance or other transfers. The overall fiscal effect depends on both lower NZ Super expenditure and any offsetting increases elsewhere in the income-support system.

One of the strengths of the current NZ Super system is its simplicity and predictability. Income testing requires additional rules, reporting arrangements and compliance activity to determine eligibility and payment levels.

Income testing

Income testing illustrates a different way in which the costs of change can be allocated. Rather than concentrating the effects of reform on particular age cohorts, income testing targets reductions in NZ Super towards people with higher levels of private income or other resources in retirement (St John, 2025).

The effects of an income test depend heavily on its design.[2] Thresholds, abatement rates, income definitions, the treatment of employment and investment returns, and whether entitlement depends on a person's own income or on that of their partner all influence who is affected and by how much. Reforms that appear similar in principle can therefore have materially different distributional consequences.

In broad terms, income testing directs public support away from people with greater private resources and towards those with fewer other sources of income. People with little additional income may experience little change, whereas others may receive a reduced payment or lose entitlement altogether.

Targeting, however, introduces trade-offs of its own. Abatement reduces the net gain from additional private income because increases in resources may be partially offset by lower NZ Super payments. Where employment income is included, the financial return from continued work may be affected relative to a universal system.[3] Where investment income is included, saving and portfolio decisions may also be affected.

Administrative considerations also become more important under a targeted approach. One of the strengths of the current NZ Super system is its simplicity and predictability. Income testing requires additional rules, reporting arrangements and compliance activity to determine eligibility and payment levels. These features may improve targeting, but they also increase complexity relative to a universal system.

Changing indexation

Changing indexation illustrates a third way in which the costs of change can be shared. Rather than concentrating the effects of reform on particular cohorts or on people captured by an income test, changes to indexation spread adjustment more broadly across retirees and over time.

A shift from the current wage-linked framework towards price indexation would not reduce NZ Super payments immediately in nominal terms.[4] Retirees would continue to receive NZ Super and its purchasing power relative to consumer prices would be maintained. However, payments would grow more slowly than average wages, causing the relative value of NZ Super to decline over time.

The adjustment burden created by this reform is therefore cumulative. The effect may be relatively modest in the early years following retirement, but it grows as the gap between price and wage growth widens.

Fiscal savings are achieved not through a large adjustment for a particular group, but through a gradual reduction in the relative value of payments across a large part of the retiree population.

Because the adjustment is cumulative, its effects are distributed unevenly. People who spend longer in retirement experience the change for more years, while those who rely primarily on NZ Super have less capacity to offset any decline in its value relative to broader community living standards. By contrast, retirees with substantial private income or assets may be less affected by changes in the relative value of NZ Super.

The effects also vary across cohorts. Because indexation changes accumulate over time, younger people who are many years from retirement will experience a larger reduction in the future value of NZ Super than people already close to retirement. As a result, while indexation spreads adjustment more broadly than other reforms, it may generate particularly large adjustment requirements for younger generations.

Stewardship, roadmaps and trust

The preceding discussion suggests that retirement income reform is not simply a matter of choosing between policy options. Different reforms affect different people in different ways, and many of their effects will not become apparent for years. This creates a practical challenge for policymakers: how should major changes be developed, tested and introduced when their effects may take time to emerge and differ substantially across the people affected?

New Zealand has grappled with this issue before. The final report of the Periodic Report Group (an expert advisory group established to review retirement income policy) in 1997 recommended multi-party discussions to develop agreed principles for retirement income policy before moving to detailed policy design (Todd, 2008). Importantly, it did not argue for a single prescribed policy. Instead, it proposed agreement on a restricted set of parameters within which political differences could still be expressed. The aim was to provide greater stability while preserving democratic debate.

A related point was that major long-term changes should only proceed after politicians and the public have had an opportunity to work through the options and their trade-offs. Decisions about retirement income policy ultimately involve choices about saving, work, who bears the costs, and how much time people have to respond to change. Good evidence can help make those choices clearer.

One implication is that assumptions should be visible and open to challenge. Publishing models and evidence allows policy choices to be assessed against a common set of facts and assumptions. Equally important is testing those assumptions against the experience of the people affected. Many reforms rely on behavioural responses that may not be realistic for everyone. Engagement can help identify practical constraints, distributional impacts and transition risks before decisions are made.

