



COVERSHEET

Minister	Hon Kris Faafoi	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Settings for KiwiSaver Default Funds	Date to be published	10 August 2020

List of documents that have been proactively released		
Date	Title	Author
4 December 2020	<i>Settings for KiwiSaver Default Funds</i>	<i>Office of the Minister of Commerce and Consumer Affairs</i>
4 December 2020	<i>DEV-19-MIN-0342</i>	<i>Cabinet Office</i>
4 December 2020	<i>Impact Summary: Transfer of Members between providers of default funds</i>	<i>MBIE</i>
22 January 2020	<i>Further advice on settings for KiwiSaver default funds</i>	<i>MBIE</i>

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of to protect the privacy of natural persons, to maintain legal professional privilege, and to maintain the constitutional conventions for the time being which protect collective and individual Ministerial responsibility.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Settings for KiwiSaver Default Funds

Portfolios **Finance / Commerce and Consumer Affairs**

On 4 December 2019, the Cabinet Economic Development Committee (DEV):

- 1 **noted** that on 31 July 2019, DEV agreed to the release of a discussion paper on the review of KiwiSaver default provider arrangements, and invited the Minister of Finance and the Minister of Commerce and Consumer Affairs to report back on the outcome of the consultation and proposed next steps [DEV-19-SUB-0200];
- 2 **provided** feedback on the following proposals for the settings for KiwiSaver default funds from 1 July 2021:
 - 2.1 to change the investment mandate from conservative to balanced;
 - 2.2 to have a two-stage assessment process for tenders in which providers are required to submit their proposals (excluding fees) separately from their fee proposals;
 - 2.3 to limit default fees to a single percentage-based fee and a single annual or monthly fee, and prohibit providers from charging fees that consumers would not be able to translate to a percentage or dollar amount, with certain exceptions;
 - 2.4 not to seek an unlimited number of default providers or a drastically reduced number of providers;
 - 2.5 to require default providers to exclude illegal weapons and fossil fuel production from default funds;
 - 2.6 to require that default providers maintain a responsible investment policy, commit to assessing environmental, social and governance issues in making investment decisions, and report to the Financial Markets Authority regularly on their progress against their commitments;
 - 2.7 to require providers to disclose, on their websites, their responsible investment practices, including exclusions, a description of the provider's environmental, social and governance policy, and any certifications the provider holds;
 - 2.8 to allow reappointed providers to retain their default members, and transfer the default members of any providers who are not reappointed (after those members have been given an opportunity to make an active choice of fund);

- 2.9 not to transfer default members that have actively chosen to stay in that fund;
- 2.10 to include member engagement requirements as part of the terms and conditions for default providers;
- 2.11 to use the procurement process to encourage providers to come up with initiatives to support New Zealand's capital markets;
- 3 **invited** the Minister of Finance and the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office to give effect to paragraphs 2.8 and 2.9 above, if one or more of the current providers of default funds are not reappointed;
- 4 **noted** that, if feasible and consistent with the KiwiSaver Act 2006, the allocation of members transferred in accordance with paragraphs 2.8 and 2.9 above would be carried out such that appointed providers with fewer or no default members would receive a greater proportion of transferred members;
- 5 **authorised** the Minister of Finance and the Minister of Commerce and Consumer Affairs, in considering and approving the procurement documents for new default providers, in issuing drafting instructions, and taking into account the feedback received at the meeting as appropriate, to make further decisions consistent with the above paragraphs, without seeking further feedback from Cabinet.

Janine Harvey
Committee Secretary

Present:

Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson (Chair)
Hon Phil Twyford
Hon Dr David Clark (part of item)
Hon David Parker
Hon Nanaia Mahuta
Hon Jenny Salesa
Hon Kris Faafoi
Hon Willie Jackson
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Officials Committee for DEV
Ministry of Business, Innovation and Employment

Hard-copy distribution:

Minister of Finance
Minister of Commerce and Consumer Affairs