TE ARA AHUNGA ORA
Retirement Commission

# KIWISAVER
# OPPORTUNITIES FOR IMPROVEMENT




JUNE 2024
ISBN: 978-1-99-116943-3

# Contents

# Purpose

This paper discusses KiwiSaver, with particular reference to Māori where data is known, putting pension policy in context and assessing some options for change. The paper is intended to inform public discussion and provide an independent framework for assessing the issues.

# Executive summary

KiwiSaver was the world's first auto-enrolment, opt-out, national, and portable retirement saving scheme. When KiwiSaver was first introduced in 2007 a seven-year KiwiSaver Evaluation programme was approved by Ministers with yearly evaluations. No further evaluations were carried out after the initial evaluation period ended in 2014. Given that 10 years have passed since this last evaluation, and against a backdrop of a country experiencing both numerical and structural ageing, it is timely to assess how KiwiSaver is functioning as it enters its 18th year.

This paper considers how the current KiwiSaver settings are working as the scheme matures and identifies opportunities for improvements. The focus of the paper is on public policy outcomes of KiwiSaver, rather than investment outcomes from KiwiSaver schemes. The paper considers and assesses the current settings for joining, contributing, and withdrawing from KiwiSaver.

We make 15 recommendations to the Government to improve the scheme, as well as several recommendations to KiwiSaver providers and the wider financial services industry, and employers.

# Key findings and conclusions

## JOINING KIWISAVER

- There are very high levels of KiwiSaver membership, especially among younger cohorts (97% of those aged 25-34, and 95% of those aged 35-44 are KiwiSaver members)
- Many of the design features that encourage participation by self-employed already exist in the current design of KiwiSaver.

**We conclude that the settings for joining KiwiSaver are working as intended. KiwiSaver has proven extremely popular since inception and participation rates are high.** Against the backdrop of already high enrolment rates, and given the drawbacks of compulsion, **the existing soft compulsion setting of auto-enrolment with opt out, with the ability to opt-in directly, should be retained.**

In keeping with the OECD recommendations for simple design, and given that some KiwiSaver providers also have the option of splitting investments across multiple providers, **the current setting limiting membership to one provider should be retained.**

## CONTRIBUTING TO KIWISAVER

- Those contributing to KiwiSaver represent 80% of the total population in paid employment.
    - Currently those who are self-employed are less incentivised to contribute.
- Approximately 90% of eligible paid employees (the main target of the scheme under its current settings) are contributing.
    - Only a small number (approx. 5%) are on savings suspensions at any one time, and most savings suspensions last less than a year.
- The majority of those who are not currently contributing to KiwiSaver are those not in a position to contribute due to low or no income.
    - One million KiwiSaver members (one third of all members) have incomes lower than $20,000 per year (including approximately 200,000 children).
- Members contribute more into KiwiSaver than both employers and the Government combined, unlike in other jurisdictions where employers tend to contribute more.
    - Many employees contribute above the minimum rate, while very few employers contribute more than the 3% minimum. 1 out of 3 employees contribute more than 3% whereas less than 1 out of 10 have an employer contribution rate above 3%.
    - More than half of employers have adopted a total remuneration approach for some or all of the employees, further eroding the incentive for employees to contribute to KiwiSaver.

**We conclude that a large portion of those in paid employment, in particular those who are earning salaries and wages, are already contributing.** This means there is no evidence base for compulsion and such a requirement will not make a material difference.

However, there is **room for improvement.** There is a case to be made that **those on higher incomes might need to be contributing more**. The current design of KiwiSaver lends itself to making use of choice architecture, through the **use of defaults and opt-outs, to encourage higher savings rates for those in a position to contribute more,** while at the same time not disadvantaging those unable to contribute at higher levels.

There are **limited incentives for those who are self-employed.** Finding ways to increase incentives and developing products or innovative approaches to encourage savings for those who do not benefit from employer matching, could ultimately lead to higher contribution rates for those who are self-employed.

In addition, **employers could be doing more to match higher employee contributions and remove total remuneration approaches** that may disincentivise saving.

## WITHDRAWALS FROM KIWISAVER

### Pre-age 65

Over the past 12 years:

- a total of $8.3 billion has been withdrawn for first home purchases. This represents a very small portion of funds under management, with an average of 1.2% of total funds under management withdrawn each year.
- Only 1% of members on average have withdrawn funds for first home deposits each year.
- The number of people withdrawing funds for financial hardship also represents a very small proportion of KiwiSaver members - an average of less than 0.5% each year.
- Between 2012 and 2023 a total of $983 million has been withdrawn for financial hardship. On average less than 0.2% of total funds under management has been withdrawn each year.

**We conclude that the pre-65 withdrawal settings are working as intended. We do not believe additional access for other pre-65 withdrawals should be allowed as this would undermine the key purpose of KiwiSaver, which is for retirement saving.**

### Post-age 65

- People are retaining or opening accounts after age 65. More than 200,000 people aged 65 and over have KiwiSaver accounts (almost a quarter of all those aged over 65).
- KiwiSaver was established to help people save or 'accumulate'. It is still a relatively new scheme so it may not be optimised to assist those who wish to drawdown or 'decumulate' their assets.

**We conclude that improvements can be made to assist members as they navigate the drawdown phase after age 65.**

# Key recommendations

### SUMMARY OF THE KEY RECOMMENDATIONS

- Changing the KiwiSaver settings to make it compulsory is not necessary.
- Existing settings limiting membership to one KiwiSaver provider should be retained.
- Increase the government contribution for those who do not benefit from employer matching (e.g. the self-employed).
- Employer contributions should be required for over 65s and under 18s.
- Remove total remuneration approaches.
- Introduce a higher default contribution rate of at least 4% (with employer matching at this level), retaining the 3% contribution rate as the minimum.
- Extend government contributions to those on paid parental leave to include those who cannot continue to make their own contributions.

In general, the settings for joining and withdrawals appear to be working as intended and only minor adjustments are recommended. A full list of recommendations is included in Appendix A. The main area where settings could be improved relate to the contributing phase, with key recommendations linked specifically to three aspects:

First, **focusing on those** who are currently **not particularly incentivised to contribute** by:

- Improving incentives for the self employed
- Matching employer contributions for those under 18 and over 65
- Removing total remuneration packages

Second, **encouraging higher contribution rates through the use of defaults and opt-outs,** to encourage higher savings rates for those in a position to contribute more, while at the same time not disadvantaging those unable to contribute at higher levels by:

- Introducing a higher default contribution rate of at least 4% (with employer matching at this level), retaining the 3% contribution rate as the minimum contribution rate.

Third, **limiting the inequities created by workplace-based savings schemes** by:

- Supporting those on paid parental leave by continuing ‘employer’ contributions for all, not just those who can continue to make their own contributions.

Finally, it is important to highlight that good policy is based on evidence. Good retirement income policy requires evidence about how well-prepared individuals are for their retirement. This requires the regular publication of disaggregated data, ideally based on administrative data rather than relying on survey data. Given the importance of KiwiSaver as part of the retirement income system, the Government does not have access to sufficient data to inform policy. This data situation can easily be improved if providers shared more anonymised data (ideally with the FMA) so more detailed reporting and analysis could be undertaken. In addition, disaggregated data on wealth, in particular longitudinal studies, which enable changes to household wealth to be assessed over time, would provide the necessary evidence for good policy to be developed and support research and analysis by academia and the financial services industry.

While KiwiSaver has been in existence for 17 years, this is only a very short period of time in the context of maturity of a retirement savings scheme. The scheme will reach full maturity only in the early 2050s when it will have been in existence for the full working life of the cohort who had access to KiwiSaver when it was established in 2007. Te Ara Ahunga Ora Retirement Commission will continue its work to assess the settings and public policy outcomes as the scheme matures, including through the triennial Review of Retirement Income Policies.

## The 2022 Review of Retirement Income Policies

The 2022 Review of Retirement Income Policies (RRIP) included a recommendation to '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'. This paper has been written to set out some of the KiwiSaver issues to help fulfil that recommendation and follows a previous paper on issues and options for NZ Super. We know that Māori are dying earlier, on average, and are less likely to have sufficient savings to live a quality of life into their retirement years. Consideration of life expectancy is included in Appendix B. In the work that was carried out to understand "What does retirement look like for Māori?" as part of the 2022 RRIP, there was a clear message of 'by Māori, for Māori' so that safe spaces can be created for kaumātua and whānau with design pathways based on tirohanga Māori and tikanga Māori. In particular it was noted that the participation of iwi, hapū and whānau in retirement provision is not recognised in government retirement policy.

The RRIP also had a specific Term of Reference that examined policy considerations arising from the exclusion of people from KiwiSaver who hold temporary, visitor, work or student visas. This is discussed below.

# Introduction

The focus of this paper is to consider how the current KiwiSaver settings are working as the scheme matures and to identify opportunities for improvements. The report makes use of administrative data published by Inland Revenue as well as the aggregated data available from the FMA Annual KiwiSaver report. In addition, to supplement these data sources, Te Ara Ahunga Ora has undertaken research projects to uncover previously unknown KiwiSaver data and trends.

When KiwiSaver was first introduced in 2007 a seven-year KiwiSaver Evaluation programme was approved by Ministers, with yearly evaluations carried out during this time. This programme aimed to support the implementation and delivery of KiwiSaver and report on how it had met its objectives. The focus of the evaluation was on the public policy outcomes of KiwiSaver, rather than investment outcomes from KiwiSaver schemes. The final report from the evaluation of KiwiSaver was released in 2015 (Inland Revenue, 2015b).

After the release of this final report, no further evaluation was planned for KiwiSaver. At the time it was noted that limitations on availability of household savings data was one of the reasons why further evaluations would not be possible. The reports during this time had utilised detailed asset and liability information for individuals over time from the Survey of Family, Income and Employment (SoFIE) combined with administrative data on KiwiSaver membership from Inland Revenue. While SoFIE was discontinued in 2010, Inland Revenue administrative data continues to be reported on a monthly and annual basis. In addition, the FMA publishes an annual KiwiSaver report that provides an aggregate view of KiwiSaver data reported to the FMA by KiwiSaver providers. However, no comprehensive evaluation has been carried out since the initial evaluation period ended in 2014. Given that 10 years have passed since this last evaluation and against a backdrop of a country that is experiencing both numerical and structural ageing it is timely to assess how KiwiSaver is functioning as it enters its 18th year.

KiwiSaver is a voluntary, opt-out, portable retirement savings scheme that operates mainly through contributions the employer deducts directly from salary and wages and sends to Inland Revenue. Non-salary and wage earners can also enrol directly with a scheme.

The OECD refers to retirement income schemes as either Tier 1, 2, or 3 schemes based on the objectives they aim to achieve. Tier 1 benefits aim to protect from poverty in old age (NZ Super is classified as a Tier 1 benefit). KiwiSaver is a Tier 3 benefit, a voluntary scheme that aims to raise the individual income replacement rate in retirement. There is no Tier 2 scheme in New Zealand – these are mandatory workplace schemes (TAAO, 2021).

The Purpose Statement for New Zealand's Retirement Income System[1], developed by the Retirement Commissioner, acknowledges the dual role of Government and the individual in preparing for their retirement. It sets out that a sustainable retirement income framework's purpose is twofold:

To provide NZ Superannuation to ensure an adequate standard of living for New Zealanders of eligible age. NZ Super is the Government's primary contribution to financial security for the remainder of a person's life.

To actively support New Zealanders to build and manage independent savings that contribute to their ability to maintain their own relative standard of living.

This paper focuses on the second aspect of the purpose statement, and in particular the role that KiwiSaver plays in contributing to people's ability to maintain their relative standard of living in retirement. It begins with an overview of the purpose of KiwiSaver and the design features of the scheme. It then proceeds to consider and assess the current settings for joining, contributing, and withdrawing from KiwiSaver.

1 Purpose Statement for New Zealand's Retirement Income System | Retirement Commission Te Ara Ahunga Ora

# Purpose of KiwiSaver

According to section 3 of the KiwiSaver Act 2006

1. The purpose of this Act is to encourage a long-term savings habit and asset accumulation by individuals who are not in a position to enjoy standards of living in retirement similar to those in pre-retirement. The Act aims to increase individuals' well-being and financial independence, particularly in retirement, and to provide retirement benefits.

2. To that end, this Act provides for schemes (KiwiSaver schemes) to facilitate individuals' savings, principally through the workplace.

This purpose statement makes it clear that KiwiSaver is designed to support people in their retirement. It also highlights a particular cohort of people as its intended audience – those who 'are not in a position to enjoy standards of living in retirement similar to those in pre-retirement'. This is likely to be the majority of the population, who have been in some form of paid work for some part of their life, but may not include the very wealthy, or those who have spent long periods in receipt of some form of main benefit. The former group are assumed to be able to make their own arrangements to enjoy standards of living in retirement similar to those in pre-retirement. The latter group will have their pre- and post-retirement income smoothed by moving to NZ Super.

There is also a trade-off to consider, particularly for those on lower incomes, whether to retain funds to provide a standard of living in pre-retirement or to increase savings for retirement.

As outlined in the Act's purpose statement, the scheme was structured principally to facilitate savings through the workplace. The scheme's auto-enrol with an opt-out feature is a setting that primarily encourages participation among employees (discussed in more detail in the 'Joining' section of this paper). Employees have a greater incentive than those who are self-employed to contribute to KiwiSaver due to the employer contributions that employees receive (discussed in more detail in the 'Contributing' section of this paper).

