

# Hon Dr David Clark

MP for Dunedin

Minister of Commerce and Consumer Affairs  
Minister for the Digital Economy and Communications  
Minister for State Owned Enterprises  
Minister of Statistics  
Minister Responsible for the Earthquake Commission



13 December 2021

Jane Wrightson  
Retirement Commissioner  
Email: [jane@retirement.govt.nz](mailto:jane@retirement.govt.nz)

Tēnā koe Jane,

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

As you are aware, COVID-19 impacted on the Government's ability to provide a full response to the 2019 Review of Retirement Income Policies (**the 2019 Review**). We have now considered and assessed the Review's recommendations which has led to the Government response attached as Annex 1.

A number of the recommendations have already been actioned by the Government. I have also asked officials to provide advice to Ministers on a number of the KiwiSaver recommendations as part of joint agency work led by the Ministry of Business, Innovation & Employment to enhance KiwiSaver.

## **Terms of Reference for the 2022 Review of Retirement Income Policies**

As required by section 84 of the New Zealand Superannuation and Retirement Income Act 2001, please also find attached as Annex 2 the Terms of Reference for the 2022 Review of Retirement Income Policies (**the 2022 Review**).

The Terms of Reference set out the topics the Government requires to be addressed in the Review. If you wish to use your discretion to identify and discuss additional topics I ask that you make it clear in the report where you have done so.

The Government recognises the importance of the triennial Review of Retirement Income Policies and looks forward to receiving the 2022 Review final report in due course.

Ngā mihi,

A handwritten signature in blue ink, appearing to read 'David Clark'.

Hon Dr David Clark  
**Minister of Commerce and Consumer Affairs**  
**Annex 1: Government response to the 2019 Review of Retirement Income Policies**

## **KiwiSaver: Supporting New Zealanders to be better financially prepared for retirement**

At my request, the Ministry of Business, Innovation & Employment is leading cross-agency work to consider options for enhancing KiwiSaver. The objective is to ensure that more New Zealanders are better financially prepared for retirement, and have increased financial wellbeing and resilience to short-term financial shocks prior to retirement.

The 2019 Review and its accompanying research material has provided valuable input for the development of this work, and there are five KiwiSaver recommendations in the 2019 Review that will be considered through this work:

- *Introduce a ‘small steps’ employee contribution programme to KiwiSaver as the default for new members and as an option for current members (recommendation 5)*
- *Phase in employer contributions for KiwiSaver members aged over 65, and consider implications of doing so for those aged under 18 (recommendation 7)*
- *Phase out inclusion of KiwiSaver in total remuneration packages (recommendation 8)*
- *Add a ‘sidecar’ savings facility to KiwiSaver for short-term emergencies (recommendation 11)*
- *Target the government contribution to incentivise voluntary contributions to KiwiSaver by non-employees (recommendation 6)*

The other KiwiSaver recommendations in the 2019 Review are outside the scope of this work programme. The Government’s response to these, as well as the remaining recommendations, is detailed below.

### **KiwiSaver: Hardship withdrawals**

*Establish a centralised financial capability hub for KiwiSaver hardship applications (recommendation 10)*

The Government is not considering establishment of a centralised financial capability hub for hardship applications. The Significant Financial Hardship Processing Guidelines 2015 are in the process of being updated by industry participants with input from officials and non-government organisations. A cross-sector working group of government, social sector and industry representatives will then look at remaining issues with the current application process, and consider potential operational solutions.

### **KiwiSaver: Auto-enrolment and care credits**

*Auto-enrol beneficiaries in KiwiSaver through a government contribution (recommendation 12)*

*Consider the introduction of care credits to KiwiSaver accounts to reduce the risk of being penalised for time out of employment caring (recommendation 13).*

The ongoing welfare overhaul, and work on the Ministry of Health's funded family care arrangements, are already considering changes to policy settings for beneficiaries and for carers in the welfare and health systems. For this reason, the Government does not propose to consider any changes to the application of KiwiSaver to beneficiaries, or the introduction of care credits, at this time.

### **KiwiSaver: Fees and ethical investment**

*Display fee projections on annual member statements as well as a comparison to the average for that fund type (recommendation 16)*

The Government is not proposing any further changes to KiwiSaver annual member statements at this time. In 2019 the Government introduced changes to make KiwiSaver annual statements more informative and transparent for members. Changes included the disclosure of total dollar cost of all fees, the total amount that the investor's account grew by over the year, and summary transaction figures detailing the money that has gone in and out of the investor's account during the year.

*Mandate improved disclosure around share investing in KiwiSaver, further distinguishing between emerging vs established markets, as well as New Zealand versus Australian shares (recommendation 17)*

The Government is not proposing any immediate changes to improve disclosure around share investing in KiwiSaver. It is unclear that demand for this change exists or that there would be a net benefit in such a change.

