



# Enabling KiwiSaver investment in private assets

## Summary of Discussion Document

The Ministry of Business, Innovation, and Employment is seeking public feedback on possible regulatory changes to enable KiwiSaver providers to increase investment in private assets. We encourage feedback from KiwiSaver providers, the wider financial markets industry, and the public, including KiwiSaver members.

### Consultation process

The full discussion document is available [here](#).

Public consultation will close at 5pm on 14 February 2025. Please use the submission template available on the website and email your response to [financialmarkets@mbie.govt.nz](mailto:financialmarkets@mbie.govt.nz)

## What is KiwiSaver?

KiwiSaver is a retirement savings scheme launched in 2007 to encourage New Zealanders to save money for retirement. KiwiSaver has grown steadily, with over \$110 billion in funds now managed by KiwiSaver providers.

The money in KiwiSaver accounts is not simply held by the KiwiSaver provider in a deposit account. Most of it is invested in financial markets to get higher returns over time for KiwiSaver members. The managers of KiwiSaver funds are required to invest funds in the best interests of fund members. Depending on the type of KiwiSaver fund (e.g. conservative, balanced, growth), the manager decides what types and mix of assets to invest in to get the best returns for scheme members.

## What changes are being considered?

Currently most of the funds held in KiwiSaver accounts are invested in 'public' assets, for example, shares or bonds that are open for anyone to buy and trade on stock exchanges around the world. The level of KiwiSaver investment in 'private' assets – that is, unlisted assets – is low (around 2-3 per cent). Private assets could include things like unlisted infrastructure (for example, transport projects, renewable energy developments, etc) or growing New Zealand businesses that are not listed on any stock exchanges.

We are considering some changes to the rules around KiwiSaver that would make it easier for KiwiSaver providers to invest more of the funds they manage on behalf of KiwiSaver members into private assets, where it is in the best interests of members.

## Why are we considering changes?

Investing in private assets could have significant benefits for both KiwiSaver members and the New Zealand economy. It could mean members get a wider range of investments in their KiwiSaver funds, which can lower the risks associated with investment, as well as potentially bring better returns over time. Many private assets are held for the long-term (for example, a toll road project which can provide stable



returns over decades) so they can align well with the long-term nature of KiwiSaver as a retirement savings scheme.

Investing some of the funds currently in KiwiSaver into different types of assets could also help provide money for New Zealand businesses looking to grow and help fund infrastructure projects to support our economy, which would help create jobs and lift standards of living.

There are currently some rules around KiwiSaver that make it hard for KiwiSaver managers to invest in private assets. The challenge with these rules arises because KiwiSaver providers would need to commit funds for the long-term (e.g. to a roading project that might take years to provide steady returns), but also have enough funds available to honour members' requests in the short-term (for example, to make early withdrawals or to transfer to another KiwiSaver provider).

We are considering changes to regulations to enable KiwiSaver providers to manage this long- vs short-term risk (called liquidity risk) that comes with investing in private assets. Here is one example of how the proposed changes could work:

- When a KiwiSaver member requests to transfer from one provider to another, in the vast majority of cases, members would have all their money transferred. However, very occasionally, private assets in a KiwiSaver fund might temporarily lose their value or not be possible to sell. This could happen in times of extreme market volatility like the Global Financial Crisis. If this happens, the fund manager might consider that it is in the best interests of the KiwiSaver member to transfer the majority of the members' funds to the new provider, but 'side pocket' the distressed asset and hold onto it until it recovers its value or can be sold. The funds would then be transferred to the account of the KiwiSaver member at the new provider.

### Issues we want feedback on

There are four proposals in the document, all of which relate to management of KiwiSaver funds:

- Make it easier for KiwiSaver providers to use management tools (such as 'side pocketing' discussed above) that will help them invest in private assets
- Ensure that the fund valuation requirements KiwiSaver providers must meet support private asset investment
- Improve private asset visibility in KiwiSaver providers' public disclosure requirements by amending asset categories
- Consider changes to the way the total fees that KiwiSaver providers are required to report is calculated

### Questions to consider

There are two sets of questions in the discussion document – one set for KiwiSaver providers and other members of the financial markets industry, and one set for the public, including KiwiSaver members.

In general, we are keen to hear from KiwiSaver providers (and others in the financial markets sector) on the proposals discussed in the document to learn:

- how much support there is for potential changes to increase investment in private assets
- what changes would be effective
- how the proposals could impact providers and their members.



We would also like to hear from KiwiSaver members and others with views on:

- whether they support changes to increase investment in private assets
- whether the proposed changes would impact the way New Zealanders make decisions about saving for retirement through KiwiSaver
- any other concerns they wish to raise around the proposed changes to KiwiSaver investment settings.

**Read the full consultation document at the link above. Submissions close 5pm, 14 February 2025.**