As the scheme is primarily workplace based it mirrors the inequities of the labour market. KiwiSaver contributions are usually a percentage of salary and wages so those earning less or working fewer paid hours will likely accrue a lower KiwiSaver balance than those earning more or working more paid hours. As a result of ethnic and gender pay gaps, and a gender-segregated labour market where female dominated industries generally pay less, those with lower balances are more likely to be non-Pakeha and women. For women there are additional inequities that arise from lower levels of participation in the labour market (through part-time work[2] and time out of paid work), and the unequal division of unpaid work, particularly care work.

The purpose statement also highlights that KiwiSaver is aimed at the individual. Therefore, it may not resonate deeply with collectivist cultures, including Māori, Pacific People, and many Asian New Zealanders, who make up an increasing percentage of the New Zealand population.

2 1 in 3 women in paid work are part-time and 70% of part-time workers are women (Morrissey, 2022)

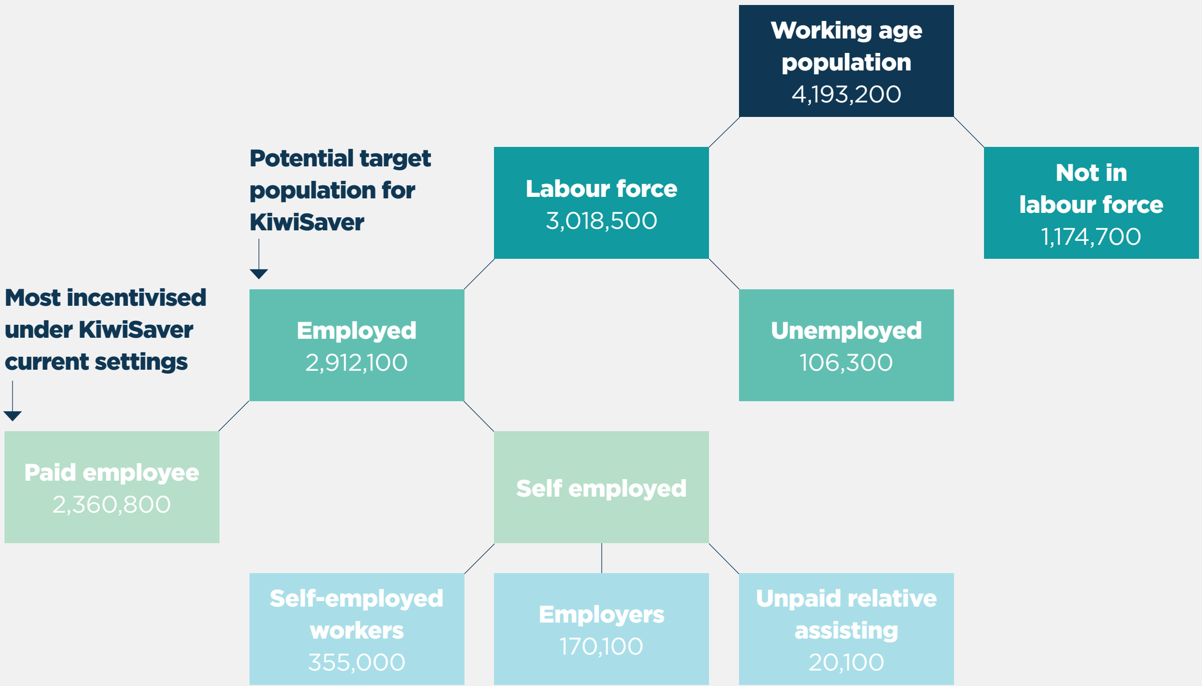
# Target population for KiwiSaver

As illustrated in Figure 1, there are approximately 2.9 million employed people in New Zealand. However, the potential target population for the current KiwiSaver design and incentives would be the 2.36 million people who are paid employees. Not all of these paid employees are eligible to join KiwiSaver as this total includes those on work visas.[3]

There are also paid employees who are members of other non-KiwiSaver superannuation schemes (e.g. UniSaver). Generally, the incentives available in KiwiSaver, such as the employer match and government contribution, are also available in these alternative superannuation schemes.

There are also iwi-based schemes, such as Ngāi Tahu's Whai Rawa, which provide an alternative savings vehicle for Māori. Whai Rawa, for example, is a managed investment scheme that was set up for Ngāi Tahu whānui by Te Rūnanga o Ngāi Tahu in 2006. It aims to improve the wellbeing of Ngāi Tahu whānau by providing a vehicle for distributions to eligible whānau. Whai Rawa members can withdraw their funds for three key financial goals: tertiary education, first home ownership and retirement from age 55. While there is a matching mechanism available in this scheme, the annual level of contribution may differ between calendar years and between members. Te Rūnanga o Ngāi Tahu may choose to cease or reduce contributions. Currently, for every $1 adult members (aged 16-64) contribute in a calendar year, Te Rūnanga will contribute another $1 (up to a maximum of $200 per member minus any applicable taxes). In addition, annual distributions are made at Te Rūnanga's discretion, with the level varying between calendar years and between members.[4]

**Figure 1: KiwiSaver potential target and incentivised population**




Source: Stats NZ (2023)

3 Section 6 of the KiwiSaver Act 2006 requires that a person is a New Zealand citizen or is entitled, in terms of the Immigration Act 2009, to be in New Zealand indefinitely (those on resident class visas).

4 Ngāi Tahu Contributions – Whai Rawa – Te Rūnanga o Ngāi Tahu

Self-employed people make up a smaller proportion of the employed population in New Zealand compared to those who earn salaries and wages.[5] However, the number of those who are self-employed has increased by 50% since KiwiSaver was first introduced (Stats NZ, 2023). New Zealand also has a higher self-employment rate (19% of the employed population) compared to the OECD average of 15% (OECD, 2023a). It is important to consider that there are different sub-groups within the self-employed category. For example, a distinction could be made between the following three sub-groups:

- Those who are gig workers (e.g. courier drivers, screen industry workers), who may be on sporadic incomes and therefore not in a position to contribute much if anything to KiwiSaver.
- Owners of SMEs such as dairy owners who may have to use their money to keep their businesses running: there may be some opportunity to save, but most is put back into their business.
- Consultants – high income earners who could save in KiwiSaver, or through other methods.

Finally, when assessing the target population for KiwiSaver, as noted in the discussion regarding the purpose of KiwiSaver, those who are in low paid work across their working life will in most cases have their income smoothed in retirement by NZ Super. Therefore, those on lower lifetime incomes could arguably be excluded from the target population.

5 In this paper, the OECD definition of self-employed is used to collectively refer to the employment of employers (other than persons who work in corporate enterprises who are considered to be employees) workers who work for themselves, and unpaid family workers (unpaid in the sense that they lack a formal contract to receive a fixed amount of income at regular intervals, but they share in the income generated by the enterprise). (OECD, 2023c)

# Design features of KiwiSaver

KiwiSaver was designed to create choice and flexibility, using defaults to help guide decisions. The scheme is very successful in terms of membership numbers and held up as a great example of how choice architecture (particularly auto-enrol with opt out and defaults) can be used in retirement savings schemes (O'Connell, 2009).

KiwiSaver was the world's first auto-enrolment, opt-out, national, and portable retirement saving scheme. Many other retirement savings schemes are either compulsory or purely voluntary. There are a several arguments against compulsion, especially the risk of forced over-saving for retirement in formal pension plans. At the same time purely voluntary pension provision may lead to under saving. Automatic enrolment offers a third option that falls between these two extremes, and is often called "soft compulsion" (World Bank, 2013).

The other design feature of KiwiSaver is the use of defaults. These are used for the minimum employee contribution rate (currently 3%), fund type (balanced, previously conservative), and the savings suspension period (one year, previously five years). Defaults play an important role from a choice architecture perspective and are very powerful tools. While there are a range of behavioural biases that likely play a role in making defaults so important (Townsend, 2018), one of the key reasons that defaults are so powerful is due to common human behaviour – generally speaking, inertia or procrastination. In addition, these biases are reinforced by the assumption or perception that the default setter has implicitly endorsed the default, so it is seen as advice (Madrian & Shea, 2001; Thaler & Sunstein, 2008).

Many other countries have extensive, sometimes complicated, incentivised workplace pensions (usually Tier 2) supplemented by voluntary private savings schemes (Tier 3). In contrast KiwiSaver offers a unified and simple approach (O'Connell, 2009). In addition the combination of KiwiSaver and the universal state pension, NZ Super, provides New Zealand with a uniquely simple and transparent retirement income framework (St John, 2014).

# Are there problems with the current KiwiSaver settings?

At its inception KiwiSaver was recognised as a world-leading scheme with its design features praised by leading international pension experts (Beehive, 2006; O'Connell, 2005). Over time some of the initial settings have changed (TAAO, 2022a). The settings when KiwiSaver was introduced included an initial government contribution of $1000 (called a 'kickstart') and a fee subsidy of $40 per year. In addition, the Government provided tax credits that matched contributions of $20 per week, up to a maximum of $1040 a year.

Minimum employee contributions were set at 4%. Employer contributions were initially set at 1% with plans to increase over four years to 4% by 1 April 2011 (New Zealand Treasury, 2007).

Many of the subsequent changes to KiwiSaver subsidies and tax breaks were focused on reducing the cost for Government. Other changes have resulted in a lower minimum contribution rate than was originally envisaged for the scheme. In particular, the following changes have arguably resulted in lower KiwiSaver balances than would have been expected under the original settings:

- The 2011 budget reduced the maximum available tax credit to $521.43 from the year ending 30 June 2012 and the Employer Superannuation Contribution Tax (ESCT) was introduced (Beehive, 2011).
- In 2013, minimum employee and compulsory employer contributions were set at 3% (Beehive, 2011).
- The kickstart payments ceased on 21 May 2015 (Beehive, 2015).

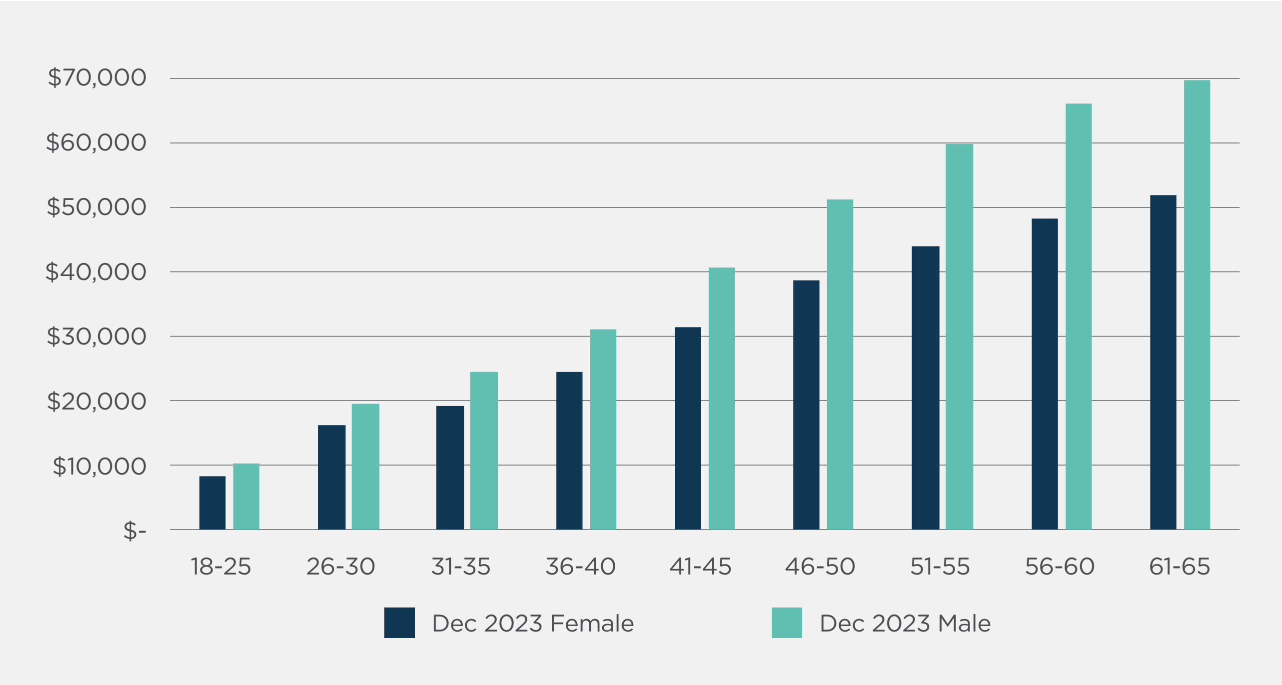
An overview of how the scheme has changed over time is included in Appendix C.

There are a variety of concerns that have been raised over time regarding KiwiSaver settings. These include:

- Because the scheme is voluntary, rather than compulsory, people don't have to join and they can opt out.
- People who join don't necessarily contribute, and that those who are contributing don't contribute "enough".
- There are specific provisions to allow the withdrawal of money in specific circumstances before age 65, there are concerns that these withdrawals erode future retirement savings. The flip side of this is that some argue there should be more access to funds, for a wider variety of reasons before age 65.
- People are not getting the guidance they need for the drawdown phase when it comes to accessing funds after age 65.

It is important to highlight that KiwiSaver is a young scheme, only introduced in 2007, meaning that people have not been able to use it to save for their retirement over their whole life. It is not until 2054 that people turning 65 will have had KiwiSaver available since they were 18. This is one of the reasons for the low balances, on average, in KiwiSaver (individuals may also face their own barriers to contribution, based on various forms of wage gaps and the unequal distribution of paid and unpaid work). Figure 2 provides details of average balances by age and sex as at end December 2023. Further detail on KiwiSaver balances can be found in reports commissioned by Te Ara Ahunga Ora from MJW in 2022, 2023 and 2024.