*Make prescribed investor rates (PIR) tax refundable to accommodate people using incorrect tax rates (recommendation 18)*

The Government has already introduced changes to make PIR tax refundable. The Taxation (KiwiSaver, Student Loans, and Remedial Matters) Act 2020 introduces an end of year 'square up' for investors in portfolio investment entities such that any refunds or tax owing will be added to the individual's end of year tax position.

*Introduce taxpayer funding for Mindful Money to guarantee the charity continues to publish unbiased, responsible investment information (recommendation 19)*

The Government is supportive of opportunities to raise New Zealanders' financial capability and knowledge around ethical investment. However, it is not proposing to introduce additional Crown funding for responsible investment information at this time. The Financial Markets Authority and Te Ara Ahunga Ora Retirement Commission's Sorted Smart Investor and Fund Finder tools already provide resources on ethical investment for investors.

*Exclude fixed fees from low-balance KiwiSaver accounts. For all balances under \$5000, require providers to remove fixed fees (recommendation 15)*

The Government is not planning to mandate any changes to fixed fees for low-balance KiwiSaver accounts. This recommendation was explored in the recent KiwiSaver Default Provider Review which found that limiting fees to a percentage-based fee only, or mandating no fees for low balances, would increase barriers to entry to the default market by delaying the point at which new providers would break-even.

## **New Zealand Superannuation settings**

*That NZ Super should be retained on current settings (recommendation 3)*

The Government is not currently considering any changes to NZ Super settings other than those in the New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Bill.

## **Employment and housing**

*Establish a new government 'employment connection' service to sit between the Ministry for Social Development and the Ministry for Business, Innovation and Employment (recommendation 4)*

The Government remains committed to providing support for New Zealanders who need help to connect to their next job and has an extensive work programme aimed at providing support for New Zealanders to maintain, gain or regain employment. In 2020 the Ministry of Social Development 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.

*Model the potential range of impacts if the owner-occupied requirement for first home withdrawals was to be removed (recommendation 9)*

The Government is not proposing any immediate work to review the owner-occupied requirement for first home withdrawals. There are wider policy implications from removing the residency requirements that would need to be resolved before any modelling is commissioned. This includes the increased pressure on the regional housing market, as noted in the 2019 report.

Such a proposal also needs to be considered in the wider housing policy context, where the Government is progressing a wide range of interventions to improve housing affordability and supply, and without inflating the market elsewhere.

## **Coordination and monitoring of retirement income policy and governance of the Retirement Commissioner**

*Governance for the Retirement Commissioner and their office is provided jointly by the Ministries of Social Development and Business, Innovation and Employment (recommendation 1)*

*The regular review cycle should be amended to fall in the year after an election, rather than prior (recommendation 2)*

In view of other priorities, the Government is not proposing to change the governance or reporting arrangements for the Retirement Commissioner at the current time.

*A purpose statement for New Zealand's retirement Income system is advanced by the Retirement Commissioner (recommendation 14)*

The Government notes that a purpose statement for New Zealand's retirement income system was released by the Retirement Commissioner in 2020.

## **Annex 2: 2022 Review of Retirement Income Policies Terms of Reference**

### *Legislative requirements*

Under the New Zealand Superannuation and Retirement Income Act 2001 the Retirement Commissioner is required to conduct a review of retirement income policies by 31 December 2022.

### *Topics for the 2022 Review and Report*

#### General

1. An update and commentary on the developments and emerging trends in retirement income policy since the 2019 review, both within New Zealand and internationally.
2. The impact of government policy on the retirement savings outcomes and experiences of Māori as Treaty partners, and of Pacific Peoples and women.
3. Ensuring the 2022 review has sufficient use of distributional analysis, cultural and gender lenses to understand the different impacts of retirement policies across New Zealand.

#### Savings

4. New non-government initiatives to encourage people to save in a complex COVID environment, in collaboration with the private sector.

#### KiwiSaver

5. Policy considerations (including design and product availability) for decumulation of retirement savings from KiwiSaver and other retirement savings schemes and assets after reaching the age of NZ Superannuation eligibility.
6. Policy considerations arising from the exclusion of people from KiwiSaver who hold temporary, visitor, work or student visas.

#### NZ Superannuation

7. Income adequacy of NZ Superannuation for future retirees who are renting a home or do not own their own home outright.
8. The impact on retirement income adequacy, and retirement planning for New Zealanders who live abroad, of the change to a 20-year residency eligibility period for NZ Superannuation.

#### Housing

9. How diverse housing options for seniors would have different impacts on pre-retirement savings and retirement income. The work should be complementary to that undertaken by the Office for Seniors and other relevant agencies.