



## COVERSHEET

<b>Minister</b>	Hon Dr Duncan Webb	<b>Portfolio</b>	Commerce and Consumer Affairs
<b>Title of Cabinet paper</b>	2022 Review of Retirement Income Policies: Proposed Government Response	<b>Date to be published</b>	23 August 2023

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
July 2023	2022 Review of Retirement Income Policies: Proposed Government Response	Office of the Minister of Commerce and Consumer Affairs
26 July 2023	2022 Review of Retirement Income Policies: Proposed Government Response DEV-23-MIN-0156 Minute	Cabinet Office

### Information redacted

**YES / NO** (please select)

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Some information has been withheld for the reason of privacy of natural persons.

## In Confidence

Office of the Minister of Commerce and Consumer Affairs

Cabinet Economic Development Committee

## 2022 Review of Retirement Income Policies: Proposed Government Response

### Proposal

- 1 This paper seeks Cabinet's agreement to release an interim response to the Retirement Commissioner on the 2022 Review of Retirement Income Policies.

### Relation to government priorities

- 2 This paper relates to the Government's priority to improve the wellbeing of New Zealanders and their families.
- 3 The settings for retirement income policy contribute to wellbeing in retirement. Whilst this paper does not recommend any policy changes, the government will consider recommendations made in the review in more detail. Links between government priorities and changes to retirement income policy will be considered and outlined in any subsequent Cabinet Paper.

### Executive Summary

- 4 On 29 November 2022 Te Ara Ahunga Ora Retirement Commission (Te Ara Ahunga Ora) delivered the 2022 Review of Retirement Income Policies (the Review). Te Ara Ahunga Ora is required to review New Zealand's retirement income policies every three years under the New Zealand Superannuation and Retirement Income Act 2001. While there is no statutory obligation for the Government to respond to these reviews, previous reviews have always received a formal government response.
- 5 The Review sets out detailed recommendations for government, the financial services industry, employers, and Te Ara Ahunga Ora itself in the areas of savings, KiwiSaver, New Zealand Superannuation, and housing.
- 6 The Review did not provide detailed recommendations for improving retirement outcomes for Māori. Rather, Te Ara Ahunga Ora will establish a separate advisory group to consider retirement income policy changes that would better support Māori in later life. This advisory group is expected to present policy options to the Government in 2024.
- 7 I do not have any indication of what the recommendations of the advisory group may be at this stage, but it is possible that there may be some overlap with the current recommendations set out in the Review.

- 8 I therefore propose to issue a high-level and interim response to the Review in mid-2023, followed by a more substantive response in 2024/25 that includes a response to the further recommendations relating to Māori. This approach will ensure that we have a full understanding of the scope of recommendations to come, and the potential implications of these.
- 9 This paper seeks Cabinet's approval to release the proposed interim response letter to the Commissioner.
- 10 The paper also notes that the Government is continuing to address recommendations from a review of KiwiSaver settings that was undertaken in 2022. While some work has been progressed here, I believe that in due course further consideration should be given to issues that have been identified with the KiwiSaver scheme.

## Background

- 11 Under the New Zealand Superannuation and Retirement Income Act 2001, Te Ara Ahunga Ora is required to review New Zealand's retirement income policies every three years and report to the Government on the findings.
- 12 On 29 November 2022 Te Ara Ahunga Ora delivered the 2022 Review. This is the sixth review by Te Ara Ahunga Ora since it was given this responsibility in 2005.
- 13 As well as meeting the statutory requirement, the Review fulfils the Retirement Commissioner's function of monitoring the effects of retirement income policies and developing methods to improve their effectiveness.
- 14 The Review is based on terms of reference, and is informed by background papers, forums, research, and public submissions.
- 15 While the Review is required to be reported to the Government, there are no statutory obligations (or timeframes) for the Government to respond to the Review. However, there is an expectation, and precedent, that the Government should respond.

## Summary of the Review

- 16 The Review explores how different demographic cohorts have different experiences in retirement. It explores three narratives of retirement and how traditional assumptions are changing:
- 16.1 The dominant narrative is where retirees live in a freehold property with an expectation to live a long and happy retirement. The research shows that while this narrative was true for many in the past, this is no longer the case and will be true for even fewer people in the future.
- 16.2 The second narrative is one where people struggle financially in retirement even if they own their own home. This can be coupled by a brief retirement, especially for Māori and Pacific people.

