



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI

Discussion Document



Accessibility of retirement savings in bankruptcy for the repayment of creditors

July 2016

How to have your say

Submissions process

The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the questions raised in this document by 5pm on Friday 30 September 2016.

Your submission may respond to any or all of these questions. We also encourage your input on any other relevant work. Where possible, please include evidence to support your views, for example references to independent research, facts and figures, or relevant examples.

Please use the submission template provided as this will help us to collate submissions and ensure that your views are fully considered. Please also include your name, or the name of your organisation, and contact details. You can make your submission:

- By attaching your submission as a Microsoft Word attachment and sending to investment@mbie.govt.nz.
- By mailing your submission to:
Financial Markets Policy
Ministry of Business, Innovation & Employment
PO Box 3705
Wellington
New Zealand

Please direct any questions that you have in relation to the submissions process to:
investment@mbie.govt.nz.

Use of information

The information provided in submissions will be used to inform MBIE's policy development process. We may contact submitters directly if we require clarification of any matters in submissions.

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Part 1

Introduction

Purpose

The Ministry of Business, Innovation and Employment (MBIE) is considering how a bankrupt person’s retirement savings should be treated and whether those funds should be made available to repay creditors. This discussion document is intended to set-out the issue and current context in order to get feedback from interested parties. We also outline the identified policy objectives and outcomes sought and set out the government’s proposals for options to meet these outcomes.

How to use this document

This document is presented in three parts. Your feedback is welcomed in response to the specific questions outlined in the document but we also welcome your opinion on any aspect of the policy problem and any other relevant information that you may wish to provide.

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Problem: Inconsistent treatment of retirement savings in bankruptcy

This discussion document considers whether the asset a person has in a retirement savings scheme should be accessible to repay creditors if the person is declared bankrupt.

New Zealanders are able to save for retirement in a number of ways, such as building up equity in a house, direct investment into a managed fund or through contributions to a retirement savings scheme such as KiwiSaver. If a person is declared bankrupt, an asset such as a house or an investment in a managed fund would both be accessible to repay creditors, whereas assets held in KiwiSaver accounts and in some other retirement savings schemes are not.

In addition, the treatment of retirement savings scheme assets in bankruptcy differs depending on the type of scheme the bankrupt has been contributing to. Whether or not a bankrupt's retirement savings are able to be accessed to repay creditors is influenced by a number of factors.

For KiwiSaver accounts, any decisions about withdrawals are made by the manager or supervisor of the scheme in accordance with the KiwiSaver Act 2006. The KiwiSaver Act allows for the withdrawal of funds if the KiwiSaver member is experiencing financial hardship. The Act requires that the manager or supervisor of the scheme be reasonably satisfied that the member is in financial hardship in order to withdraw funds.

Previously, some KiwiSaver managers have accepted that a bankrupt person's funds should be withdrawn on the basis of significant financial hardship in order to repay creditors. However, more recently a number of managers have refused to release savings for the payment of creditors on the basis of their interpretation that this was not permitted under the KiwiSaver Act. A recent court judgment has clarified that KiwiSaver balances are not to be used to repay a bankrupt's creditors.

For other retirement savings schemes, access to these savings to repay creditors is inconsistent. There are many different ways retirement schemes may be structured. Access to funds during bankruptcy is governed by the rules set out in the individual scheme's trust deed and the Insolvency Act 2006.

Given the court judgment on KiwiSaver and the way in which retirement schemes are structured there is now also inconsistency between KiwiSaver savings and some other retirement savings schemes. MBIE considers the inconsistency around the treatment of retirement savings in bankruptcy is unsatisfactory because some bankrupts are given more favourable treatment than others depending on the type of scheme their assets are held in. The current situation provides uncertainty for some retirement scheme managers, bankrupts and their creditors.

We are proposing to make a deliberate policy decision creating a uniform approach to retirement savings in bankruptcy. At the heart of the policy problem is that insolvency policy and retirement savings policy have conflicting goals. An ideal outcome from an insolvency policy perspective would result in the bankrupt's retirement savings account being fully utilised to repay to creditors. An ideal outcome for retirement savings policy would see the bankrupt's retirement savings protected to fund their retirement.

