



## COVERSHEET

<b>Minister</b>	Hon Andrew Bayly	<b>Portfolio</b>	Commerce and Consumer Affairs
<b>Title of Cabinet paper</b>	Review of Retirement Income Policies: 2022 final response and 2025 terms of reference	<b>Date to be published</b>	14 February 2025

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
December 2024	Review of Retirement Income Policies: 2022 final response and 2025 terms of reference	Office of the Minister of Commerce and Consumer Affairs
4 December 2024	Review of Retirement Income Policies: 2022 final response and 2025 terms of reference ECO-24-MIN-0294 Minute	Cabinet Office

### Information redacted

**NO**

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.

**In Confidence**

Office of the Minister of Commerce and Consumer Affairs

Cabinet Economic Policy Committee

**Review of Retirement Income Policies: 2022 final response and 2025 terms of reference**

**Proposal**

- 1 This paper seeks agreement on the following:
  - 1.1 The Government final response to the Retirement Commission's 2022 Review of Retirement Income Policies (the **Review**).
  - 1.2 The terms of reference for the Commission's 2025 Review.

**Relation to government priorities**

- 2 The New Zealand Superannuation and Retirement Income Act 2001 requires the terms of reference for the 2025 Review to be set by 31 December 2024.

**Background**

- 3 The Retirement Commissioner (the Commissioner) is required under the New Zealand Superannuation and Retirement Income Act 2001 to review New Zealand's retirement income policies every three years and report to Government on the findings.
- 4 As well as meeting the statutory requirement, the review fulfils the Commissioner's function of monitoring the effects of retirement income policies being implemented by the Government, and developing methods to improve their effectiveness.
- 5 Previous reviews have considered the ongoing inequity between groups of people in Aotearoa New Zealand and ensuring NZ Superannuation remains fit-for-purpose.
- 6 The most recent review was delivered to the previous Government by the Commissioner in 2022. In 2023, the Government provided an interim response as more work was expected to be undertaken by the Commission in relation to retirement outcomes for Māori. This will no longer happen, and so I seek Cabinet's agreement for the previously provided interim response to be treated as the final response.
- 7 The Commissioner's next report is due to me by 31 December 2025 and I must issue the terms of reference for the 2025 review by the end of this year.

## The 2022 Review

- 8 The 2022 Review set out detailed recommendations for Government, the financial services industry, employers, and the Commission itself in the areas of savings, KiwiSaver, and housing with a focus on New Zealand Superannuation.
- 9 In July 2023, the previous Government issued a high-level interim response to the majority of the Commission's recommendations in August 2023 (**Appendix 1**), with the intention to provide a final response once additional recommendations for improving retirement outcomes of Māori were received in 2024/25. The Commission is not proceeding with this additional work and will not provide further recommendations as part of the 2022 Review. I therefore seek Cabinet's agreement to inform the Retirement Commission that the interim response will be considered the Government's final response to the 2022 Review. If agreed, I will communicate this to the Retirement Commission by letter.

## Terms of reference for the 2025 Review

- 10 The terms of reference for the 2025 Review have been developed in consultation with the Commissioner, and are attached at **Appendix 2**.
- 11 Officials from the Ministry of Business, Innovation and Employment worked with the Commission and relevant agencies on the proposed terms of reference. The 2025 Review will be underpinned by evidence-based analysis (including data analysis and cost-benefit analysis where required), with practical policy recommendations.
- 12 This Report will be due to me by the 31 December 2025 and will help to inform Government retirement related policy development.
- 13 The broad themes for the 2025 Review and rationale are set out below.

## *General*

- 14 Each Review provides an opportunity for the Retirement Commissioner to provide an update and commentary on developments and emerging trends in retirement income policy, both within New Zealand and internationally.
- 15 The 2025 Review will look at developments since the 2022 review. It will also undertake assessments of the savings outcomes and experiences of women in retirement, as they make up the majority of the population of over 65s.

## *KiwiSaver and other private savings*

- 16 Retirement income in New Zealand is made up of three key areas: KiwiSaver, New Zealand Superannuation and private savings. The decumulation of savings and assets is important to New Zealanders' outcomes in retirement.
- 17 While the 2025 Review will consider the performance of the retirement income policy system as a whole, it will have a strong focus on KiwiSaver. This will shine a light on medium- and longer-term trends, risks, and opportunities for retirement income policy, including particular examination of default KiwiSaver settings, contribution

rates, whether KiwiSaver has been effective in increasing the net national savings rate, Government contributions to KiwiSaver, whether any market distortions arise from the KiwiSaver model, and decumulation/drawdown of savings and assets. This will be complementary to the 2022 Review, which focussed on New Zealand Superannuation.

- 18 I support this focus. KiwiSaver is now 17 years old, and will become increasingly important as balances grow, and as a complement to New Zealand Superannuation. The environment for our retirement savings policies is also evolving with population aging, the changing nature of work and caregiving, changing rates of home ownership, and insurance protection gaps, and ongoing pressure on government budgets. Having the Commission's independent research and recommendations would be valuable to support the government's consideration of these issues.

#### *Governance*

- 19 The 2025 Review will also consider whether there are opportunities to enhance retirement income policymaking processes. This includes considering the scope and frequency of the reviews into Retirement Income Policy.