- 16.3 An emerging narrative applies to an increasing number of older people paying rent or mortgages. This has been the reality for many Māori and Pacific people but is the case for a growing number of people of all cultures.
- 17 There are 24 recommendations made in the Review for Government, the financial services industry, employers, and Te Ara Ahunga Ora itself. Key recommendations are summarised below. A full list of recommendations is attached at Appendix 1.
- 18 *New Zealand Superannuation (NZ Super) settings:* the Review recommends maintaining NZ Super and Veterans Pension at current settings (universal, indexed, eligibility age). It notes that some vulnerable groups, such as Māori, Pacific people and women face inequitable retirement outcomes and changing the settings, such as increasing the age of eligibility, would further disadvantage them.
- 19 *KiwiSaver:* the Review makes several recommendations related to KiwiSaver. These recommendations aim to improve the information available, both to KiwiSaver members and policy makers, improve retirement outcomes for women, and make KiwiSaver available more broadly.
- 20 *Housing:* the Review recommends increasing the cash asset test for the Accommodation Supplement to at least \$42,700 per person and consideration of whether annual inflation adjustments are appropriate. It also recommends that the Government should consider ways to stimulate the supply of affordable and accessible accommodation options for older people.
- 21 *Pacific people's retirement outcomes:* the Review recommends that the Government continue and expand the Ministry for Pacific Peoples' Pacific Financial Capability programmes to support Pacific peoples to save, prepare for home ownership, and plan for retirement. It also recommends that the financial services industry consider how to better enable collective models of borrowing and home ownership.
- 22 *Māori retirement outcomes:* the Review recommends that Te Ara Ahunga Ora establish an advisory group to consider retirement income policy changes that would better support Māori later in life and lead the development of policy options to present to Government.
- 23 *Employer recommendations:* the Review recommends that employers:
- 23.1 maintain employer contributions to employee's KiwiSaver during parental leave (or other carer leave);
  - 23.2 support staff, where financially able, to make voluntary contributions into their partner's KiwiSaver during any periods of leave, to qualify for the government contribution; and
  - 23.3 continue to address gender and ethnic pay gaps and occupational gender segregation.

### **Proposed response to the Review**

- 24 Te Ara Ahunga Ora is currently in the process of establishing a Māori advisory group to consider retirement income policy changes that would better support Māori in later life. It is expected that the advisory group will present additional recommendations to Government in 2024 which would also require a response.
- 25 I do not have any indication of what the recommendations of the advisory group may be at this stage, but it is possible that there may be some overlap with the current recommendations set out in the Review.
- 26 I am also aware of the resources required by agencies to develop a substantive response to the Review. I note that diverting resources to this work over the next few months could impact the resources available to deliver on other government priorities prior to the 2023 general election.
- 27 Given these considerations, I therefore propose to issue an interim and high-level Government response to the Review, with a more substantive response to follow in 2024/25 once Te Ara Ahunga Ora releases further recommendations related to Māori. This approach would be a more efficient use of agencies' resources and would provide flexibility for the Government to adjust its response if necessary, following the 2024 recommendations relating to Māori.
- 28 I propose that the interim response be provided in the form of a letter to the Retirement Commissioner (Appendix 2). The proposed letter acknowledges the work done by Te Ara Ahunga Ora to complete the Review and sets out relevant work programmes the Government already has underway, and recommendations that are already being actioned. It also notes that a more substantive Government response will be provided once the 2024 Māori recommendations are presented.

### **2022 cross-agency review of KiwiSaver**

- 29 Over the past three years there have been various proposals across government and the private sector for improvements to KiwiSaver. These include recommendations from the Retirement Commissioner's 2019 and 2022 Review of Retirement Income Policies.
- 30 In late 2022, a cross-agency group of Inland Revenue, the Ministry of Business Innovation and Employment, and the Ministry for Social Development provided advice to Ministers regarding potential enhancements to KiwiSaver design and settings. The group found there was evidence of potential problems with the scheme regarding:
- 30.1 the affordability of employee KiwiSaver contributions;
  - 30.2 the adequacy of default KiwiSaver contribution rates;
  - 30.3 the impact of gender on women's KiwiSaver balances;

30.4 “total remuneration” type employment contracts.