Context: Current legislative requirements and relevant court decisions

Insolvency Law

Bankruptcy is a legal process applicable to people who cannot repay their debts as they become due. Under the Insolvency Act, when a person is adjudicated bankrupt, their creditors are no longer able to attempt to collect debts from them. The law of personal insolvency reflects principles of rehabilitation, not punishment. It is founded on the idea that it is better for society as a whole to write off the difference between what a debtor owes and what can reasonably be paid. This provides the debtor with the opportunity, after a period of time, to make a fresh start. The bargain that the law strikes for providing the fresh start is that, with exceptions, the person's property becomes "realisable assets", meaning they are caught in a pool of assets that can be distributed to creditors (either directly or through the proceeds of their sale).

In bankruptcy, a bankrupt's assets effectively become the property of the Official Assignee. The Official Assignee is appointed under the State Sector Act 1988 to administer the Insolvency Act. The Official Assignee accesses the bankrupt's assets and realises their value for the benefit of creditors. The time that it takes for the active administration of a bankruptcy to be completed will depend on the complexity, type and number of assets and issues involved. The usual term for a bankruptcy process is three years, generally reflecting the principles of insolvency allowing a bankrupt to make a fresh start within a reasonable timeframe; however in some cases the time period may be extended.

Once all assets have been sold, or their value otherwise realised, the proceeds are distributed to creditors in accordance with statutory priority rules. There are certain exceptions to the process, for example, allowing the bankrupt to retain property that allows them to maintain basic living standards and property which, under other legislation, is not allowed to be accessed by the Official Assignee.

KiwiSaver Act 2006

The purpose of the KiwiSaver Act is to encourage a long-term savings habit and asset accumulation to allow people to enjoy living standards in retirement similar to those they experienced before retirement. The KiwiSaver Act facilitates retirement savings, principally through the workplace. KiwiSaver accounts can only be withdrawn before the age of 65 in a limited number of circumstances, such as when the member is suffering significant financial hardship.

The KiwiSaver Act 2006 does not allow these savings to be transferred to another person, unless doing so is required under other legislation or a court order, as in the case of relationship property. When savings have been accessed for the repayment of a bankrupt's creditors, it has been done under the significant financial hardship provisions of the Act, and with the approval of the KiwiSaver scheme's managers, or when the bankrupt has qualified for a final withdrawal. More recently, the Court of Appeal has stated that the law on this matter is that KiwiSaver balances cannot be withdrawn by the Official Assignee to repay creditors. Further detail on the court judgment is provided below.

Non-KiwiSaver retirement schemes

Non-KiwiSaver retirement savings schemes must register under the Financial Markets Conduct Act 2013 and are subject to the governance rules outlined in that Act. These schemes can have a number of different withdrawal provisions, depending on the particular trust deed of the retirement savings scheme. Whether or not those funds can be accessed to repay a bankrupt's creditors is determined by whether there is a general hardship provision that is wide enough to cover bankruptcy, or a withdrawal provision specifically relating to bankruptcy. Usually the scheme managers have residual discretion as to the release of the funds within those withdrawal provisions.

Consideration by the Court

In an attempt to clarify the law in this area, the Official Assignee sought a declaratory judgment from the High Court on its ability to recover the balance of two bankrupts' KiwiSaver accounts. In simple terms, the Official Assignee's position was that a bankrupt's KiwiSaver account can be accessed by the Official Assignee and that their contributions could be withdrawn under the significant financial hardship provisions and distributed to creditors. The managers of those KiwiSaver accounts argued that these savings were protected under the KiwiSaver Act and were therefore not available for the repayment of creditors.

2014 Judgment on the status of KiwiSaver accounts in bankruptcy

In 2014, the High Court found that while a bankrupt's KiwiSaver account becomes the property of the Official Assignee, the Official Assignee cannot necessarily withdraw the funds to repay creditors under the significant financial hardship provisions.