**Figure 2 – Average balance by age cohort and sex: 31 December 2023**




Source: Data from MJW, 2024

The rest of this paper provides an assessment of the current settings, considering the following three key areas: joining, contributing, and withdrawals, using research and data to support conclusions and recommendations.

# Part One
# Joining KiwiSaver

# Joining settings

The main settings for those joining KiwiSaver relate to enrolment methods, eligibility requirements, and restrictions related to being a member of only one scheme.

## ENROLMENT METHODS

| | |
|---|---|
| **Automatic enrolment and opt-out** | Provided they are eligible for KiwiSaver, all new employees (i.e., those starting a new job) will be automatically enrolled in KiwiSaver unless they meet one of the conditions for exemption. Individuals may choose to opt-out within eight weeks (but not within the first two weeks) of starting the new job.[6] |
| **Opt-in** | Individuals can elect to join KiwiSaver directly, either through their employer or by contacting a scheme provider. |

Source: Inland Revenue (n.d.-f).

When joining via auto-enrolment the employee will be enrolled into the employer's chosen scheme, if they have one, or into one of the default KiwiSaver providers. An employee may change their KiwiSaver provider at any time. When a person with KiwiSaver account starts a new job, their KiwiSaver 'follows them', and their employee and employer contributions will continue to be made into their existing KiwiSaver account.

Another way of enrolling is directly with a KiwiSaver provider (for example, if a person is not in paid work, or they are self-employed) or opting in via their employer (for example, if an employee previously did not meet the eligibility requirements for KiwiSaver). Payments can be made either directly to the provider or through Inland Revenue (Inland Revenue, n.d.-e).

There are additional requirements for joining KiwiSaver for those under 18. First you can only join through a scheme provider not an employer. Second if you are 16 or 17 you need a legal guardian to co-sign your application, and if you are under 16 you need consent from all your legal guardians (Inland Revenue, n.d.-e).

## ELIGIBILITY

To be eligible to join KiwiSaver, section 6 of the KiwiSaver Act 2006 requires that a person is a New Zealand citizen or is entitled, in terms of the Immigration Act 2009, to be in New Zealand indefinitely (people holding a residence class visa). Temporary visa holders are not eligible to join KiwiSaver (even if their visa enables them to work here legally).

## MEMBERSHIP OF ONLY ONE KIWISAVER SCHEME

According to section 53 of the KiwiSaver Act 2006, an individual can only be a member of one KiwiSaver scheme at a time (transfers between schemes are allowed). However, it is possible to split the investment within that KiwiSaver scheme across a variety of funds (i.e., a percentage in conservative, a percentage in growth). Some KiwiSaver providers also have the option of splitting investments across multiple providers (e.g. InvestNow and KiwiWRAP).

6 Auto-enrolment occurs when a person aged over 18 starts a new job that is either full-time, permanent part-time, a contract of more than 28 days, or casual agricultural work of more than 3 months.

# Assessment of joining settings:

## ENROLMENT METHODS

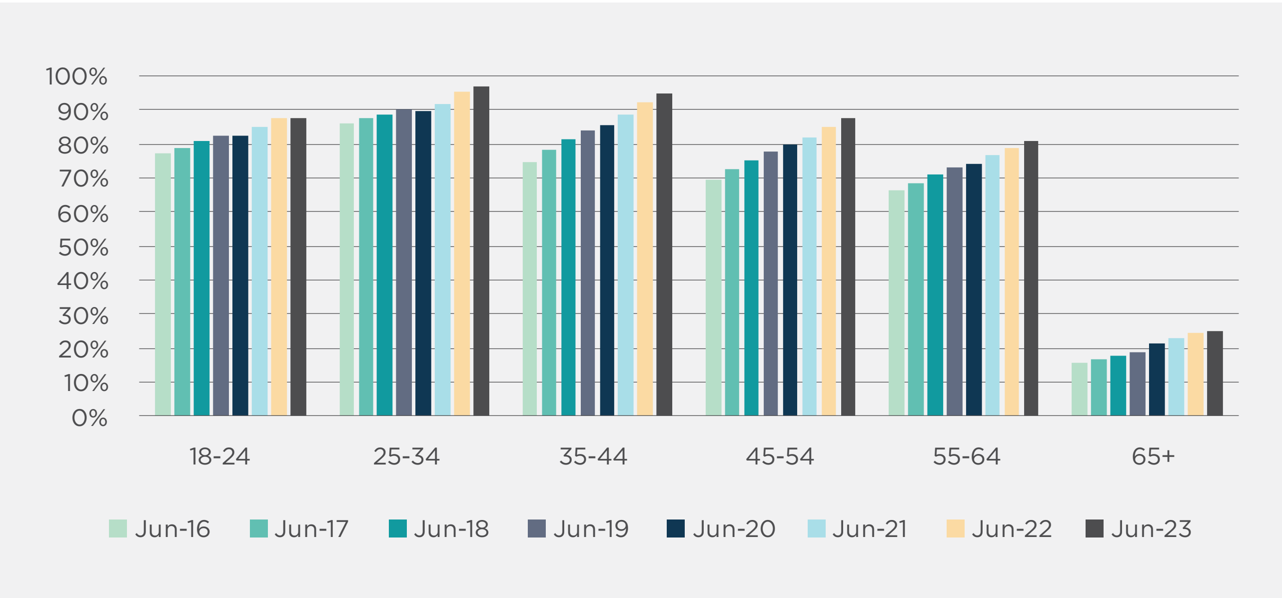
There were 3,300,394 KiwiSaver members in New Zealand at 30 June 2023. Of these members 41% were automatically enrolled, 8% opted in via an employer, and 51% opted in via a provider, meaning the latter two groups made an active choice to join KiwiSaver (Inland Revenue, 2023).

As discussed above, individuals can opt-out within a specified timeframe and on multiple occasions. A cumulative total of 193,635 individuals are classified as having opted out as at the end of June 2023: this has trended down over time from 247,727. The vast majority of people opt-out only once, with less than 10% opting out on multiple occasions (Inland Revenue, 2023). Research from the New Zealand Policy Research Institute (NZPRI) finds that very few people opt-out of the scheme and those who opt out are likely to be younger, single, and living in higher deprivation areas (Kirkpatrick et al., 2024).

Very high levels of KiwiSaver membership indicate that the auto-enrol and opt out settings, in combination with allowing people to enrol directly with employers and providers, appear to be working optimally. As shown in Figure 3, which provides an overview of membership rates compared to the total population across different ages,[1] at June 2023 **the percentage of the eligible population enrolled in KiwiSaver is very high across the younger working age cohort who have had access to KiwiSaver for the vast majority of their working lives** (97% of those aged 25-34, and 95% of those aged 35-44 are KiwiSaver members).

Even those in older cohorts, who would not have had access to KiwiSaver throughout their working lives, have generally high levels of membership (88% of those aged 45–54 and 81% of those aged 55–64 are members of KiwiSaver).

### Figure 3 KiwiSaver members as a percentage of population per age group (2016 – 2023)




Source: Calculated from IRD KiwiSaver membership data and Statistics New Zealand population estimates

1 The total population includes those who are not necessarily able to join KiwiSaver as the total population number includes people who are not New Zealand citizens, or entitled to live in New Zealand indefinitely.

One group where membership numbers could potentially be increased, as the auto-enrolment features does not capture them, is the self-employed. There were 355,000 self-employed people in New Zealand as at June 2023 (Stats NZ, 2023). This figure has been increasing since KiwiSaver was introduced in 2007, rising 50% from 235,000 in 2007. However, the percentage of all employed people who identify as self-employed with no employees[1] has remained fairly steady at approximately 12% compared to 11% when KiwiSaver was first introduced.

The general barriers that exist to self-employed people joining retirement schemes, such as minimum income thresholds or hours of work, and a lack of portability, are not an issue in the design of the KiwiSaver scheme (OECD, 2019). **The current KiwiSaver settings already meet many of the features suggested by the OECD as ways to ensure that self-employed workers have access to retirement savings schemes.** Self-employed people can opt in to KiwiSaver, there is easy portability as the KiwiSaver account is attached to the individual and not to any particular employer, and there is flexibility in terms of contributions into the scheme (OECD, 2020).

The enrolment statistics discussed above indicate that a large proportion of members have joined by opting in. This may indicate that there is not necessarily a problem with getting those who are self-employed to join the scheme, so perhaps the focus is more on how to encourage self-employed people to contribute (see further discussions in 'Contributing' section).

Finally, although there is no restriction on age, there are administrative requirements that act as barriers for some children to become members of KiwiSaver. Children under 16 require the consent of all their legal guardians. This can present challenges for children whose parents are estranged and may represent a form of discrimination against them. A petition calling for a change in the legislation to allow an account to be opened with permission from one parent or guardian was presented to Parliament in 2021. The final report of the Petitions Committee encouraged the Government to consider how to amend the KiwiSaver Act so that single parents can enrol their child in KiwiSaver without having to get the signatures of other guardians if it would not be practicable or feasible to do so (Petitions Committee, 2022).

## ELIGIBILITY

The 2022 Review of Retirement Income Policies (RRIP) had a specific Term of Reference that examined policy considerations arising from the exclusion of people from KiwiSaver who hold temporary, visitor, work or student visas. The information below is obtained from the 2022 RRIP report (TAAO, 2022e) and Te Ara Ahunga Ora recommended a change to the temporary visa exclusion.

The policy implications of excluding temporary visa holders depend on a number of factors, including the rate of conversion from temporary to residence visas, and how long that transition takes. This is because policy settings would ideally support those who are going to spend their retirement in New Zealand and require retirement savings. Research commissioned for the 2022 RRIP considered these factors.

The research showed that people can remain on temporary visas for over five years and that many people will transition from temporary to permanent visas. When considering the significance of this for retirement savings, the age of the migrant is also important, as retirement savings are likely to increase over time. The average age of those holding student visas was 24 and worker visas was 30. Based on this analysis, it was estimated that migrants' KiwiSaver balances would be $36,000 to $51,000 lower (depending on fund type) at age 65 due to lost contributions and growth during the time spent on temporary visas.

1 Note this number refers to self-employed without employees. As the data exclude people who employ others in their own business the total number of non-employees will be larger than the figures quoted above.

If a person does not remain in New Zealand long term, as is already the case for those who permanently emigrate from New Zealand, KiwiSaver funds could be withdrawn, except for the government contribution. This would be in keeping with the current approach followed for those who permanently emigrate, where the government contribution is repaid to the Government before the KiwiSaver account is closed (Inland Revenue, n.d.-d).

## MEMBERSHIP OF ONLY ONE KIWISAVER SCHEME

The benefit of limiting membership to one KiwiSaver scheme is that it is easier for both the provider and member to keep track of their account. Many countries that allow multiple superannuation accounts end up with large amounts of unclaimed and lost money in their systems. In Australia, lost and unclaimed superannuation totals $16 billion (Australian Taxation Office, 2023). A similar problem exists in the USA where it is estimated that there are 29.2 million left-behind or forgotten 401(k) accounts[1] holding approximately US$1.65 trillion in assets (representing 25% of all 401(k) plan assets) (Capitalize, 2023).

There have been suggestions that providing access to multiple providers who offer a greater range of investments gives investors greater flexibility and choice. However, this is already available to investors through KiwiSaver providers such as InvestNow and KiwiWRAP. In addition, the **OECD's recommendations for the good design of defined contribution (DC) pension plans specifically highlights the importance of a simplified choice environment** (OECD, 2022).

Further reasons given for allowing access to multiple providers is that it could allow access to illiquid investments thereby supporting and stimulating the New Zealand economy. However, this shifts the liquidity risk, currently sitting with the KiwiSaver provider, to the member (Steering Committee Capital Markets 2029, 2019). If such arrangements were allowed it would require members to understand the complexity of illiquid investments and the commensurate risk. As the OECD highlights, "Strong governance and appropriate investment strategies are essential to ensure that pension providers invest in the best interest of members." In particular, "Pension providers should invest in projects to support the economy as long as they do not generate lower returns relative to other investment opportunities with the same risk profile, and they do not unduly increase the overall risk in the portfolio." (OECD, 2022c). For sophisticated investors there are already options to pursue these investment strategies outside of KiwiSaver.

1 In the US a 401(k) plan is an employer-sponsored, defined-contribution, personal pension (savings) account.

# Conclusion and recommendations

The scheme's auto-enrolment with the opt-out feature has been very successful and participation rates are very high for the working age population. Many of the design features suggested by the OECD to encourage participation by self-employed already exist in the current design of KiwiSaver. As the current joining settings do not prevent self-employed people from enrolling in KiwiSaver, recommendations related to increasing participation from self-employed focus on the incentives for this group and are considered in more detail in the 'Contributing' section.

Against this backdrop of already high enrolment rates, and given the drawbacks of compulsion, **changing the KiwiSaver settings to make it compulsory is not necessary. We recommend retaining the existing soft compulsion setting of auto-enrolment with opt out, and the ability to opt-in directly.**

With respect to enrolment requirements for children **we recommend that changes are made to allow enrolment for children under the age of 16 with signature from only one parent or guardian if it is not feasible or practicable to obtain consent from all guardians.**

From an eligibility perspective there is an opportunity to support the retirement outcomes of those who migrate to New Zealand on a pathway that commences with a temporary visa, by expanding eligibility for KiwiSaver to this group. An additional reason to do so is that New Zealand wants to be an attractive destination to the globally mobile labour force and not present any impediments to moving here. With the recent changes to increase the period of residency required to be eligible to receive NZ Super (New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Act, 2021), new migrants will face a double barrier if they continue to be excluded from KiwiSaver.