31 Following this advice, Ministers jointly agreed to progress one initiative through Budget 2023 to help reduce the retirement savings gap for women. This involves the Government paying a matching KiwiSaver ‘employer’ contribution to Paid Parental Leave recipients who contribute to their KiwiSaver.

32 In progressing this particular initiative, Ministers noted that although the timing was not right to progress work on other initiatives, it would be good to revisit the issues and options identified in the cross-agency review in the future.

33 Retirement income issues are long-term issues that require long-term and regular consideration. In due course, further consideration of proposals from the 2022 cross-agency review into KiwiSaver, as well as of other KiwiSaver settings, will be needed to ensure that more New Zealanders are better equipped to financially prepare for retirement.

### **Financial Implications**

34 There are no fiscal implications arising from the proposed Government response.

35 If future decisions are made in relation to specific recommendations that have financial implications those will be raised through those decision-making processes.

### **Legislative Implications**

36 There are no legislative implications arising from the proposed Government response.

### **Climate Implications of Policy Assessment**

37 There are no climate implications arising from the proposed Government response.

### **Population Implications**

38 This paper does not have any direct population implications. However, the underlying Review has particular relevance to older New Zealanders, who are likely to be closer to an eventual transition away from paid employment.

39 The Review also highlights that Māori, women, and Pacific peoples are vulnerable to poor retirement outcomes. These implications will be considered as part of a more substantive response in 2024/25.

### **Human Rights**

40 There are no human rights implications arising from the proposed Government response.

## Consultation

- 41 The Treasury, Inland Revenue, Ministry of Social Development, Ministry for Housing and Urban Development, Ministry for Pacific Peoples, Te Puni Kōkiri, Ministry for Women, Public Service Commission, Office for Seniors and the Financial Markets Authority have been consulted on the recommendations and the proposed response to the Review. The Department of Prime Minister and Cabinet has been informed.

## Communications

- 42 I intend to send a letter of response to the Retirement Commissioner directly. The letter will be published on MBIE's website after it is received by the Commissioner.
- 43 It is likely that the Retirement Commissioner will also publish the response.

## Proactive Release

- 44 Consistent with the Government's proactive release policy, I intend to release this paper within 30 business days from the date that Cabinet considers this paper.

## Recommendations

The Minister for Commerce and Consumer Affairs recommends that the Committee:

- 1 **note** that on 29 November 2022 Te Ara Ahunga Ora delivered the 2022 Review of Retirement Income Policies;
- 2 **note** that while there are no statutory obligations or prescribed timeframes for the Government to respond to the Review, there is an expectation the Government will respond;
- 3 **note** that Te Ara Ahunga Ora is currently establishing a Māori advisory group which will present additional recommendations to the Government to improve retirement outcomes for Māori, likely in 2024;
- 4 **agree** to release an interim response to the Retirement Commissioner in mid 2023;
- 5 **note** that agencies will consider a more substantive response to the Review in 2024/25 that includes a response to further recommendations made relating to Māori; and

- 6 **note** that in due course further consideration of KiwiSaver settings will be needed to ensure the scheme is working well and that more New Zealanders are better financially prepared for retirement.

Authorised for lodgement

Hon Dr Duncan Webb

Minister of Commerce and Consumer Affairs



## Appendix 1: Recommendations in the Review

- 1 The Retirement Commission made a number of recommendations in its 2022 Review, including detailed recommendation for Government, the financial services industry, employers, and Te Ara Ahunga Ora. These recommendations are set below.

### For government

#### *NZ Super*

- 2 That NZ Super should be maintained on current settings.
- 3 Make information available in relevant places to inform New Zealanders of how the 20-year residency change for eligibility for NZ Super relates to them.

#### *KiwiSaver*

- 4 Extend KiwiSaver eligibility to temporary visa holders.
- 5 Remove the minimum contribution requirement for people on paid parental leave so they continue to receive the government contribution to their KiwiSaver account.
- 6 Amend KiwiSaver rules to require all KiwiSaver providers to report disaggregated data (age, gender, fund type) annually to the Financial Markets Authority for publication.
- 7 Extend the requirement for existing KiwiSaver default fund providers to provide timely information and guidance in the approach to retirement to all KiwiSaver providers.