This outcome was considered problematic for all involved. It meant that the Official Assignee would need to monitor the KiwiSaver assets of the bankrupt until the bankrupt turned 65 years old. At 65 years the withdrawal provision at retirement in the KiwiSaver Act would allow the Official Assignee to withdraw the portion of the bankrupt's KiwiSaver assets that had been set aside to repay creditors. This would mean that two accounts would need to be maintained for the bankrupt. One account would be maintained by the Official Assignee and could be used to repay creditors once the (now discharged) bankrupt turned 65, and another for any contributions made after the bankrupt exited bankruptcy that could be used for the bankrupt's own retirement.

2015 Appeal

The High Court's judgment was appealed by both parties, with the KiwiSaver managers appealing the finding that the bankrupt's KiwiSaver savings become the property of the Official Assignee, and the Official Assignee appealing the finding that bankruptcy did not necessarily allow for a significant financial hardship withdrawal.

In April 2015, the Court of Appeal found that KiwiSaver balances of bankrupts do not become the property of the Official Assignee in order to repay creditors under the Insolvency Act, primarily because of the following:

- In light of the very strong general prohibition on transfers or assignment of funds in the KiwiSaver Act, exceptions would only apply if expressly and specifically provided for in another Act, which the Insolvency Act does not do.

- The statutory purpose of the KiwiSaver Act is to encourage long-term savings habits and the accumulation of funds for wellbeing in retirement. Accumulating funds for the purpose of paying creditors is not within that statutory purpose and doing so would undermine the important social and economic purposes of the KiwiSaver Act.

The judgment of the Court of Appeal provides more certainty to industry on the treatment of KiwiSaver funds in bankruptcy. The approach of protecting a bankrupt's retirement savings recognises the importance that has been placed on helping individuals to build retirement savings. However, the position is not ideal from a creditor's perspective. Creditors will carry a loss despite the potentially significant assets retained by the bankrupt in their KiwiSaver account.

The judgment effectively means that KiwiSaver funds are not assets that can be distributed to creditors during bankruptcy.

Questions

1

Do you agree that a deliberate policy decision needs to be made to create a uniform approach to retirement savings in bankruptcy in New Zealand?

2

Are there additional factors or features of the current context that we should consider in our assessment of the problem?

Considering the accessibility of retirement savings in bankruptcy

New Zealand's retirement income landscape

The New Zealand retirement income landscape, in particular the universal pension system, is unique. New Zealand Superannuation (NZ Super) is the largest basic pension provided amongst OECD countries.¹ NZ Super is offered to people aged 65 years and over who meet the residency requirements, it provides an adequate living income to most home-owning retirees. NZ Super is tax-funded and non-contributory; it is not means-tested but is taxable as income. The amount of a person's entitlement may be reduced if that person is also entitled to a public pension from another country. It cannot be assigned to anyone else or claimed by creditors or the Official Assignee. The Veteran's Pension, which is available to veterans who have served in the New Zealand Armed Forces in a war or other emergency, is similar except for eligibility rules.

Interaction between retirement savings law and insolvency law

In regards to what should happen to a bankrupt's retirement savings, insolvency law and retirement savings policy are in conflict. An ideal outcome from a retirement savings policy perspective would result in bankrupt persons retaining the full balance of their retirement savings account. An ideal outcome from an insolvency policy perspective would result in creditors accessing the full balance of the retirement savings account.

Retirement savings policy encourages a habit of saving for retirement through monetary incentives and by locking funds away until retirement age, with limited exceptions. The level of protection given to those funds indicates the importance placed on the retirement savings habit. As well as encouraging people to save adequately for their retirement income, there are also broader societal goals that retirement savings policy is seeking to address. Like other countries, New Zealand's ageing population is projected to put pressure on government spending. Private retirement savings may help abate any growth in spending.

Many overseas jurisdictions such as Australia, the United Kingdom and Canada do not allow retirement savings to be accessed to repay a bankrupt's creditors (with limited exceptions). Our general assessment of why this is the case is that these countries have established retirement savings schemes and people are largely expected to rely on their savings to fund their retirement.

Insolvency law aims to provide a speedy, simple and predictable regime for those in financial distress by redistributing the assets of a bankrupt to creditors in an orderly manner. It aims to impose minimum costs in a way that does not restrict future entrepreneurial activity and sensible risk taking, thus enabling bankrupt persons to re-enter, and contribute to, the economy.