#### **Cost-of-living Implications**

- 20 There are no immediate cost-of-living implications from finalising the Government response to the 2022 Review and 2025 terms of reference. More broadly, ensuring that our retirement income policies are fit-for-purpose will support better outcomes for New Zealanders in retirement.

#### **Financial Implications**

- 21 There are no financial implications from the proposed Government response and terms of reference.

#### **Legislative Implications**

- 22 There are no immediate legislative implications from finalising the Government response to the 2022 Review and 2025 terms of reference.

#### **Impact Analysis**

##### **Regulatory Impact Statement**

- 23 Cabinet's impact analysis requirements do not apply.

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

- 24 There are no climate implications from the finalisation of the response to the 2022 Review and terms of reference for the 2025 Review.

### Population Implications

- 25 There are no immediate implications for population groups arising from finalising the interim response to the 2022 Review or the terms of reference for the 2025 Review.

### Human Rights

- 26 There are no human rights implications arising from the finalisation of the response to the 2022 Review and terms of reference for the 2025 Review.

### Use of external Resources

- 27 No external resources were used in association with this paper.

### Consultation

- 28 The Treasury, Inland Revenue, Office for Seniors, the Ministry of Social Development, the Ministry of Housing and Urban Development and the Ministry for Women were consulted on the approach to finalise the interim response to the 2022 Review and the terms of reference for the 2025 Review. The Department of the Prime Minister and Cabinet was informed.

### Communications

- 29 I intend to send the Government response to the Commissioner directly once approved.

### Proactive Release

- 30 I intend to proactively release this paper within 30 business days on the MBIE website, after I have written to the Commissioner to communicate the final response to the 2022 Review and the terms of reference for the 2025 Review.

### Recommendations

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

- 1 **note** that the Retirement Commissioner is required to review and report on retirement income policies every three years, and was most recently completed in 2022;
- 2 **agree** to finalise the interim Government response issued in August 2023 as the final response to the 2022 Review of Retirement Income Policies;
- 3 **note** that the Minister of Commerce and Consumer Affairs will write to the Retirement Commissioner to communicate the final Government response;
- 4 **note** that the next Review of Retirement Income Policies is due to be completed and reported back by 31 December 2025;
- 5 **approve** the terms of reference for the 2025 Review of Retirement Income Policies at Appendix 2.

**I N C O N F I D E N C E**

Authorised for lodgement

Hon Andrew Bayly

Minister of Commerce and Consumer Affairs

**I N C O N F I D E N C E**

## Appendix 2: 2025 Review of Retirement Income Policies terms of reference

Issued by the Minister of Commerce and Consumers Affairs. Pursuant to section 83(c) of the New Zealand Superannuation and Retirement Income Act 2001, which requires the Retirement Commissioner to review retirement income policies every three years, I hereby request that the Retirement Commissioner undertakes a review of retirement income policies.

### Context

For decades New Zealand's retirement income policies have protected older New Zealanders from economic shocks and maintained standards of living in retirement.

However, the environment for these policies is evolving. This reflects population aging, the changing nature of work and caregiving, changing rates of home ownership, and insurance protection gaps.

This is reflected in pockets of need among older New Zealanders growing at the same time as pressure on government budgets is increasing.

Further, the KiwiSaver scheme has been in place for close to two decades and so it is now a good time to consider the scheme's settings and performance.

The purpose of this review is to identify practical policies and interventions that could maximise the ongoing performance of retirement income policies in New Zealand given this evolving environment.

### Scope

Having regard to the context above, I, as the referring Minister, request that the Retirement Commissioner undertakes a review of retirement income policies. The Retirement Commissioner should include:

#### *General*

- 1 Commentary on the purpose of retirement income policies, the performance of these policies, and developments and emerging trends since the 2022 review.
- 2 How these trends could play out in New Zealand over the next 25 years and their distributional and fiscal implications.
- 3 Evidence on retirement income policy innovation in other developed countries and lessons for New Zealand.
- 4 The diverse savings outcomes and experiences of women in retirement given they are the majority population of over 65s, and that there is a 25% gap on average in KiwiSaver balances between men and women.

*KiwiSaver and other private savings*

- 5 The performance of the KiwiSaver scheme, with a focus on default settings, opportunities to improve contribution rates, use of different KiwiSaver fund types, participation by the self-employed, and whether KiwiSaver has been effective in increasing the net national savings rate.
- 6 Government contributions to KiwiSaver, particularly the costs and benefits of government contributions, and which groups benefit most from receiving these contributions.
- 7 Whether any market distortions arise from the KiwiSaver model.
- 8 The role of (non-KiwiSaver) private savings in providing retirement income.
- 9 Opportunities for innovation and improvement of provider and industry guidance/products supporting the decumulation/drawdown of retirement savings and other assets.

*Governance*

- 10 Opportunities to enhance retirement income policy-making processes in New Zealand. This should include advice on the frequency and scope of the reviews of retirement income policy undertaken by the Retirement Commission and how to ensure retirement policies encourage ongoing trust in the system.

**Other Requirements**

In undertaking this review, the Retirement Commission should:

- Consult with key interest groups and affected parties.
- Engage with relevant government departments.
- Draw from international perspectives and experience.

**Timeframe**

A final report or reports must be submitted to the referring Minister by 31 December 2025. The Retirement Commission is also encouraged to produce any additional outputs that may facilitate public understanding or enhance the impact of their work, as they see fit.