#### *Housing*

- 8 Increase the cash asset test for the Accommodation Supplement to at least \$42,700 per person and consider whether annual inflation adjustments are appropriate.
- 9 Consider ways to stimulate the supply of affordable and accessible accommodation options for older people including:
  - 9.1 Smaller properties to enable downsizing
  - 9.2 Larger properties to facilitate multigenerational living
  - 9.3 Accessible properties that function for people with disabilities.

#### *Improve retirement outcomes for Pacific people*

- 10 Continue to expand the Ministry for Pacific Peoples' Pacific Financial Capability programmes to support Pacific people to save, prepare for home ownership, and plan for retirement.

**For the financial services industry**

- 11 Implement the working group's private savings initiative.
- 12 Consider how to better enable collective models of borrowing and ownership.
- 13 Provide bias-free and targeted advice to women.
- 14 KiwiSaver providers should use consistent terminology, and supply consistent information and guidance, to assist members with drawdown management.
- 15 KiwiSaver providers should recognise the post-65 use of KiwiSaver and ensure their products have been adapted for the decumulation drawdown) phase, as well as in the accumulation phase. In particular, withdrawal forms should include guidance regarding regular withdrawals, and the overall guidance customers receive from their provider should be clear.
- 16 Providers of home equity release schemes should provide clear explanations of the product and its pricing to address its current negative perception.

**For employers**

- 17 Employers could maintain their employer contributions to their employee's KiwiSaver during parental leave (or other carer leave).
- 18 Employers could support staff, where financially able, to make voluntary contributions into their partner's KiwiSaver during any periods of leave, to qualify for the government contribution.
- 19 Employers are encouraged to continue addressing their gender and ethnic pay gaps and occupational gender segregation.

**For Te Ara Ahunga Ora**

- 20 Establish an advisory rōpū to consider retirement income policy changes that would better support Māori in later life and lead the development of policy options to present to Government.
- 21 Create a 'drawdown calculator' that shows how to convert assets into income using the 'rule of thumb' approach.
- 22 Create a way to compare the costs and services of managed drawdown products such as KiwiSaver and other managed funds.
- 23 Research should be undertaken to consider whether home equity release schemes provide value for money and how they might provide a suitable form of retirement income for some people.
- 24 Research should be undertaken to consider whether the different NZ Super rates for single, couple, and sharing reflect genuine differences in expenses incurred.

- 25 Research should be undertaken on whether rebates from council rates are set appropriately.

**Appendix 2: Proposed interim response letter**

# Hon Dr Duncan Webb

MP for Christchurch Central

Minister of Commerce and Consumer Affairs

Minister for State Owned Enterprises



Jane Wrightson  
Retirement Commissioner  
Email: [Redacted] Privacy of natural persons

Tēnā koe Jane

## **Interim Government response to the 2022 Review of Retirement Income Policies**

I want to thank you and your team for completing the 2022 Review of Retirement Income Policies (the 2022 Review).

Retirement policy settings have significant, long-term implications for the wellbeing of New Zealanders, and it is important that these settings aim to achieve the best retirement outcomes for all New Zealanders in the future. Your three-yearly reviews of retirement income policies are essential to provide a basis for future government work programmes. I acknowledge the extensive work that has gone into preparing this report, including the contribution of experts and the vast research underpinning the findings. The 2022 Review sets out a comprehensive set of recommendations to improve retirement outcomes for New Zealanders who have already entered retirement as well as those retiring in the future.

### **A full response will be provided once all recommendations have been received**

The 2022 Review has a particular focus on how different demographic cohorts have different experiences in retirement, particularly for Māori, Pacific peoples and women.

I note the 2022 Review provided specific recommendations to improve retirement outcomes for Pacific peoples and women, but not for Māori. The report contains a recommendation for Te Ara Ahunga Ora Retirement Commission (Te Ara Ahunga Ora) to establish a separate advisory group to consider retirement income policy changes that would better support Māori in late life. I understand that the advisory group is expected to present recommendations to the Government in 2024.

The Government will provide a complete response to the 2022 Review recommendations once the recommendations relating to Māori have been received. This will enable the Government to consider all the recommendations together in a comprehensive way.

### **Related Government work programmes already underway**

In relation to the Review's recommendation to maintain NZ Super at current settings, you will be aware that the Government has committed to keeping the NZ Super age at 65 to ensure that the scheme remains available under existing policy settings.