KiwiSaver accounts can have a significant asset value, and if they are fully realised they may provide an avenue via which creditors could be repaid a greater percentage of the money they are owed by bankrupt persons. As of January 2015, 47 percent of those adjudicated bankrupt had KiwiSaver accounts, with an average balance of over \$6,000. In the year ended 31 March 2016, 49 percent of bankrupts had a KiwiSaver account, with an average balance of over \$8,000 and the largest balance being \$68,000. This represents an increase in value of over 30 percent in just 14 months.

¹ OECD (2015), "The role of first-tier pensions", in *Pensions at a Glance 2015: OECD and G20 indicators*, OECD Publishing, Paris.

Policy outcomes sought

We acknowledge the conflict that exists between retirement savings policy and insolvency policy and would like to find an appropriate solution through this policy process that preserves some of the core principles of both. However, we are mindful that the most appropriate outcome for this problem may in fact be to favour either insolvency law or retirement savings policy.

Some of the key issues we will be considering throughout the policy process are outlined below.

Protecting some of the core benefits of insolvency law

- Whether the option allows a reasonable portion of a bankrupt's property to be realised and distributed for the payment of creditors.
- Whether the option provides the bankrupt with the opportunity to make a fresh start.

Promoting retirement savings

- Whether the option would encourage a long-term savings habit and asset accumulation for retirement.

Consistency and ease of administration

- Whether the option can be applied consistently across all retirement schemes and whether it is comparatively easy to administer.

It is anticipated that this process will result in proposals to amend the law in this area in order to reflect the desired policy option and achieve the desired outcomes.

Questions

3

Do you agree that the policy outcome should try to preserve some of the core principles of retirement savings policy and insolvency law?

4

Are there any additional outcomes that we should seek to achieve through this policy process?

Part 2

Proposal

Some of a bankrupt's retirement savings be made accessible during bankruptcy

We propose that some of a bankrupt's retirement savings should be assets available to, and realisable by, the Official Assignee. We are proposing that a portion, rather than the full balance, of the retirement savings account be made available because, particularly in the case of KiwiSaver, contributions from the Crown (kick-start contributions and member tax credits) would be used to repay creditors if the full balance was realisable by the Official Assignee. If these Crown contributions were used to repay creditors then tax-payers would effectively be partially funding the repayment of a bankrupt's creditors. In addition, Crown contributions towards retirement savings can be deemed to be for the specific purpose of encouraging and supporting retirement savings, and should therefore not be used to repay creditors.

The way in which the retirement savings account is apportioned out will determine whether the goals of retirement savings policy or insolvency policy are fulfilled to a greater or lesser extent. Part 3 of this discussion document sets out options for what portion or percentage of retirement savings assets could be made available to repay creditors. These options include:

- Allowing retirement savings assets except for Crown contributions to be released to repay creditors.
- Personal contributions are used to repay creditors and employer and Crown contributions are retained by the bankrupt.
- A set percentage is used to repay creditors and a percentage is retained by the bankrupt.

We are proposing that some of a bankrupt's retirement savings be made available to repay creditors for the following reasons:

- ✓ It can potentially provide an appropriate balance between promoting retirement savings and insolvency law.
- ✓ It can be applied consistently across all retirement schemes.
- ✓ It is potentially easy to administer.

Discussion

Appropriate balance between promoting retirement savings and insolvency law

Allowing retirement savings to be made available for the repayment of creditors has the potential to favour the goals of insolvency law over the accumulation of retirement savings. However, in the next section of this document we also present options whereby a portion of a bankrupt's retirement savings may be retained in order to encourage further retirement savings.

We are proposing a portion of a bankrupt's retirement savings be made available to creditors because New Zealand Superannuation means that most individuals will not be in poverty in retirement if they do not have additional retirement savings. Currently, private retirement savings in both KiwiSaver and other retirement schemes are considered to be an addition to an adequate retirement income provided by New Zealand Superannuation.

