



Cabinet

CAB Min (13) 34/28

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Minute of Decision

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Additional Item: KiwiSaver Default Provider Review

Portfolio: Commerce

On 30 September 2013, Cabinet:

- 1 **noted** that on 12 August 2013 Cabinet:
 - 1.1 noted that the existing KiwiSaver default providers were appointed for a term of seven years, which will expire on 30 June 2014;
 - 1.2 agreed that new KiwiSaver default providers will be appointed for seven years, from 1 July 2014 to 30 June 2021;
 - 1.3 agreed that the investment approach for KiwiSaver default funds should remain conservative, including a 15-25 per cent allocation to growth assets;
 - 1.4 agreed that future default providers will be appointed via a competitive tender process;
 - 1.5 authorised approving Ministers (the Ministers of Finance, Economic Development, Commerce and Revenue) to make decisions on the remaining policy issues and operational details;
 - 1.6 invited the approving Ministers to report back to EGI on any significant policy and operational decisions taken under this authority;

[CAB Min (13) 27/6]
- 2 **noted** that, with the exception of the registration of interest stage, the tender and selection process will be similar to that undertaken in 2006 and will be overseen by a steering group of officials from the Ministry of Business, Innovation and Employment, Treasury and Inland Revenue;
- 3 **noted** that the timeframe for completing this process is very challenging but the officials' steering committee is committed to ensuring that all necessary work is carried out prior to the new start date of 1 July 2014;

- 4 **noted** that approving Ministers met on 26 September 2013 and made the following decisions:
- 4.1 the maximum number of default providers shall be set at ten, with Ministers reserving the right to agree to appoint a higher number after obtaining advice following the evaluation of tenders;
 - 4.2 reappointed default providers will retain their default members;
 - 4.3 default members will continue to be allocated sequentially among default providers from 1 July 2014 onwards;
 - 4.4 in the event that one or more current default providers are not reappointed, members of those schemes who do not elect to stay with their current default fund or move to another scheme will be distributed evenly among all successful default providers (subject to legal advice from Crown Law);
 - 4.5 agreed that the Minister of Finance and the Minister of Commerce announce these decisions in October 2013 (along with the decisions made by Cabinet on 12 August) with two aims:
 - 4.5.1 to promote awareness of the tender process;
 - 4.5.2 to encourage KiwiSaver members to make active choices about the KiwiSaver schemes to which they belong;
 - 4.6 authorised the Minister of Commerce to direct Parliamentary Counsel Office to draft regulations under the KiwiSaver Act 2006 to provide a regulatory framework for reallocating and transferring existing default members, and requiring any terminated providers to comply with directions from the Minister of Commerce to give effect to the reallocation and transfer.