**We recommend that KiwiSaver eligibility is extended to include temporary visa holders.**

In line with the OECD's recommendations for the good design of defined contribution (DC) pension plans (OECD, 2022b) we support a simplified choice environment, including the current limitation of membership to one KiwiSaver scheme provider. We believe that there are already options available for those who would like to diversify both asset classes and fund managers. For those who are financially sophisticated and who want additional choice and options, they are able to pursue these through their investments outside of KiwiSaver schemes.

**We recommend that existing settings limiting membership to one KiwiSaver provider should be retained.**

# Part Two
# **Contributing to KiwiSaver**

# Contribution settings

The following sections discuss the current setting from the perspective of the parties who make the contributions: employees, employers, Government, non-employees (including self-employed).

## AS AN EMPLOYEE

As set out in section 64 of the KiwiSaver Act, the minimum contribution rate for an employee who is a member of KiwiSaver is 3%. Employees can decide to contribute at a higher rate of 4%, 6%, 8% or 10%. The contribution is based on their gross (before tax) salary and wages and contributions are taken through wage deductions (Inland Revenue, n.d.-f). Employees are also able to make further contributions at any time directly into their KiwiSaver fund.

Savings suspensions (formerly known as 'contribution holidays') are available to employees who have contributed and been a member for 12 months or more. Suspensions can be for a period of three months to one year but can be taken consecutively and ceased at any time. No reason is required to be given for taking a savings suspension. Employees who have been in KiwiSaver for less than a year can only apply for a savings suspension in case of financial hardship and evidence is required to support the application. During a saving suspension, an employee ceases to receive any employer contribution (unless an employment agreement stated otherwise) but could receive the government contribution, if the necessary amount of voluntary payments had been made (Inland Revenue, n.d.-i).

Originally the default period for a suspension was set at five years. Changes that took effect from 1 July 2019 reduced the length of time from five years down to one year, although people are still able to reapply through Inland Revenue should they want to take another savings suspension period (TAAO, 2019a).

## AS AN EMPLOYER

Employers must make a compulsory minimum contribution of 3% towards their eligible employees' KiwiSaver funds. The employer is not required to make these contributions before an employee turns 18 or after the employee turns 65 (Inland Revenue, n.d.-h).

Employer superannuation contribution tax (ESCT) is deducted from the employer contributions to employees' KiwiSaver. The ESCT rates reflect the current individual marginal tax rates of 10.5%, 17.5%, 30%, 33% and 39% (Inland Revenue, n.d.-a). The impact of ESCT is that the actual amount of employer contribution received into their employees' KiwiSaver is less than a minimum matching contribution: 3% of gross wages less the employee's marginal tax rate.

The employer's compulsory minimum KiwiSaver contribution is on top of the salary or wages of the employee. However, some employers adopt a 'total remuneration' approach, whereby all cash and non-cash benefits (such as gym memberships and KiwiSaver) are included in determining gross pay. In these cases, the employer's contribution may be offset against the employee's gross pay, reducing the amount of take-home pay received. The legislation (Section 101B of the KiwiSaver Act) clearly states that compulsory contributions must be paid on top of gross salary or wages except to extent that parties otherwise agree. The legislation also includes a provision, described as being for the avoidance of doubt, which explains that a duty of good faith applies when parties to an employment relationship bargain for terms and conditions relating to compulsory contributions and associated matters.

### GOVERNMENT

If an individual over 18 has contributed at least $1,042.86 of their own money to their KiwiSaver fund during the year 1 July to 30 June the Government will make a contribution of $521.43. If an individual contributes a lesser amount, a government contribution is 50 cents for every dollar contributed. KiwiSaver providers apply for this government contribution on behalf of their members. The Government ceases to contribute once the member reaches the age of 65 (Inland Revenue, n.d.-g).

### AS A NON-EMPLOYEE (INCLUDING SELF-EMPLOYED)

When the KiwiSaver member is not an employee, because they are self-employed or not in paid work, contributions may be made by the member and the Government. Members can contribute any amount, at any time, directly to their provider. If the member has contributed at least $1,042.86 during the year, as outlined above, the Government will make a contribution of $521.43.

It is possible to make contributions into someone else's KiwiSaver account. One example is contributions made by parents or grandparents into a child's or grandchild's account. Contributions must be made directly to the KiwiSaver provider.

# Assessment of contributing settings

There are a number of aspects that need to be considered when assessing the current contribution settings. First is to understand who is contributing (and perhaps more importantly who is not contributing) and second is to understand how much is being contributed, and by who.

## CONTRIBUTORS VERSUS NON-CONTRIBUTORS

While KiwiSaver membership numbers are high, not every member enrolled in KiwiSaver is currently contributing to their account. There are a variety of people who would not be expected to be contributing including:

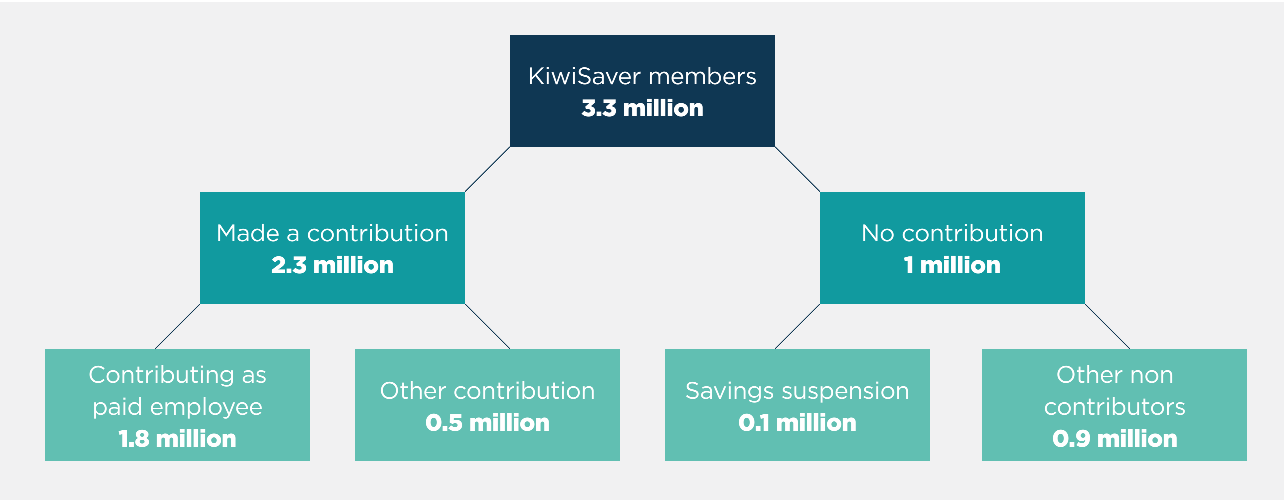
- children (under 18 and therefore may not be earning)
- those not in paid work (including retirees)
- those on a savings suspension
- people receiving accident compensation, benefit, or paid parental leave which are not subject to compulsory deduction
- those who are currently overseas; or people contributing to other work-based savings schemes.

**Research carried out by Te Ara Ahunga Ora found non-contribution has three main underlying reasons: parenting; being unemployed; or saving suspensions.** A fourth, less common reason is due to self-employment (TAAO, 2022b).

There is limited data to provide insights into whether certain ethnicities are over-represented as non-contributors. One analysis indicates that the percentage of Māori who contribute to KiwiSaver is less than the overall population, with significant differences in the age range from 15-54 (Cook, 2022). However, other research finds that the number of Māori currently contributing to a KiwiSaver account is similar to non-Māori once income and other variables are accounted for (TAAO, 2022c). The same is true for Pacific Peoples (TAAO, 2022d).

Figure 4 provides an overview of the number of people who contributed and the number that did not contribute to KiwiSaver in the year ended 30 June 2023. While the fact that one million people are not contributing to KiwiSaver appears to be concerning, as set out above those who are not currently in paid employment would not be expected to be contributing. **When considering only those in paid employment (2.9 million), those contributing to KiwiSaver represent 80% of the total population in paid employment (which includes employees and self-employed).**

**Figure 4: KiwiSaver contributors and non-contributors 2023**



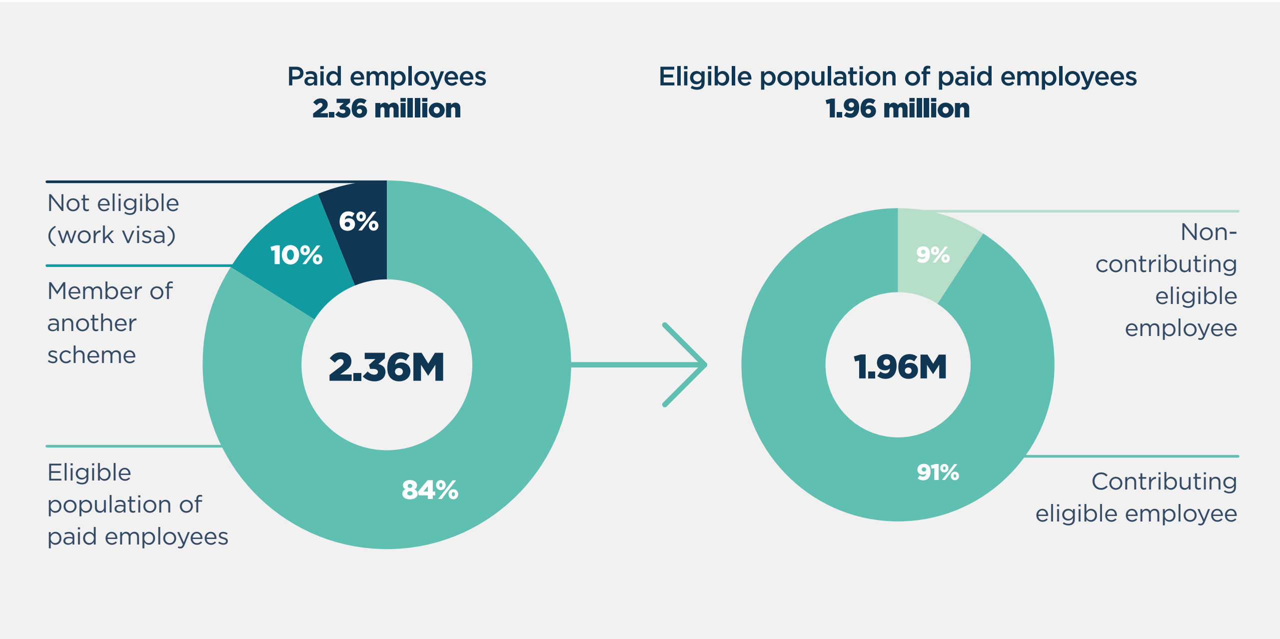

Source: Inland Revenue (2023c)

### Paid employees

Employees are the primary target of a workplace-based scheme such as KiwiSaver and, as previously noted, there are 2.36 million paid employees as at end June 2023. This number would include people on a work visa (approximately 150,000 as at end June 2023 (MBIE, 2023b)), and people who are members of other work place based retirement schemes (approximately 250,000 (FMA, 2023c))[10].

Therefore, as shown in Figure 5, **approximately 90% of paid employees, who are eligible for KiwiSaver and not a member of another workplace-based scheme, are currently contributing to KiwiSaver.** Paid employees not contributing are those on savings suspensions (approximately 100,000) and those who have previously opted out of the scheme. In addition, there may be members over the age of 65 who are still in paid work who have stopped contributing to KiwiSaver after age 65.[11]

**Figure 5: Paid employees, eligible employees and contributing employees**




### Savings suspensions

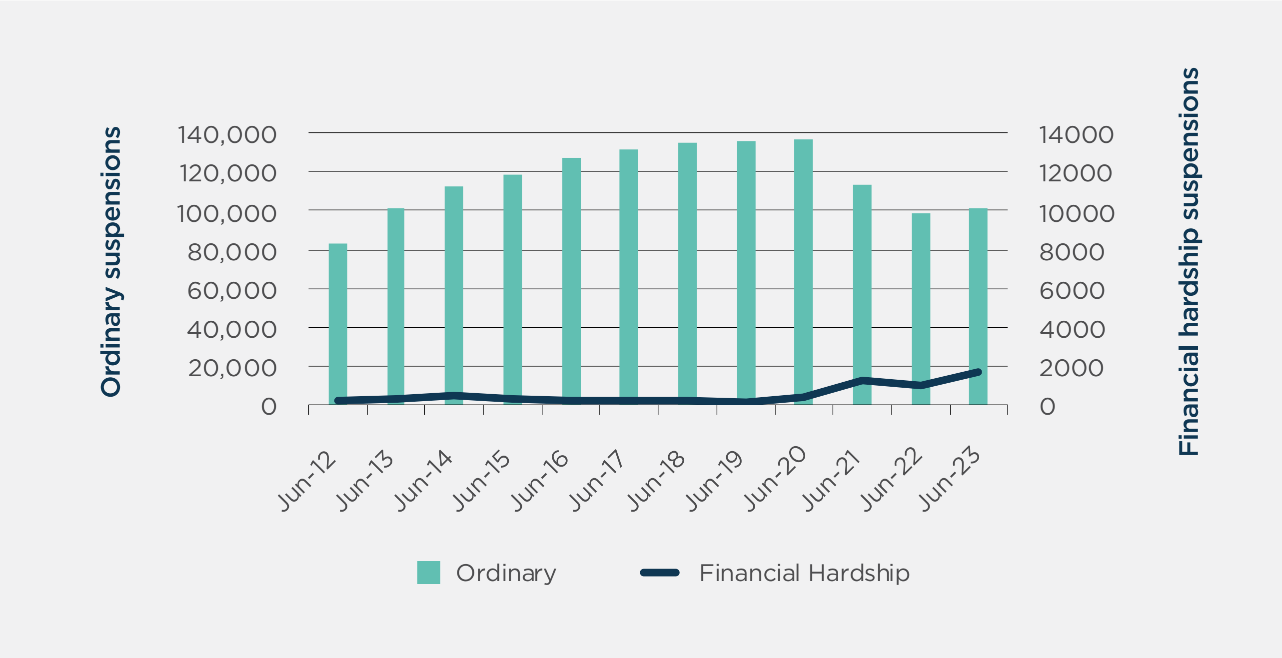
A previous Policy Paper considered savings suspensions in more detail (TAAO, 2023a). The paper concluded that a relatively small portion of KiwiSaver members have taken savings suspensions in the last 12-years, and the duration of these suspensions has reduced since the default suspension period changed from five years to one year in 2019.