Given the retirement income and retirement savings landscape in New Zealand, our opinion is that the bankrupt's retirement income should not be funded by creditors, but continues to be primarily funded by the community as a whole through New Zealand Superannuation. If a bankrupt can retain retirement savings then they may enjoy a greater standard of living in retirement than experienced in pre-retirement, at the expense of creditors.

Our proposal treats a person who saves for their retirement through a retirement savings scheme similarly in bankruptcy as a person who saves for retirement through other means. The proposal recognises that people are able to save for retirement in a number of ways, such as building up equity in a house, or through direct investment into a managed fund. Both of these assets would be realisable by the Official Assignee in the event of bankruptcy, irrespective of whether they were intended to fund a person's retirement or not. In addition, because savings assets will be treated similarly, the policy reduces the potential for uncertainty in circumstances such as what would happen if a debtor had withdrawn their KiwiSaver balance to buy a first home.

Consistency across schemes

To achieve consistent treatment, the proposal will reach across all retirement schemes. This means KiwiSaver accounts will be dealt with in the same way as non-KiwiSaver retirement savings accounts. While non-KiwiSaver schemes have become less prevalent since the introduction of KiwiSaver, we do not consider there to be a rationale for differing treatment.

Ease of administration

We also consider that the proposal will be relatively easy to administer. To implement the proposal, a standalone withdrawal provision allowing the Official Assignee to realise the value of a portion of retirement savings would be implied into every scheme trust deed. The proposed withdrawal provision would prevail despite any provision to the contrary currently contained in a scheme's trust deed. This means trust deeds would not be required to be immediately amended following a change in the law, thus minimising implementation costs.

However, the practicalities of implementation and workability are difficult to foresee. We are interested in your feedback to assist us in determining the workability of the proposal. In addition, there may be some complications if only a portion of a bankrupt's account is available to the Official Assignee. We discuss these issues further in the next section of this document and welcome your comments in regards to each scenario proposed.

Questions

- 5 Do you agree with the proposal to realise a portion of a bankrupt's retirement savings?
- 6 Or should a bankrupt's retirement savings be protected and not be made available to repay creditors?
- 7 Or should a bankrupt's retirement savings be fully realised in order to repay creditors?

Part 3

Distributing retirement savings in bankruptcy

In conjunction with the main proposal that some of a bankrupt’s retirement savings be accessible by the Official Assignee, consideration needs to be given as to how an appropriate balance can be struck between promoting retirement savings and insolvency law. Further discussion of how much, or what portion, of a bankrupt’s retirement savings should be made available to the Official Assignee is provided below as we outline the proposed options. Under the options presented below some of the bankrupt’s funds would be available for the purpose of repaying creditors and some would be retained by the bankrupt as a fund base for use in retirement and to encourage future retirement savings.