This challenge is not unique to retirement income policy. Boston (2016) argues that governments often struggle to govern for the future because the benefits of long-term action are diffuse and distant, while the costs are immediate and visible. Institutions that strengthen long-term thinking, improve transparency about future risks and encourage public deliberation can play an important role in helping policymakers manage complex intergenerational issues. Retirement income policy is one example of this broader challenge.

This is one reason the Retirement Commission's *2025 Review of Retirement Income Policies* proposed a roadmap for retirement income policy. The value of a roadmap is not that it determines future decisions in advance. It is that it creates space to develop evidence, test assumptions and examine trade-offs before major decisions are taken.

Some reform options also become less effective the longer decisions are deferred. Policies such as pre-funding or gradual changes to indexation derive much of their effectiveness from being implemented over long periods. Delaying consideration of these options may therefore narrow the range of available adjustment mechanisms. It may also increase the cost of adjustment by allowing public debt to accumulate. As debt-servicing costs rise, the same reduction in future NZ Super expenditure may deliver a smaller improvement in the overall fiscal position.

This is particularly important where reforms may affect different people in very different ways. Demographic change will continue regardless of whether policymakers engage with these issues. Early consideration of potential reforms gives households, employers and governments more time to adjust. Delaying decisions will not avoid change, but it will reduce the time available to prepare for it, narrow the set of available policy responses, and increase the risk that future adjustments need to occur more abruptly.

> A well-designed transition matters not only because it affects who bears the costs of reform, but because it influences whether reform endures.

Conclusion

Retirement income debates often focus on the long-run shape of the system. This article has argued that the path to any reform matters as well. Reforms affect people at different points in their lives and in different circumstances. Options that appear similar in fiscal terms can therefore have very different consequences. When change occurs, and how much time people have to respond, can be as important as the final policy settings.

This has practical implications for policymaking. Any major reform should be accompanied by analysis of who gains, who loses and how these effects are distributed among the people affected. This assessment should consider equity both between and within generations, including differences by gender, ethnicity and family or household circumstances.

Reforms should also recognise that the capacity to adjust depends in part on people's financial capability. Participation, regular contributions, investment choices and the design of defaults and government support can have as much influence on retirement outcomes as changes to headline contribution rates, and as retirement approaches, decisions about how savings are used and managed become more important.

Major change in the retirement income system has already started, and demographic change will continue regardless of when decisions are made. A well-designed transition matters not only because it affects who bears the costs of reform, but because it influences whether reform endures. Changes that are seen to place unreasonable demands on particular groups are harder to sustain, and may be reversed before their benefits are realised. Early consideration of reform also preserves a wider range of options and gives households, employers and governments more time to adjust.

The choice is not between change and no change, but between changes that are anticipated and managed and changes that arrive with less warning.

1 Results for policy scenarios are drawn from a deterministic retirement income policy model developed for Te Ara Ahunga Ora Retirement Commission by Heuser | Whittington. The model assesses the fiscal, distributional and illustrative individual impacts of alternative retirement income policy settings. The results are scenario comparisons based on a number of assumptions rather than forecasts and do not model behavioural responses. The retirement income examples elsewhere in this article draw on a separate retirement income calculator (Nolan, 2026), which projects KiwiSaver balances, NZ Super and retirement income for illustrative households under alternative policy settings. The two models serve different purposes: the Heuser | Whittington model is used to examine fiscal and distributional outcomes, while the Retirement Income Calculator is used to examine illustrative individual retirement outcomes. More details are available in Reyers (forthcoming) and Nolan (2026).

2 Income testing has generally received greater attention in New Zealand policy debates than asset testing and is used here as an illustrative example of a targeted approach to NZ Super.

3 Theoretically, the effect of income testing on incentives to work can be ambiguous, as there can be conflicting income and substitution effects. This question thus requires empirical modelling.

4 NZ Super rates are adjusted annually for changes in consumer prices. The after-tax rate for a qualifying couple must also remain between 66% and 72.5% of net average wages. Because wage growth has generally exceeded price growth, this floor has often meant NZ Super increases broadly in line with wages

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