



## MP for Mana

Minister of Broadcasting, Communications  
and Digital Media

Minister for Government Digital Services

Minister of Commerce and Consumer Affairs

Associate Minister of Housing (Public Housing)

Jane Wrightson

Retirement Commissioner

To protect the privacy of natural persons

Dear Ms Wrightson

## Government response to the 2019 Review of Retirement Income Policies

Thank you for the 2019 Review of Retirement Income Policies (the Review). I acknowledge the extensive amount of work that has gone into the Review, and your commitment, as the incoming Retirement Commissioner, to taking this work forward.

This year the COVID-19 pandemic has had a significant impact on New Zealand's economy and on the financial situation of many New Zealanders. As we rebuild, there is an opportunity to think strategically about what we can do to improve financial capability outcomes, and to ensure that New Zealanders are well-prepared for retirement.

The Review provides a strong basis for the Government to reflect on New Zealand's retirement landscape and consider how policy settings can best support New Zealanders in the later stages of their lives. The Government has considered the Review, which has led to the response provided below.

## Proposal to work in partnership with you to consider the Review's recommendations

The Government would like to work in partnership with you and the Commission for Financial Capability to consider the recommendations made in the Review that are not already being addressed under existing work programmes.

The uncertainty of the economic landscape has made it challenging for the Government to draw conclusive views on all of the recommendations made in the Review. Given the Review was released prior to the onset of COVID-19, it is important that further work is undertaken to ensure that its recommendations are considered within this evolving economic context. Working together in an on-going capacity will enable us to discuss and agree on actions to achieve our common aspirations and goals, and ensure that any changes to policy settings are considered in line with broader economic recovery efforts. I expect relevant agencies to engage with you directly on the individual recommendations over the coming months.

### *Considering the needs of New Zealanders at risk of poor outcomes in retirement*

The Review's focus on wellbeing highlights the importance of ensuring that government policy settings are operating in a way that supports the accumulation of material wealth across a New Zealander's lifetime. As we work together it is important that we consider this, and look to address the specific needs of New Zealanders who are at heightened risk of poor outcomes in retirement.

The Government is acutely aware that Māori can face particular challenges preparing for retirement. On average, Māori earn less than non-Māori and are more likely to be living in areas of high deprivation and therefore in communities with less resources to meet the needs of their kaumātua. For Māori living in areas of high deprivation, a lack of economic activity and employment will make it harder to prepare for retirement. It is important that any policy consideration of retirement income for Māori is framed by Te Tiriti o Waitangi as the founding document of our country.

We must also consider the needs of other vulnerable groups. As highlighted in the Review, women face a complex combination of outcomes in retirement, due to longer life expectancy but lower savings and incomes, and are more likely to face disrupted employment due to caring responsibilities. Pacific New Zealanders also face specific vulnerabilities in retirement and across their lifespan, including poorer health outcomes and shorter lifespans. It is critical that we account for these factors in order to ensure fair and equitable retirement outcomes for all New Zealanders.

### **Coordination and monitoring across the retirement income system**

The Review highlights a critical need for more deliberate monitoring and coordination across the whole retirement income system and recommends that you, as the Retirement Commissioner, should lead the development of a purpose statement for the retirement income system in consultation with government.

I am aware that you are already progressing this, and that work is underway to bring a more collaborative focus to retirement policy issues, and to the long-term challenges of building New Zealanders' financial capability. The Government is supportive of these efforts, and wishes to continue to collaborate with you on this, including on the work that you are doing to reinvigorate the National Strategy for Financial Capability. Building New Zealanders' financial capability is important to ensure they are able to manage financial challenges now, and over the long-term as they reach retirement.

### **Government work programmes that align with the Review**

There are several work programmes underway across government that align with, or are considering, some of the recommendations made in the Review. Many of the recommendations will be considered in the context of existing work programmes.

#### *Initiatives to support New Zealanders to accumulate retirement assets through housing*

The Review highlights the importance of owning a freehold home for wellbeing in retirement. In order to allow more people to purchase housing as a retirement investment, it recommends modelling the potential range of impacts if the owner-occupied requirement for first-home withdrawals from KiwiSaver was to be withdrawn.