As illustrated in Figure 6, over the past 12 years, **the number of people on a savings suspension has been relatively low, representing on average 4.3% of all KiwiSaver members, and has trended down over the past three years to just over 3% of all KiwiSaver members** (102,646 people are on a savings suspension as at the end of June 2023). This equates to approximately 5% of KiwiSaver members who are paid employees. The latest data available as at end March 2024 indicates that both financial hardship and ordinary suspensions continue to trend lower, with a total of 86,300 people on a savings suspension as at the end of March 2024 (Inland Revenue, 2024).

10 It should be noted that some members of other workplace-based retirement schemes may also have a KiwiSaver account.

11 After age 65, if a person receives a salary or wage and they want to stop making KiwiSaver contributions, a non-deduction notice is completed and given to the employer. This is not the same as a savings suspension and the employer will stop making deductions from the member's pay indefinitely, unless a member requests that they restart contributions at a future point in time.

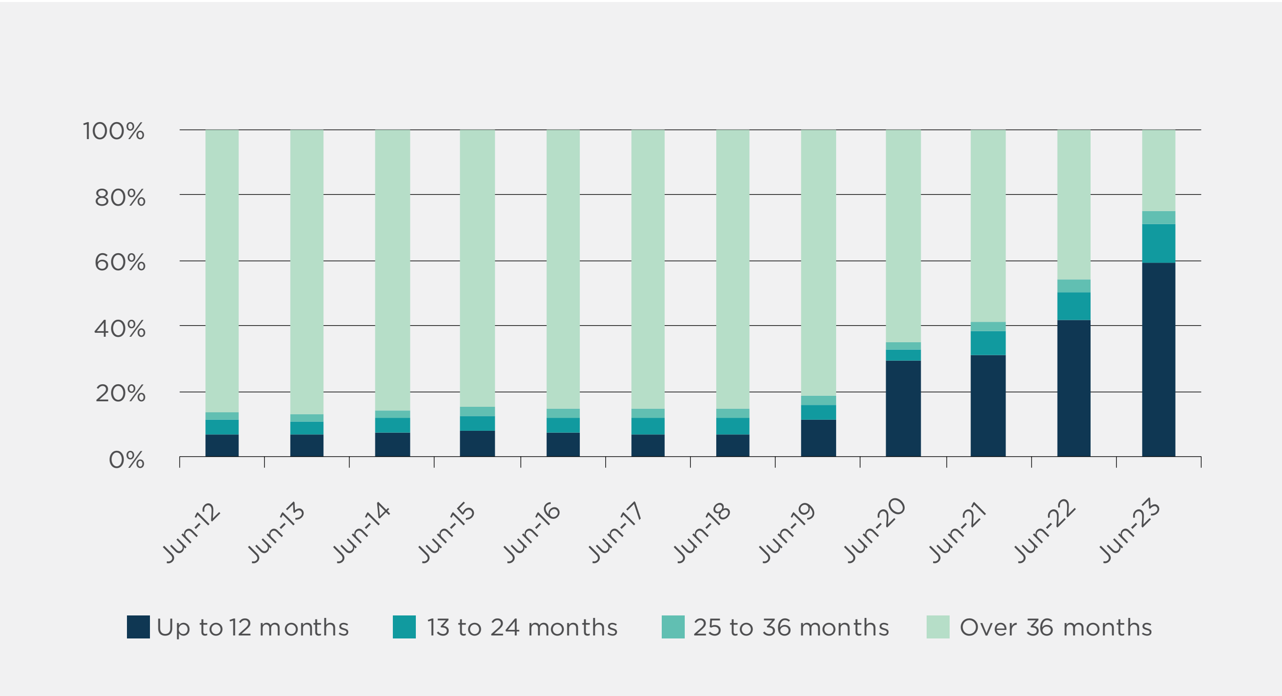
### Figure 6 Number of ordinary and financial hardship suspensions 2012 - 2023




Source: Inland Revenue (2023)

Figure 7 highlights the effectiveness of defaults. The change to the default suspension period in 2019 (reducing the default time period from five years to one year) has reduced the number of people with savings suspensions in excess of 36 months from 85% in 2018 to 25% in 2023, with **the duration of the majority of suspensions now less than a year.** This trend continues to be seen in the latest data available as at March 2024 (Inland Revenue, 2024).

### Figure 7 Percentage of savings suspension by duration as at financial year end 2012 - 2023




Source: Inland Revenue (2023)

Research carried out by the New Zealand Policy Research Institute (NZPRI) finds that those living in more deprived areas are more likely to be on a savings suspension, and the likelihood of being on a savings suspension increases as the level of deprivation increases. When assessing the role of all factors simultaneously, a person on a savings suspension is more likely to be male, non-European, unmarried, experience higher deprivation, and likely to be working in lower paying industries characterised by seasonal or casual work (Kirkpatrick et al., 2024).

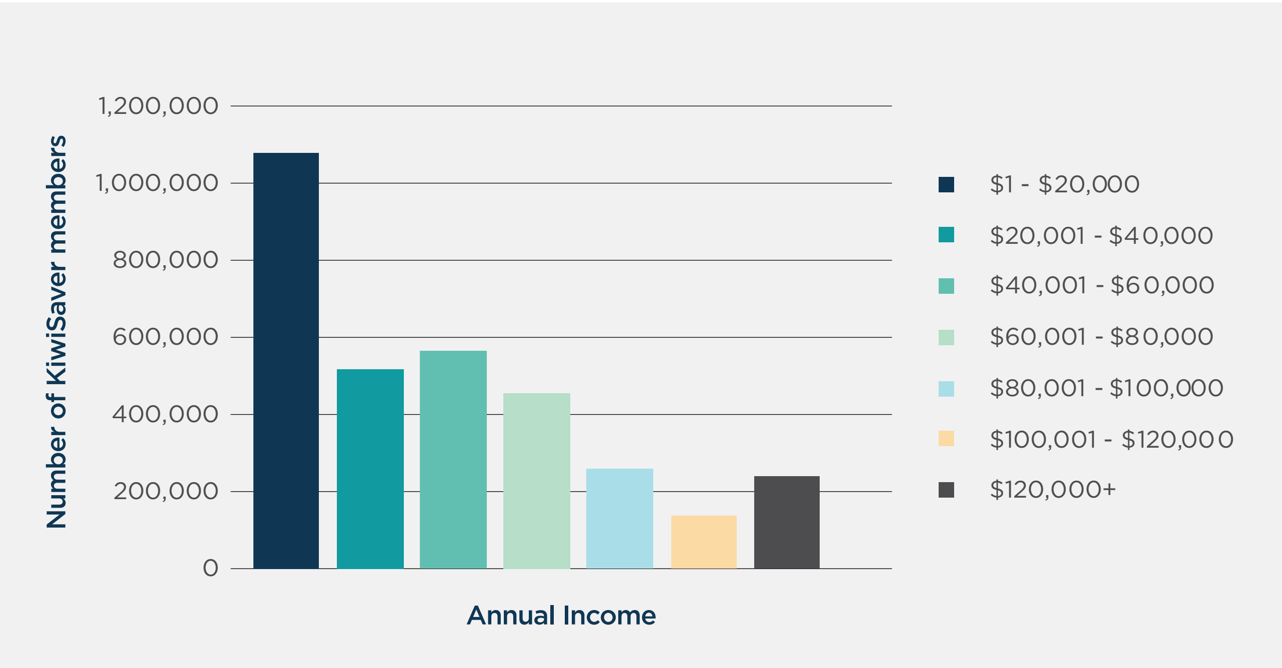
### Other contributors

**There are approximately 500,000 KiwiSaver members, who are not paid employees but contributed to KiwiSaver in the year ended 30 June 2023.** While this number would include self-employed KiwiSaver members, there may be others not in paid work who were still able to contribute to KiwiSaver from other sources, or someone else may have contributed to their KiwiSaver account on their behalf. The only contribution incentive for this group is the government matching contribution (up to $521.43 if $1042.86 is contributed).

### Other non-contributors

Approximately 900,000 KiwiSaver members, who are not on a savings suspension, did not contribute to KiwiSaver in the year ended June 2023. As previously noted, there are a variety of reasons for not contributing including parenting, being unemployed, or due to self-employment. In addition research has confirmed that those on lower incomes are more likely to be non-contributors (TAAO, 2022b). Due to data limitations we are not able to provide insights into who the "other non-contributors" are. However, we can make some inferences based on income data provided by Inland Revenue. As illustrated in Figure 8, data from Inland Revenue shows that for all those earning some income in the year ended 30 June 2023, **1.1 million KiwiSaver members (one third of all members) earn less than $20,000 per year.**

### Figure 8 Number of KiwiSaver members by annual income as at 30 June 2023




Source: Inland Revenue (2023)

An adult earning the minimum wage who works a 40-hour week would be expected to earn approximately double this amount per year after tax (MBIE, 2023a). Therefore, these one million members would include salary and wage earners working part-time, or who were in paid work for only part of the year. Data from Inland Revenue indicates that approximately 660,000 wage and salary earners had incomes below $20,000 in 2023. The remaining KiwiSaver members in this group would therefore include self-employed people on low incomes, or members whose only income is the return on their KiwiSaver investment (for example children who have been enrolled in the scheme[12] or those who are not currently in paid work). It is therefore not unexpected that there are 900,000 KiwiSaver members not contributing to KiwiSaver given the low income levels of 1.1 million members.

## AMOUNT CONTRIBUTED

To assess the settings related to the amount contributed to KiwiSaver this section first explores the question of how much "should" be contributed, before assessing the actual contributions currently being made to KiwiSaver.

### How much should be contributed?

Assessing whether changes are necessary to the amount contributed to KiwiSaver requires answering the question "How much *should* be contributed into KiwiSaver?". To answer this question, we need to think about the purpose of KiwiSaver. KiwiSaver is a retirement savings scheme that supplements NZ Super and is particularly targeted at those who 'are not in a position to enjoy standards of living in retirement similar to those in pre-retirement'. This is likely to be the majority of the population, who have been in some form of paid work for some part of their life, but will not include the very wealthy, or those who have spent long periods in receipt of some form of main benefit.

It is also important to keep in mind that there is a trade-off to consider, particularly for those on lower incomes, whether to retain funds to provide a standard of living in pre-retirement or to increase savings for retirement. **There are considerable losses to individual welfare from forcing people to over-save.**

From a macro perspective, the OECD highlights that while countries with higher contribution rates have above average pension benefits, there is a trade-off of lower net wages during working years to achieve these higher future pensions. In addition they note that higher mandatory contributions may hurt the competitiveness of an economy and lower total employment while at the same time potentially increasing people working in the informal sector (OECD, 2021b).

It is also important to understand the context and uniqueness of the New Zealand retirement income system (which includes NZ Super) versus other countries (with Tier 2 mandatory savings and usually a means tested pension) that are often used as comparators. Unlike in other countries, KiwiSaver is not required to provide protection against longevity risk because NZ Super fulfils this function. The presence of a universal non-means tested pension is a key factor when determining adequacy of retirement savings.

One way of determining adequacy of retirement savings is to consider replacement rates. In this approach, literature and financial planning practice both internationally and in New Zealand make use of 70% as a benchmark for the replacement of pre-retirement earnings.[13] In an international context, and in particular in the USA, this is often translated into rules of thumb that require a person to save between 10–15% of their income to meet this replacement rate.

12 There are approximately 200,000 KiwiSaver members under the age of 18.

13 Based on gross post-retirement income as a proportion of gross pre-retirement earnings. Benchmarks are generally established at less than 100% as this reflects the fact that retirees generally pay less tax, save less and have lower costs for example in relation to travelling to work and raising children. In New Zealand the tax impact may be more pronounced as KiwiSaver operates under a 'TTE' system of taxation where 'T' refers to taxed and 'E' refers to exempt. The first 'T' refers to the fact that contributions are made 'after tax', such as from salary or wages that are subject to PAYE withholding, and the second 'T' refers to the fact that profits are taxed within the KiwiSaver fund itself. The 'E' denotes that any withdrawal from KiwiSaver is not subject to taxation (noting however that NZ Super forms part of taxable income).