There are also already several work programmes underway across government that are undertaking work aligned to, or already considering, some of the recommendations made in the 2022 Review. The recommendations in the 2022 Review will be taken into account as we progress these work programmes.

Work programmes identified as relevant include:

- The Welfare Overhaul, which is considering the provision of employment services, as well as a *Review of Active Labour Market Programmes* (led by the Ministry of Social Development and the Ministry of Business, Innovation and Employment).
- The review of the Accommodation Supplement, which will take place in the next 12 months as part of the work on the Welfare Overhaul. Your recommendation on the cash asset limits will be explored as part of this.
- *Better Later Life - He Oranga Kaumātua 2019 to 2034*, the Government's Strategy for an ageing population, which includes achieving financial security and economic participation, as well as housing, as a key action area. In addition, the *Better Later Life Action Plan – He Mahere Hohenga 2021 – 2024* prioritises housing and employment and includes a range of actions relevant to the 2022 Review.
- The *Older Workers Employment Action Plan* encompasses those aged 50 and over who are working or who want or need to work. The purpose of the Action Plan is to ensure that disadvantaged older New Zealanders who want or need to work can find sustainable employment that fulfils their needs and aspirations and contributes to their overall wellbeing. We note the important role that employment income plays in enabling retirement savings. The Action Plan also contemplates links to other population employment action plans under the *Employment Strategy*, several of which focus on improving lifelong employment outcomes for groups that tend to have lower levels of lifetime retirement savings such as Pacific peoples and women (The Action Plan is led by the Ministry of Social Development).
- Work to bring the changes made to residency eligibility requirements for New Zealand Superannuation through the *New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Bill* (passed in October 2021) into effect, including a communications plan to raise awareness of the changes (led by the Ministry of Social Development).
- A broad programme of work to support the objectives outlined in the *Government Policy Statement – Housing and Urban Development*, including regulatory reforms and reviews to support a greater volume and variety of housing, increased government investment in infrastructure and land development, and a range of programmes to deliver more affordable housing and housing support services (led by the Ministry of Housing and Urban Development).
- *MAIHI Ka Ora – The National Māori Housing Strategy* (and accompanying Implementation Plan) supports strong Māori-Crown partnerships, Māori-led housing solutions, more housing supply and housing supports to meet Māori needs, and a more coherent and accessible housing system for Māori.
- The *Fale mo Aiga: Pacific Housing Strategy and Action Plan 2030* promotes a deliberate Pacific housing response across Government and responds to the need for a culturally responsive and capable Pacific housing sector.
- Various workstreams to improve financial capability. The Ministry for Business Innovation and Employment (MBIE) and Te Ara Ahunga Ora have been undertaking work to take stock of current and planned initiatives of government agencies in the areas of financial capability, information and education. The Ministry for Pacific Peoples leads the Pacific Financial Capability Development programme which

provides financial literacy training and pastoral care to help Pacific peoples budget, save, manage debt and purchase their first home.

- The Treasury produces a four-yearly statement on the long-term fiscal position of the government. The next statement will be published in 2025, which will pick up the fiscal impacts of current policy and demographic trends related to retirement income policies.

### **2019 Review of Retirement Income Policies KiwiSaver recommendations**

I'd like to acknowledge you and your teams' efforts for the research and policy thinking you have done in this area.

I also note that officials have considered KiwiSaver recommendations that were made in the 2019 Review of Retirement Income Policies and the Government has progressed work to address the gender gap between the average KiwiSaver balances of men and women.

In Budget 2023, the Government is enhancing the KiwiSaver scheme for parents (\$19.6 million for the forecast period 2022/23-2026/27). Through this funding the Government will pay a matching KiwiSaver 'employer' contribution to Paid Parental Leave recipients who contribute to their KiwiSaver. This recognises the unpaid nature of childcare and incentivises recipients of paid parental leave to save for their retirement.

### **Concluding comments**

Thank you again for completing the 2022 Review. I acknowledge the importance of this work, as well as the efforts and quality of the research and engagement that underpinned this work. As reflected in the report's recommendations, the government, employers, financial services industry, and Te Ara Ahunga Ora itself play an important role in improving New Zealander's retirement outcomes. I look forward to receiving the additional recommendations by and for Māori in due course.

Ngā mihi,

Hon Dr Duncan Webb  
**Minister of Commerce and Consumer Affairs**