Responding to New Zealanders' housing needs is a priority for the Government. The Build Programme Reset is being set up to respond to housing needs and changes in the housing market, and the Government Policy Statement for Housing and Urban Development provides a cross-system statement setting out a Government vision for housing and urban development.

The Better Later Life – He Oranga Kaumātua 2019 to 2034 strategy looks at what needs to be done to make sure that New Zealand has the right policies in place for our ageing population. The strategy identifies five key areas for action, including 'Creating Diverse Housing Choices and Options' which seeks to ensure that New Zealanders can age in a place they call home, safely, and where possible, independently.

*Initiatives to support New Zealanders to save for later life through paid employment and in KiwiSaver*

The Review highlights the importance of paid employment to allow for the accumulation of adequate savings over the course of a person's pre-retirement life, and the significance of KiwiSaver in enabling New Zealanders' retirement saving and planning.

The Better Later Life – He Oranga Kaumātua 2019 to 2034 strategy identifies 'Achieving Financial Security and Economic Participation' as another key action area to ensure that all New Zealanders have sufficient income, assets and other support to enjoy an adequate standard of living as they age.

The KiwiSaver Default Provider Review has considered several aspects of KiwiSaver that have also been considered in the Review. This includes changes to fees for low balances and improving disclosure about responsible investment. The Government will continue to consider the Review's KiwiSaver recommendations in our ongoing work with you.

*Interaction with reviews of the welfare system*

Several of the Review's KiwiSaver recommendations consider the specific needs of low income and beneficiary New Zealanders, and those taking time out of employment due to caring responsibilities.

The Government is currently undertaking a programme of work to make significant improvements to New Zealand's welfare system. The Welfare Overhaul work programme includes a range of initiatives to achieve its vision of a welfare system that ensures people have an adequate income and standard of living, are treated with and can live in dignity, and are able to participate meaningfully in their communities. Over the next four to five years, this will include further work to reset the foundations of the welfare system; increase income support and address debt; strengthen and expand employment services; and improve support and services for disabled people, people with health conditions and disabilities, and their carers.

There is also work underway to improve the wellbeing of the one in ten New Zealanders who care for a loved one with a disability, health condition, illness or injury. The Mahi Aroha - Carers' Strategy Action Plan 2019-2023 is reviewing the policy settings for financial support for carers, and includes a specific action to consider a carers wellbeing payment.

*Recommendations that have already been actioned by the Government*

There are also two recommendations that have already been actioned by the Government.

The Review recommends establishing a new 'employment connection' service. This would focus on providing practical support and specific job and skill matching services for any New Zealander who needs support to connect to their next job. The Ministry of Social Development recently launched Keep New Zealand Working, an online recruitment tool that connects job seekers directly to the employer, making it quicker and easier for people to find work.

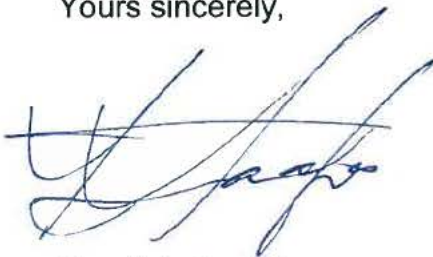
The Review recommends making prescribed investor rates tax refundable to accommodate people using incorrect tax rates. These changes have been made through a recent taxation Bill. The changes will take effect from the 2021 tax year such that any refunds or tax owing will be added to the individual's end of year tax position.

**Concluding comments**

The independent assessment of retirement income policies is a critical function of the Retirement Commissioner, and the Review provides the Government with helpful information to ensure that policy settings effectively support New Zealanders as they age.

Thank you again for the Review. The Government recognises the importance of retirement income policy and looks forward to working together towards the goal of helping New Zealanders prepare for retirement.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kris Faafoi', written over a horizontal line.

Hon Kris Faafoi  
**Minister of Commerce and Consumer Affairs**