However, in New Zealand, NZ Super is a key component of retirement income, which is not the case in other countries where these rules of thumb are used. The presence of NZ Super would imply that personal savings rates could be lower than the usual 10-15% range to achieve the 70% replacement rate. There are also concerns that the 70% benchmark is at best an approximation. Work carried out by the Pensions Commission in the United Kingdom suggested that an adequate income which maintains living standards would be close to 70% of a median earner's pre-retirement earnings, while for those on low incomes it would be nearer to 80%, whereas high income earners would require a replacement rate of approximately 50% (Finch & Gardiner, 2017).[14] This is supported by recent research that finds that benchmark replacement rates decrease with income with the results suggesting that households at the bottom level of the income distribution have higher fixed costs to replace when they retire (Schmied, 2023).

To obtain insights into potential replacement rates in a New Zealand context, Te Ara Ahunga Ora commissioned MJW to build a retirement adequacy calculator model.[15] The model projects the accumulation of the KiwiSaver balance for an individual from age 25 to age 65 using a variety of contribution rates. It then calculates how long the final balance is expected to last from age 65 using different replacement rates and explicitly including NZ Super income as part of post age 65 retirement income. The model takes into account scenarios that include time out of paid work and first home withdrawals. Due to the nature of the model, including the assumptions made and simplifications required, it is important to acknowledge that this is very stylised analysis which is generic in nature. It does not relate to existing KiwiSaver balance data. It should be acknowledged that there are a wide range of circumstances affecting actual KiwiSaver members in the "real world" (MJW, 2024b). However, the findings provide some insights to assist in answering the question of "How much should be contributed?".

Using the replacement rates suggested above for median, low, and high income earners[16] across a range of contribution rates allows us to draw some broad conclusions:

### For a median income earner

- Contributing at the existing 3% default rate, with a 3% employer match, a 70% replacement rate[17] could see KiwiSaver funds last for approximately 15 years for men, and 25 years for women.[18]
- Increasing the rate to 4% with a 4% employer match could see funds potentially lasting 20 years for men, and about 30 years for women.
- Finally, a 6% contribution rate with a 6% employer match would further extend this period with funds potentially lasting 30 years for men and 55 years for women.

14 Higher rates for lower earners are generally justified on the basis that lower income earners generally have lower pre-retirement taxation, lower levels of pre-retirement saving and smaller drops in consumption upon retirement.

15 The model projects the accumulation of the KiwiSaver balance for an individual from age 25 to age 65 invested in a balanced portfolio. It then calculates how long the final balance is expected to last from age 65 for different levels of drawdown, while invested in a conservative portfolio. The model is stochastic in nature, with investment earnings generated randomly. This means that for each combination of parameters, many thousands of simulations are performed. The results are then aggregated and statistics such as the median and percentiles calculated. The output is particularly sensitive to assumptions with respect to future investment earnings. The model uses the MJW forward-looking capital markets model. These forecasts are arrived at considering the long-term characteristics of investment markets, calibrated to current market conditions. These forecasts differ from those used in the KiwiSaver projection assumptions, which were set in 2019 when interest rates were at very low levels.

16 Assumed high income to be 1.5 times the median, and low income 2/3rds of median (see: Earnings and wages - Wage levels - OECD Data). Using the StatsNZ earnings from main wage and salary job NZ.Stat (stats.govt.nz) the starting salary at age 25 is based on median weekly earnings of $1300 for males and $1178 for females ($67,600 per annum for males and $61,256 per annum for females).

17 This replacement rate takes into account both NZ Super and drawdown from KiwiSaver, noting that NZ Super will continue to be paid beyond the age when KiwiSaver funds have been depleted.

18 Noting that for females the 70% spend rate is lower due to females' final year salaries being lower

### For a low-income earner

- NZ Super makes up a larger proportion of their post-retirement income, however the suggested replacement rate is higher than for a median income earner (80% versus 70%).
- On this basis a 3% contribution rate with a 3% employer match could see KiwiSaver funds on average last about 20 years from men and 45 years for women.
- Increasing the rate to 4% with an employer match of 4% extends this time period to 25 years for men and 60 years for women.
- Finally, a 6% contribution rate with a 6% employer match would further extend this period with funds potentially lasting 40 years for men and 90 years for women.

### For a high-income earner

- NZ Super will make up a smaller portion of their post-retirement income, however the suggested replacement rate is lower than for a median income earner (50% versus 70%).
- A 3% contribution rate with a 3% employer match would see funds on average last for 20 years for men, and about 30 years for women.
- Increasing the rate to 4% with a 4% employer match extends this period to 25 years for men, and 40 years for women.
- Finally, a 6% contribution rate with a 6% employer match would further extend this period with funds potentially lasting 40 years for men and 70 years for women.

As expected, time out of paid work, and first home withdrawals reduce the final balances, and therefore the number of years that these balances are expected to last. In the case of withdrawals for first home purchases the number of years the balance is expected to last reduces by about 40%. However, it should be noted that those that do withdraw for first home purchase are likely to be in a significantly different financial position in retirement from those who do not. That is, they are arguably more likely to own their own home outright (or own it with a lower level of mortgage debt). This has implications for their required retirement spending i.e., they are less likely to need to fund significant accommodation costs (mortgage payments or rent).

The time out of paid work differences are much smaller. In the case of the model used in this research, where the assumption was for two periods out of paid work lasting 12 months each, the final balances last approximately two to five years less than if there is no time out of paid work. However, the gender pay gap already reflects the impact of time out of paid work to some degree, with female salaries on average lower than male salaries arguably because of the "pause" in career progression that can occur from time out of work, and the higher likelihood of being in part time work. Thus, while changing the time out of work parameter does have an impact on the accumulated balances in the model, the larger impact from females generally bearing greater care responsibilities is already reflected in the salary difference (which impacts contributions to KiwiSaver and final KiwiSaver balances).

Understanding how long funds should last is informed primarily by longevity expectations. The suggestion from the Retirement Income Interest Group of the New Zealand Society of Actuaries is that people should use an estimate for a likely lifespan of 25 to 30 years after age 65 (RIIG, 2019, 2023). Two other factors play a role when assessing the replacement timeframes that the above model produces. First is that spending is generally expected to decline at older ages, while the model assumes a constant replacement rate. Studies of actual expenditure patterns in New Zealand show a sharp reduction in spending particularly after age 85 (Le & Richardson, 2023). The second factor in the New Zealand context, is that NZ Super will continue to be paid once KiwiSaver funds are depleted. Therefore, a shorter timeframe may be acceptable if people are willing to rely on NZ Super to fully fund their retirement expenses after, for example, age 85.

This modelling appears to indicate that for target replacement rates to be achieved for 20 to 30 years a contribution rate of 3% (with a 3% employer match) may be suitable for low income earners, whereas a 4% contribution rate (with a 4% employer match) may be more suited for median income earners. Those on higher incomes could arguably contribute at 3% with a 3% employer match if they are comfortable with a 50% replacement rate, however a higher contribution rate might make more sense if they anticipate higher expenditure in retirement.

Finally, consideration needs to be given to what else people have saved or invested outside of KiwiSaver that can be accessed to support them in retirement. People may have invested in property, have other financial assets, or alternatively they may invest in their own business. Due to data limitations, it is difficult to get a detailed understanding of what else people have. A Te Ara Ahunga Ora Policy Paper provides insights into the other assets people hold outside of KiwiSaver (TAAO, 2024b). It shows a large group with very little (bottom 40%), a group with a house but little else (40%), and a smaller group with a lot (top 20%). This appears to reinforce the importance of KiwiSaver for middle and lower income individuals (bearing in mind the consumption smoothing effect of NZ Super for those on low incomes), while those on higher incomes are naturally more likely to have other wealth outside of KiwiSaver to supplement their retirement income.

## Contributions to KiwiSaver

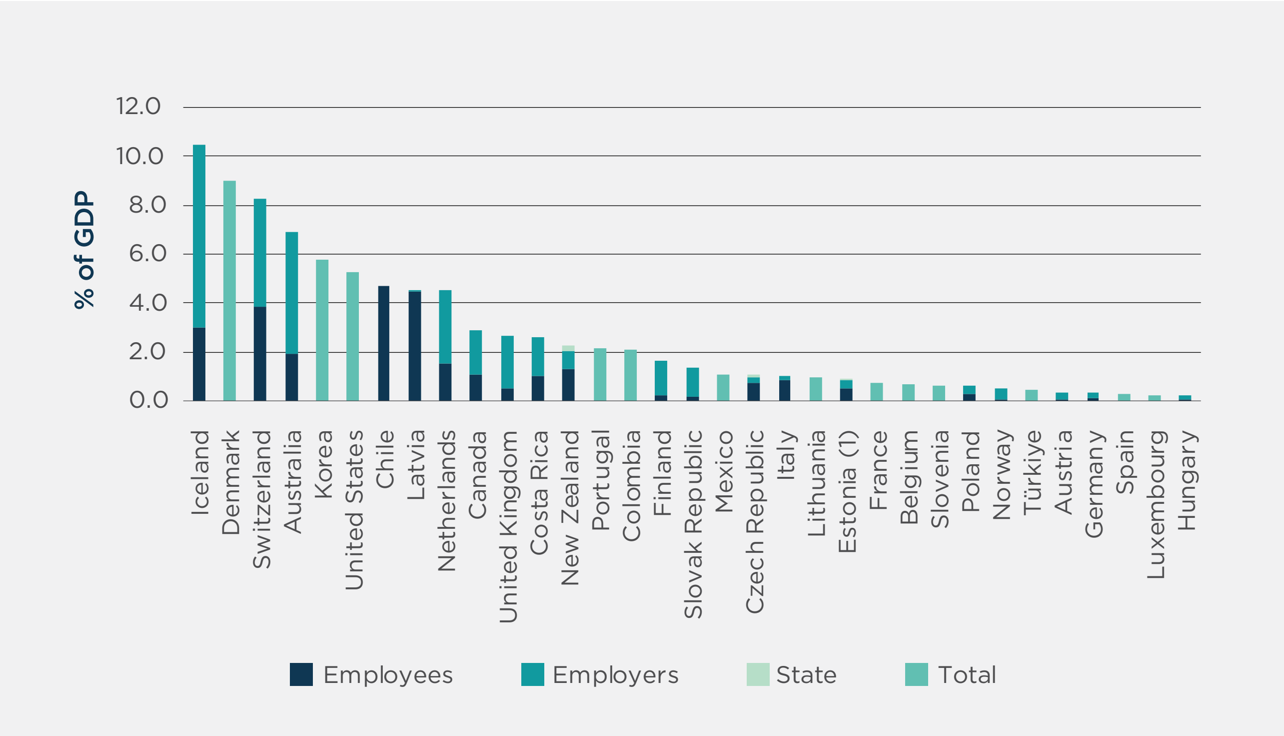
### International comparisons

As highlighted earlier, New Zealand does not have a Tier 2 pillar (compulsory saving) within its retirement income system. This means that it is difficult to make comparisons between KiwiSaver and the pension schemes of other countries that offer Tier 2 pensions. However, data from the OECD does provide some insights that are helpful to understand how KiwiSaver compares in an international context.

From a macro perspective, the amount contributed from various sources into KiwiSaver amounts to approximately 2% of GDP per annum. As can be seen in Figure 9, considering the situation in other countries, this is similar to the % of GDP of contributions in Canada, the United Kingdom and Portugal. However, there are higher levels of contributions as a percentage of GDP in a number of countries including Australia and the United States.

But **many countries with higher contributions require a far larger proportion from employer contributions, compared to employee contributions. In New Zealand the reverse is true, with employees funding the majority of the contribution.**

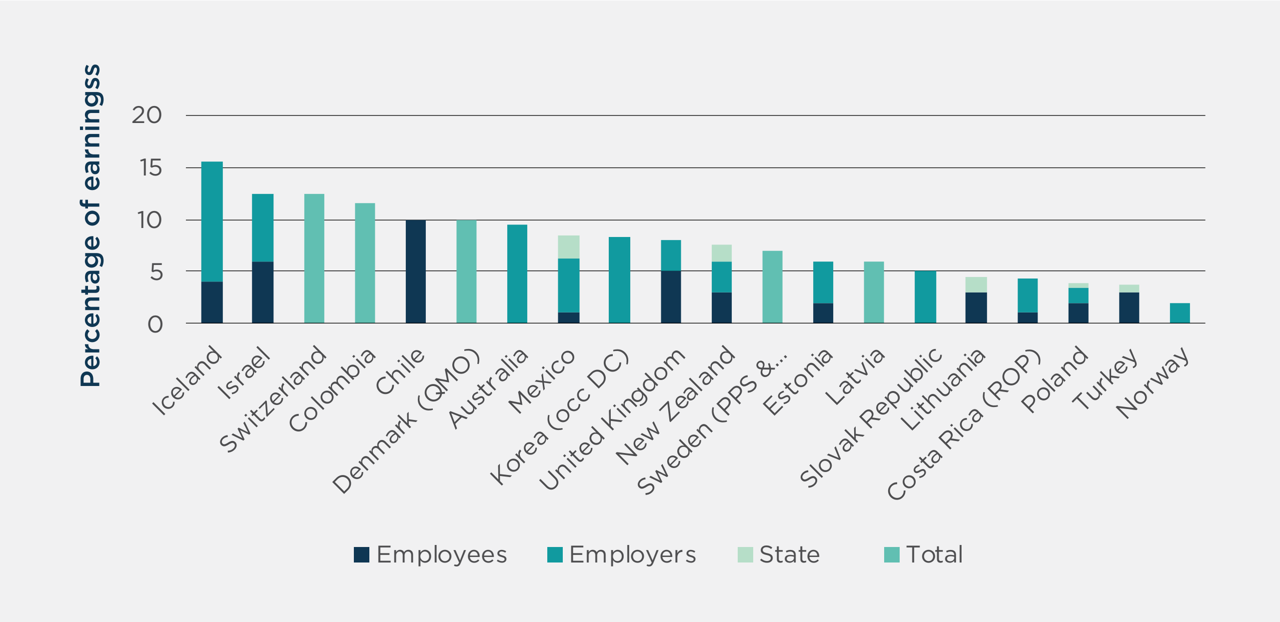
**Figure 9 Employer, employee and state contributions paid into funded and private pension plans, in selected OECD and other jurisdictions, 2021 (or latest year available)**




Source: OECD (2022a)

To provide an idea of how New Zealand's contribution rates compare to other countries in the OECD, Figure 10 compares the contribution rate of an average earner in various countries that have either a mandatory private pension or an auto-enrolment scheme (such as KiwiSaver). As shown in the figure, an average earner in New Zealand has contributions totalling 7.5% of their earnings going into KiwiSaver, just below the average for the total group, which is 7.7% but far lower than, for instance, Australia.