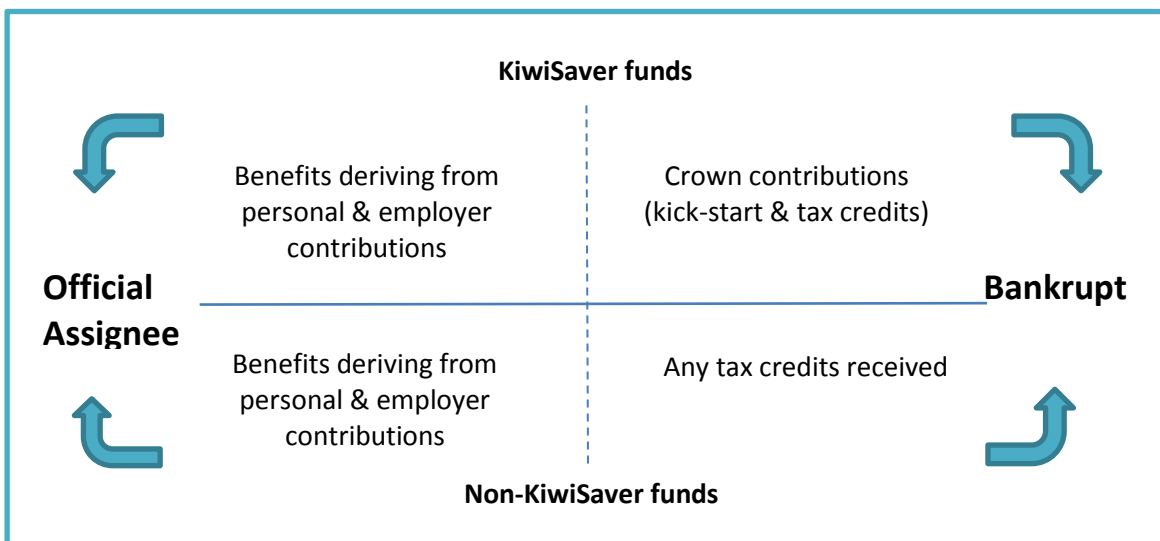
Possible options

Below we present three options for distributing some of a bankrupt’s retirement savings. They are intended as a basis for discussion about the pros and cons of each, and what may or may not work in practice. We currently do not have a preferred option and welcome your feedback on each option in turn.

To demonstrate the effect of each option on retirement savings accounts we have split retirement schemes into KiwiSaver funds and non-KiwiSaver funds.

Option 1 – Retirement savings excluding Crown contributions are available

Option 1 makes all retirement savings except Crown contribution amounts for KiwiSaver funds and any tax credits received for non-KiwiSaver funds available to the Official Assignee.



This option preserves some of the goals of retirement savings policy in that, for KiwiSaver accounts it protects Crown contributions. Crown contributions can be deemed to be for the specific purpose of encouraging and supporting retirement savings, and should therefore not be applied to the payment of creditors. Similarly, any tax credits paid to non-KiwiSaver accounts would be deemed to be Crown

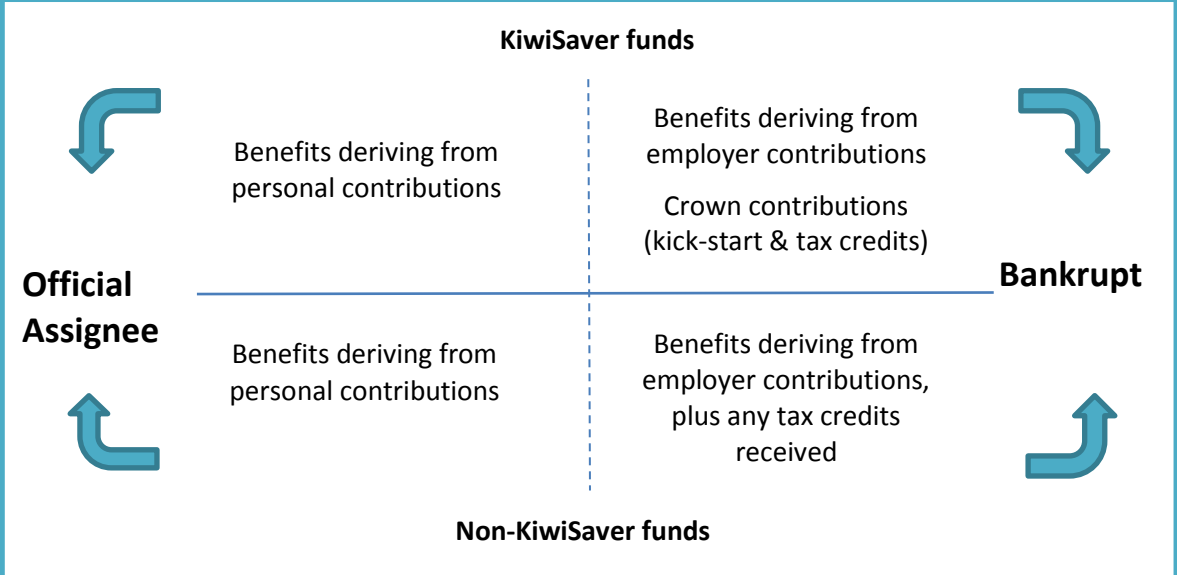
contributions, made for the purpose of supporting retirement savings. Although there are only a small number of schemes to which these tax credits apply and so for those in non-KiwiSaver schemes the majority of bankrupt's would have no retirement savings after bankruptcy, resulting in inconsistent treatment between KiwiSaver and non-KiwiSaver schemes in bankruptcy situations.