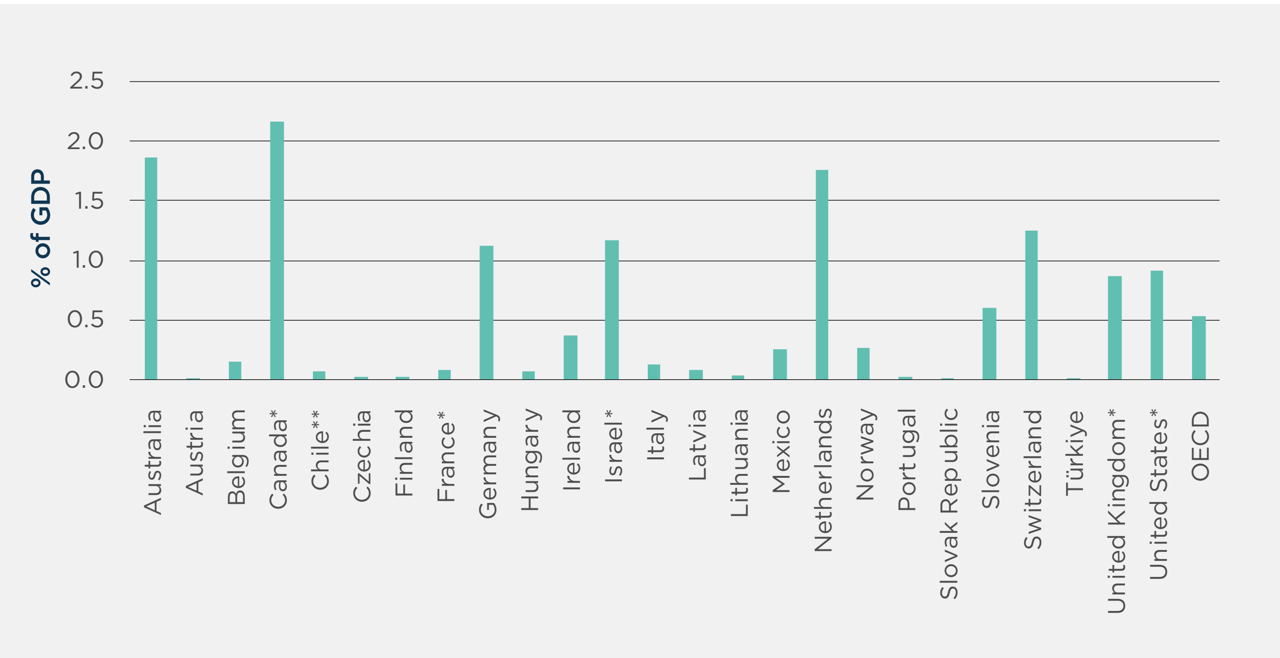
## Figure 10 Minimum or mandatory contribution rates in mandatory and auto-enrolment plans for an average earner, 2020[19]




Source: OECD (2021b)

**Many of the countries with higher contribution rates provide additional incentives to encourage savings.** Across the OECD it is common for pension savings to be concessionally taxed although there is significant variation between countries. However, these concessions come at a cost, as illustrated in Figure 11. On average this costs OECD countries approximately 0.5% of GDP in lost tax revenue, with some countries foregoing tax revenue amounting to around 2% of GDP, such as Australia, Canada, and the Netherlands.

## Figure 11 Tax breaks as a percentage of GDP for OECD countries




Note: * = latest data is for 2020 rather than 2019 ** = latest data is for 2021 rather than 2019
Source: OECD (2023b)

19 Minimum or mandatory contribution rates (for an average earner) in mandatory and auto-enrolment plans (unless specified otherwise), 2020 (or latest year available)

In a report prepared for consideration by the Tax Working Group it was noted that there were difficult trade-offs when designing tax incentives for savings. International evidence indicates that tax incentives don't necessarily significantly increase private savings, as individuals may simply reallocate existing savings into the tax-favoured vehicle. In addition, the report notes that **tax incentives for savings are generally regressive and can have high fiscal costs.** The report concluded that it was unlikely that there would be a national savings benefit from across-the-board cuts in taxes on retirement savings. It was suggested that more targeted measures for low-income groups may be preferable and would limit the cost of intervention while directing benefits to those who needed it most (Inland Revenue & New Zealand Treasury, 2018).

The Tax Working Group, in its final report and recommendations, noted that it did not see a case to radically change the taxation of retirement savings. However, the Group supported increasing tax benefits for low and middle income members of KiwiSaver, these would ultimately offset any negative impact from introducing the proposed capital gains taxes.[20] Suggestions for these incentives included:

- Refunding the ESCT for KiwiSaver members on low incomes
- Paying the maximum government contribution to those on paid parental leave regardless of the member's level of contribution
- Increasing the government contribution match from $0.50 per $1 of contribution to $0.75 per $1 of contribution (keeping the contribution cap unchanged)
- Reducing lower (10.5% and 17.5%) PIE rates for KiwiSaver funds (Tax Working Group, 2019).

In the Government's response to the findings of the Tax Working Group it was noted that increasing incentives for low income earners in KiwiSaver would be considered alongside Government's broader work on KiwiSaver (Minister of Finance & Minister of Revenue, 2019). However, the only change that has arisen relate to paid parental leave. These changes are limited to the Government making matching KiwiSaver contributions during paid parental leave only for those who continue to make their employee contribution.[21] In contrast, Australia recently announced changes that will see the Government making Super payments (of 12%) on paid parental leave from July 2025.[22]

### Analysis of the source of KiwiSaver contributions

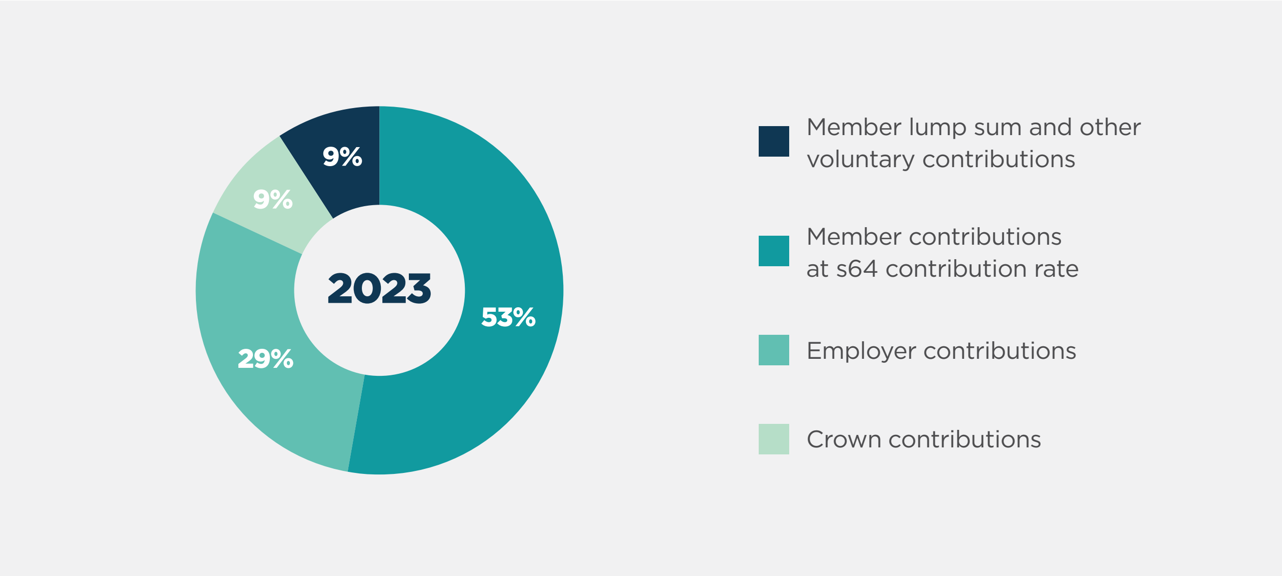
According to the latest KiwiSaver Annual Report (FMA, 2023a), **a total of $10.5 billion was contributed to KiwiSaver in the year ended 2023**. As shown in Figure 12, **almost two thirds came from member contributions** (the vast majority, $5.5 billion, was from employee section 64 contributions, with just under $990 million from lump sum and other voluntary contributions). Employers contributed just under a third of the total amount ($3 billion), and the remaining 10% was from government contributions ($963 million).

20 Tax Working Group responds to KiwiSaver claims | The Tax Working Group

21 KiwiSaver and paid parental leave (ird.govt.nz)

22 Paying super on Government Paid Parental Leave to enhance economic security and gender equality | Ministers Media Centre (pmc.gov.au)

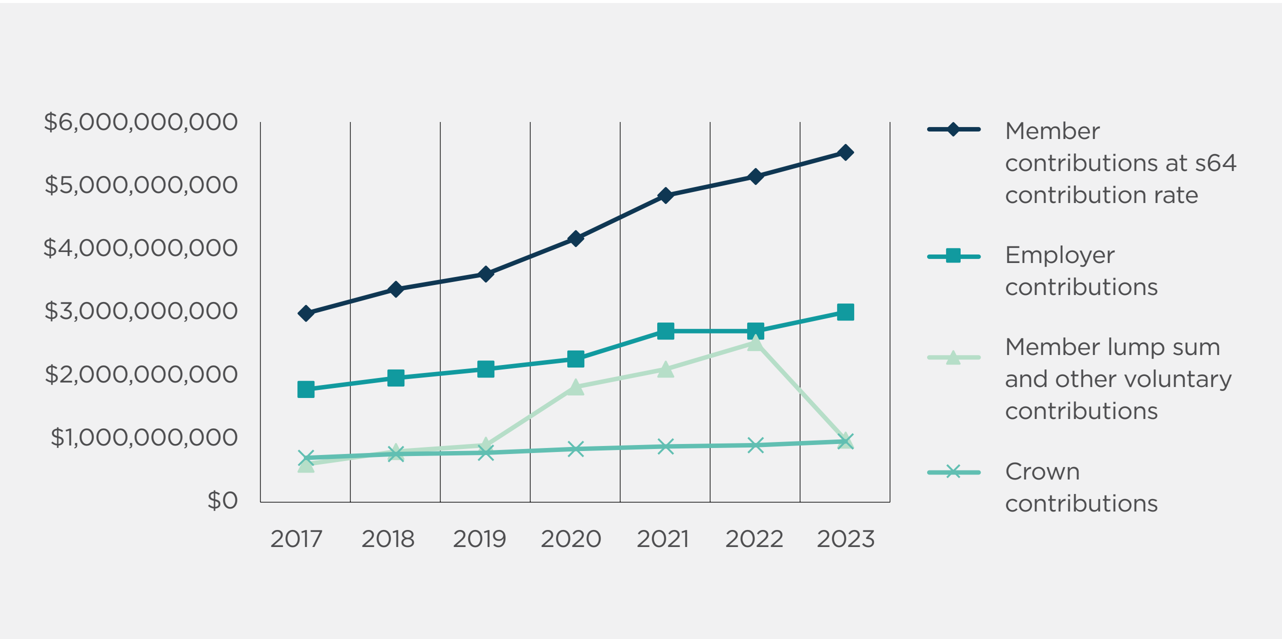
**Figure 12: Proportion of contributions from members, employers and government for the year ended March 2023**




Source: FMA (2023a)

As member numbers have increased over the past five years, with just over one million members joining during this time, all contribution amounts have trended up over time as shown in Figure 13. In general, the proportions have remained fairly stable. However, voluntary contributions have fluctuated the most, representing a higher proportion of overall contributions during the period from 2020-2022 (approximately 20%), before returning to the previous proportion (approximately 10%) in 2023. The higher level of voluntary contributions during this period may have resulted from people having more disposable income as a result of lower spending, and additional government support, that was provided during the COVID-19 lockdowns.

**Figure 13: Contributions from members, employers and government 2017 - 2023**



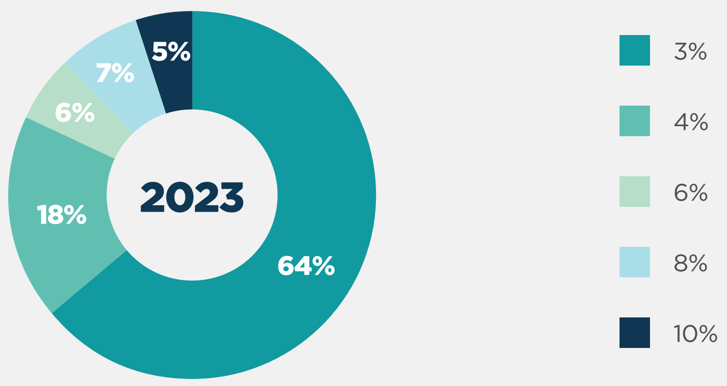

Source: FMA (2023b)

Considering only employee and employer contributions, there has been a fairly stable relationship of two-thirds coming from employees and one third from employers. This is explored in more detail in the following section.