The balance of Option 1 is largely in favour of insolvency policy as the majority of a bankrupt's retirement savings would be made available to the Official Assignee to repay creditors. It does however provide a small fund base from which the bankrupt can begin saving for retirement once they have exited bankruptcy and so retains some of the benefits of retirement savings policy.

In terms of administration it may be complex to separate out the bankrupt's savings, particularly in regards to any earnings that might have been gained on either portion. We would be interested in your views on this matter.

Option 2 – Only retirement savings deriving from personal contributions are available

Option 2 makes only contributions that the bankrupt has themselves made towards their retirement savings available to the Official Assignee. Employer and Crown contributions would not be available for the repayment of creditors.

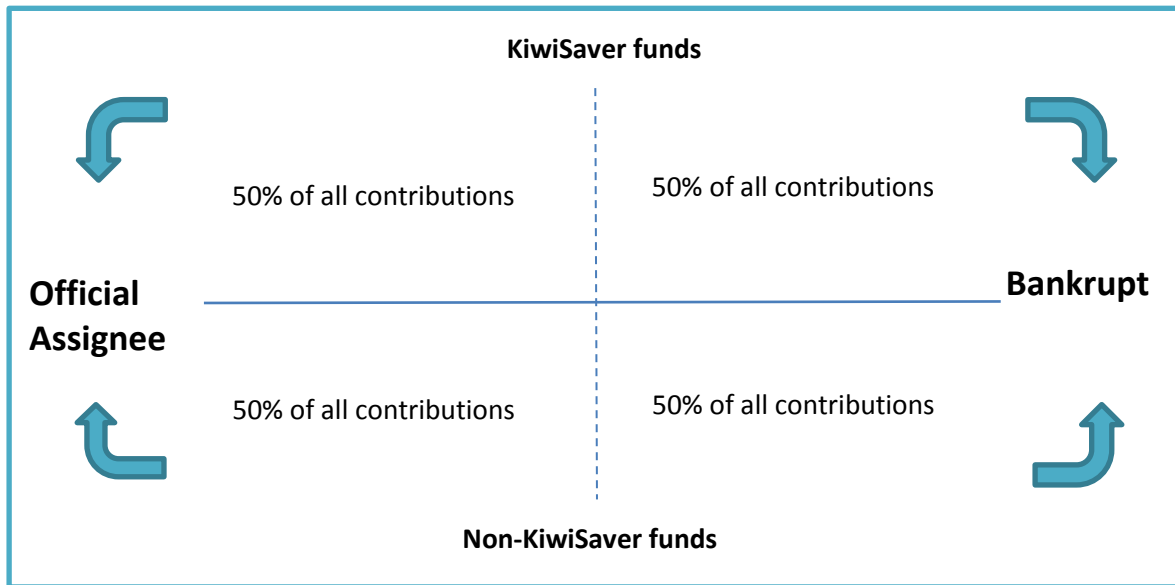


This option presents more of a balance between retirement savings policy and insolvency law. It could result in a relatively even distribution between the portion of a bankrupt's account that is realised for the payment of creditors and the portion that is retained by the bankrupt towards their retirement savings. It is however not ideal from a creditor's perspective as a bankrupt could retain a portion of their retirement savings even if they still have outstanding debts.

The argument for retaining employer contributions towards an employee's retirement savings in both KiwiSaver and non-KiwiSaver schemes is that these contributions can be viewed as different to money earned through salary and wages. Depending on the employer and the terms of employment, contributions towards retirement savings could be deemed to be an employment benefit, additional to an individual's base earnings.

Similar to Option 1, this option could also be administratively complex in regards to separating out a portion of a bankrupt's retirement savings.

Option 3 – A certain percentage of all retirement savings contributions are available – the example below lets the Official Assignee access 50% for the repayment of creditors



Depending on the percentage chosen to apportion how much is accessed by the Official Assignee for repaying creditors and how much is retained by the bankrupt, the goals of both retirement savings and insolvency policy could, at least in part, be satisfied.

This option could be relatively easy to administer as the portion available to the Official Assignee would be determined by a set percentage rather than by the type of contribution.

Questions

- 8 Of the options presented above, what is your preferred option and why?
- 9 If Option 3 is chosen what percentage of a bankrupt's retirement savings should be available to creditors and what percentage should be retained? Please explain.
- 10 Do you have any comments on the implementation and workability of any of the options?
- 11 Are there any other options that would achieve the outcomes sought that we have not considered here? If yes, please explain.

Additional issues to consider

There are some additional issues that need to be considered if retirement savings are to be made accessible in bankruptcy. These issues are outlined below.

Impact on alternative debt repayment procedures

We acknowledge that including a bankrupt's retirement savings increases the amount of realisable assets available to the Official Assignee. This increase may result in removing a debtor's eligibility for an alternative insolvency procedure - such as a No Asset Procedure² or Summary Instalment Order³ - and increase the necessity to use the full bankruptcy procedure. Increasing the number of bankruptcies would be an undesirable outcome of the policy proposals. We therefore are also considering whether retirement savings should be made available as part of the pool of assets in a Summary Instalment Order procedure. Doing so would allow the debtor to avoid the full bankruptcy procedure whilst still allowing creditors to be paid, but it would also reduce the number of debtors who may have been eligible for a No Asset Procedure.

Vesting schedules in non-KiwiSaver retirement schemes

How vesting schedules in non-KiwiSaver retirement schemes would interact with the general proposal that a portion of a bankrupt's retirement savings be available to the Official Assignee will require further consideration once a preferred option is identified. Vesting relates to the percentage of contributions that are the property of the retirement scheme member. Some contributions immediately become the property of the member (such as all contributions made to KiwiSaver accounts), and so are fully vested, whereas others vest over time or after a set time period, say five years.

Impact on priority of assets to be realised

Once an asset falls into the realisable assets pool, unless there is a further restriction on the release of the assets the Official Assignee may have the power to decide which asset they will dispose of first. In this circumstance, the Official Assignee normally chooses to realise the assets that are the easiest to turn into cash for creditors. Therefore, it is likely that retirement savings would be one of the first assets to be realised. The advantage is that the bankrupt may be able to exit bankruptcy sooner and possibly avoid having to sell other assets such as a house.

Foreign-sourced retirement savings

What should happen to any foreign-sourced retirement savings transferred to New Zealand retirement savings schemes also needs to be considered. For example, both Australia and the United Kingdom allow retirement savings accumulated in those countries to be transferred to certain New Zealand retirement savings plans. Whether or not these savings should be made available to

² No Asset Procedure (NAP) is an alternative to bankruptcy and may be available to the debtor if they owe between \$1,000 and \$47,000 in secured and unsecured debt and can show that they have no realisable assets. To enter, the debtor must have not previously been in a No Asset Procedure or been adjudicated bankrupt. The usual term for a No Asset Procedure is one year.

³ A Summary Instalment Order is a formal arrangement between a debtor and creditors that allows the debtor to make regular payments to pay back all, or an agreed part, of their debts over time. To enter into a Summary Instalment Order, the total unsecured debts must be less than \$47,000. The usual term for a Summary Instalment Order is three years.

creditors in the event of a person's bankruptcy will be subject to further discussions with those countries that allow retirement savings to be transferred to New Zealand.

Defined benefit schemes

How defined benefit schemes would be treated under each of the options would be subject to further discussion with those retirement schemes that are currently operating as defined benefit schemes. The amount received by a member of a defined benefit scheme is generally based on years of membership and final average salary. For example, after 10 years' contributions a member may become entitled to a retirement pension that is 60% of their final average salary. In principle, whatever policy option is chosen, the impact should be the same across all retirement savings schemes irrespective of whether they are defined benefit or defined contribution schemes.

Questions

- 12 Do you agree with the proposal to allow retirement savings to form part of a Summary Instalment Order process?
- 13 We welcome your comments on any of the other additional issues we have outlined above.
- 14 Are there any issues we have missed that you would like us to consider?