### Contributions: paid employees

Figure 4 above highlighted that the key contributing population by number are those who are paid employees. Figures 12 and 13 show that they are also the population that contributes the most to KiwiSaver. This makes sense as these members have the most incentive to contribute under the current settings as they receive both the employer match as well as, for many, the government contribution. While a number of contribution rates are available, the default (and minimum) contribution rate is 3%. As illustrated in Figure 14, almost two-thirds of employees contribute at this rate.

### Figure 14 KiwiSaver employee contribution rates as at June 2023




Source: Inland Revenue (2023)

The publicly available data does not allow us to examine the individual characteristics of KiwiSaver members to understand how contribution behaviour differs across gender, age, ethnicity and income levels. Te Ara Ahunga Ora commissioned the New Zealand Policy Research Institute (NZPRI) at AUT to carry out research using newly available information in Stats NZ's Integrated Data Infrastructure (IDI), which allows KiwiSaver contribution rates to be investigated from April 2019. Since this can be linked to other data within the IDI, it allows the distribution of contribution rates to be investigated by gender, as well as ethnicity and other demographic and socioeconomic characteristics (Kirkpatrick et al., 2024).

NZPRI's research also allows insights into employer contribution rates and finds that **less than 10% of workers have employer contributions above 3%, compared to one-third of employees who themselves are contributing above 3%.**

The research finds that **women and men on average contribute the same percentage of their salaries to KiwiSaver** (employee contributions are 3.7% on average for both men and women, employer contributions are 2.9% on average for both men and women). However, **due to the gender pay gap, the annual average amount contributed into a man's KiwiSaver account** (via both employee and employer contributions) **is 36% higher than the annual average amount contributed into a woman's account.** An interesting finding from the research is that when controlling for factors such as industry and earnings, women's contribution rates and amounts are higher than men's.

The research finds that the **ethnic pay gap is mirrored in lower contribution amounts for Māori and Pacific Peoples.** When controlling for factors such as industry and earnings, Māori and Pacific Peoples' contribution rates are only marginally lower than Europeans. Māori have the second highest average employee contribution rate of the ethnic groups reported in the research, despite having the lowest average income.

Contribution rates vary by age, with younger and older people contributing at higher average rates than those in their 30s and 40s. This could indicate that those in younger age groups are saving towards their first home deposit in KiwiSaver, while those in older age groups may reduce contributions as financial commitments increase. **The group with the lowest employee contribution rate are those aged 30 – 39 who contribute on average 3.4%.** However, those nearing age 65 may be more focussed on retirement, **the group with the highest employee contribution rate are those aged 60 – 64 contributing an average of 4.6%.** These higher contributions may also be due to the fact that those in older age groups are more likely to have joined KiwiSaver when the default rate was at 4%.

### Total remuneration

KiwiSaver policy settings are designed to provide incentives for people to contribute, but there is less incentive for an employee to contribute to KiwiSaver under a total remuneration model, as they will receive less 'in their hand' as current compensation. Te Ara Ahunga Ora research finds that **almost half of employers use a total remuneration approach for at least some of their employees,** with 25% using a total remuneration approach for all employees, and a further 20% using a total remuneration approach for some of their employees (TAAO, 2023b). The removal of the incentive that is the employer contribution on top of salary or wages goes against the 'spirit' of the scheme.

The 2019 RRIP made a specific recommendation to the Government that the inclusion of KiwiSaver in total remuneration packages should be phased out (TAAO, 2019b). A Bill which is currently in progress (Employment Relations (Protection for KiwiSaver Members) Amendment Bill, 2023), aims to ensure that workers cannot be discriminated against because they are members of a KiwiSaver scheme or a complying superannuation fund. Te Ara Ahunga Ora supports the intent of this Bill and continues to advocate for the removal of total remuneration approaches which permit employers to deduct their mandatory employer contribution to an employee's KiwiSaver from the employee's pay, rather than making the contribution on top of their pay.

### Contributions: non-employees (including self-employed)

As previously highlighted in Figure 4 there were approximately 500,000 KiwiSaver members who are not paid employees contributing to KiwiSaver in the year ended 30 June 2023. In most cases it would be assumed that these KiwiSaver members were self-employed, however there may be others not in paid work who were still able to contribute to KiwiSaver from other sources, or where someone else contributed to their KiwiSaver account on their behalf.

While the amount contributed by self-employed members would be part of the $990 million voluntary and lump sum contributions, paid employees who made voluntary contributions may be responsible for a share of this amount too. It is not possible from the available public data to understand more about who is making these contributions, and how much they are contributing.

As previously set out, the self-employed group is not homogenous and the ability to contribute to KiwiSaver would be different depending on whether someone is a gig worker on a low income and therefore not in a position to contribute to KiwiSaver, someone who runs their own business who may have some ability to contribute to KiwiSaver but would mostly be putting money back into their business, or who considers there is little incentive to join the scheme. Considering the purpose statement of KiwiSaver, it would appear that the second group, and gig workers who have the ability to save, are more likely to be the targets for KiwiSaver participation. Finally, the self-employed group would also include consultants who may be high income earners who could save in KiwiSaver, or through other methods.

For all of those who are self-employed there is only a limited incentive to contribute to KiwiSaver in excess of the amount at which the full government match is obtained (i.e. $1042.86).

# Conclusion and recommendations

Due to data limitations we cannot draw definitive conclusions but can infer from available data that the majority of those who are not currently contributing to KiwiSaver are probably not in a position to contribute. This is because they are not in paid work or are earning low income. As highlighted in the discussion of the purpose of KiwiSaver, people who have had low incomes over their working lives will have their pre- and post-retirement income smoothed by moving to NZ Super. Any efforts to compel contributions from these low-income earners would have a detrimental effect on their already precarious current financial situation.

A very high percentage of paid employees (arguably the main target of the scheme under its current settings) are contributing, with only a small number on savings suspensions at any one time, and most savings suspensions lasting less than a year.

There does not appear to be a contribution problem for paid employees, but there is a question as to whether they should be contributing more. Employees are in many respects already pulling their weight. They contribute more into KiwiSaver than both their employers and government combined. Many already contribute above the minimum rate, while very few employers contribute more than the 3% minimum. In addition, more than half of employers have adopted a total remuneration approach for some or all of the employees, further eroding the incentive for employees to contribute to KiwiSaver. Employers are also not required to contribute for employees under the age of 18 or those over the age of 65, a growing segment of the workforce.

In guidance provided to employers when KiwiSaver was introduced, they were advised that 'employees and employers alike have a stake in lifting the saving performance of New Zealand. Increased savings helps employees enjoy a higher standard of living in retirement and also increases the supply of domestic savings that can be invested in New Zealand businesses, helping local businesses grow.' (New Zealand Treasury, 2007).

However, it appears that this shared approach is no longer common and there are a number of areas where employers could be doing more to lift the retirement savings of New Zealanders.

**We continue to recommend the removal of total remuneration approaches, which permit employers to deduct their mandatory employer contribution to an employee's KiwiSaver from the employee's pay, rather than making the contribution on top of their pay.**

**We recommend that employer contributions should be required for over 65s and under 18s. In addition, employers could also match employee contributions over 3%.**

**We recommend that consideration is given to making employer contributions compulsory for all employee KiwiSaver members, not just for employees who are currently contributing.**

In addition, we made a number of recommendations in the 2022 RRIP for employers which are relevant to addressing some of the gender inequities that arise from workplace-based retirement savings schemes:

- **Employers could maintain their employer contributions to their employee's KiwiSaver during parental leave (or other carer leave).**[23]
- **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.**
- **Employers are encouraged to continue addressing their gender and ethnic pay gaps and occupational gender segregation.**

23 Even though there are changes that will see the Government making KiwiSaver contributions during paid parental leave for those who continue to make their employee contribution, there is still an opportunity for employers to make the contribution for employees who are unable to contribute to their KiwiSaver during paid parental leave as they will not receive the proposed government contribution.

Currently those who are self-employed are less incentivised to contribute. Employees benefit from employer matching (at a minimum of 3%) but the self-employed only have the small government contribution (maximum of $521.43) as an incentive. Consideration needs to be given as to how to better incentivise higher levels of contribution from those who are self-employed.

**We recommend that the government contribution is increased for those who do not benefit from an employer matching contribution (e.g. the self-employed). Consideration should also be given to extending the matching government contribution to those aged under 18.**

**We note the recent changes made by the Government to support those on paid parental leave by making matching contributions for those who continue to make their employee contribution, and would encourage that this be extended to all those on paid parental leave, and not just those who can continue to make their own contributions.**

From a financial industry perspective, there may also be opportunities to develop innovative products and services that encourage self-employed people to accumulate savings for their retirement. An example of such an innovation is Hnry, an app that assists self-employed people with tax and financial administration. This app allows a person to set up an allocation to their KiwiSaver account via an automated process that sets aside a percentage of earnings each time the person earns income.[24]

**We encourage innovation from the industry to encourage those who are self-employed to accumulate savings for retirement.**

There is a case to be made that those on higher incomes probably need to be contributing more than the minimum default rate of 3% if they are to enjoy a similar standard of living in retirement. To this end, the current design of KiwiSaver lends itself to making use of choice architecture through using defaults and opt-outs, to encourage higher savings rates for those in a position to contribute more, while at the same time not disadvantaging those unable to contribute at higher levels.

Introducing a higher default contribution rate would act as a signalling device to provide implicit advice on required savings levels. Due to the "stickiness" of defaults it is anticipated that many people will remain at this default rate. At the same time retaining the 3% contribution rate as the minimum contribution rate would allow people to opt-out of the higher rate if necessary but still continue to contribute to the scheme. This approach is preferred to one that mandates a higher minimum contribution rate as this could result in people suspending their contributions or opting out of the scheme when first enrolled if people think the rate is too high.

**To encourage higher contributions, we recommend that the Government introduce a higher default contribution rate of at least 4% (with employer matching at this level), retaining the 3% contribution rate as the minimum contribution rate.**

We note that this recommendation generally aligns with the original policy settings envisaged for KiwiSaver at its inception that would have eventually seen both employer and employee default contributions set at 4%.[25]

24 KiwiSaver for Sole traders | Hnry Never think about tax again

25 Budget 2007 Kiwisaver backgrounder (beehive.govt.nz)

# Part Three
# **Withdrawals from KiwiSaver**

The following sections discuss the current setting for withdrawals from KiwiSaver. The first section focuses on withdrawals prior to age 65 and the second section considers withdrawals after the age of 65.

# Pre-age 65 withdrawals

## PRE-AGE 65 WITHDRAWAL SETTINGS

KiwiSaver is a retirement savings scheme where funds are made available when the member reaches the NZ Super qualification age, which has been set at 65 years since 2001. There are specific circumstances in which KiwiSaver funds can be accessed earlier:

- For a deposit for a first home
- In a time of significant financial hardship
- For serious illness or specified life-shortening congenital condition,
- and when someone permanently emigrates from New Zealand (Inland Revenue, n.d.-b).

The provision for first home withdrawals enables a withdrawal to be made if one has not been made previously, the member has been in KiwiSaver for at least three years, the land is in New Zealand, and the house will be the principal place of residence for the member and is the first property owned by them. A legislative change in 2015 made it clear that a first home withdrawal under the KiwiSaver member rules is available to purchase or build a home on Māori land (Inland Revenue, 2015).[26]

In cases of significant financial hardship, a member must apply to their KiwiSaver provider with evidence, such as their inability to meet minimum living expenses, or need to pay for medical treatment. The decision regarding release of contributions is made by the manager or supervisor of the KiwiSaver fund.

Members can withdraw all their KiwiSaver funds in cases of serious illness defined as an injury, illness, or disability that results in the member being totally and permanently unable to engage in work for which he or she is suited by reason of experience, education, or training, or any combination of those things or that poses a serious and imminent risk of death. (Inland Revenue, n.d.-c).

From April 2020, the KiwiSaver Act 2006 was amended to allow people with life-shortening congenital conditions to apply to withdraw from their fund at a time that is right for them to retire, rather than once they turn 65. A list of presumptive conditions was developed in consultation with health and disability experts and introduced from March 2021. A person who has a congenital condition that is not on this list is still able to apply for a withdrawal if they are able to provide medical evidence that they have a congenital condition that shortens their life below the age of 65 (MBIE, 2021).

A KiwiSaver member can withdraw the majority of their KiwiSaver balance if they permanently emigrate from New Zealand. They may not withdraw the government contributions they have received (although this does not include the KickStart if applicable) or any amount previously transferred from an Australian complying superannuation scheme. The government contribution is repaid to the Government before the KiwiSaver account is closed and the withdrawal can only occur a year after they permanently emigrate (Inland Revenue, n.d.-d).

26 Previously a first home withdrawal under the KiwiSaver rules was only available for the purchase of "an estate in land". This requirement generally excluded people with an interest in Māori land because they are not purchasing an "estate".

## ASSESSMENT OF PRE-AGE 65 WITHDRAWAL SETTINGS

Pre-age 65 withdrawals, and in particular first home and financial hardship withdrawals were considered in detail in the "KiwiSaver pre-age 65 withdrawals and savings suspensions" Policy Paper 2023|02 (TAAO, 2023a).

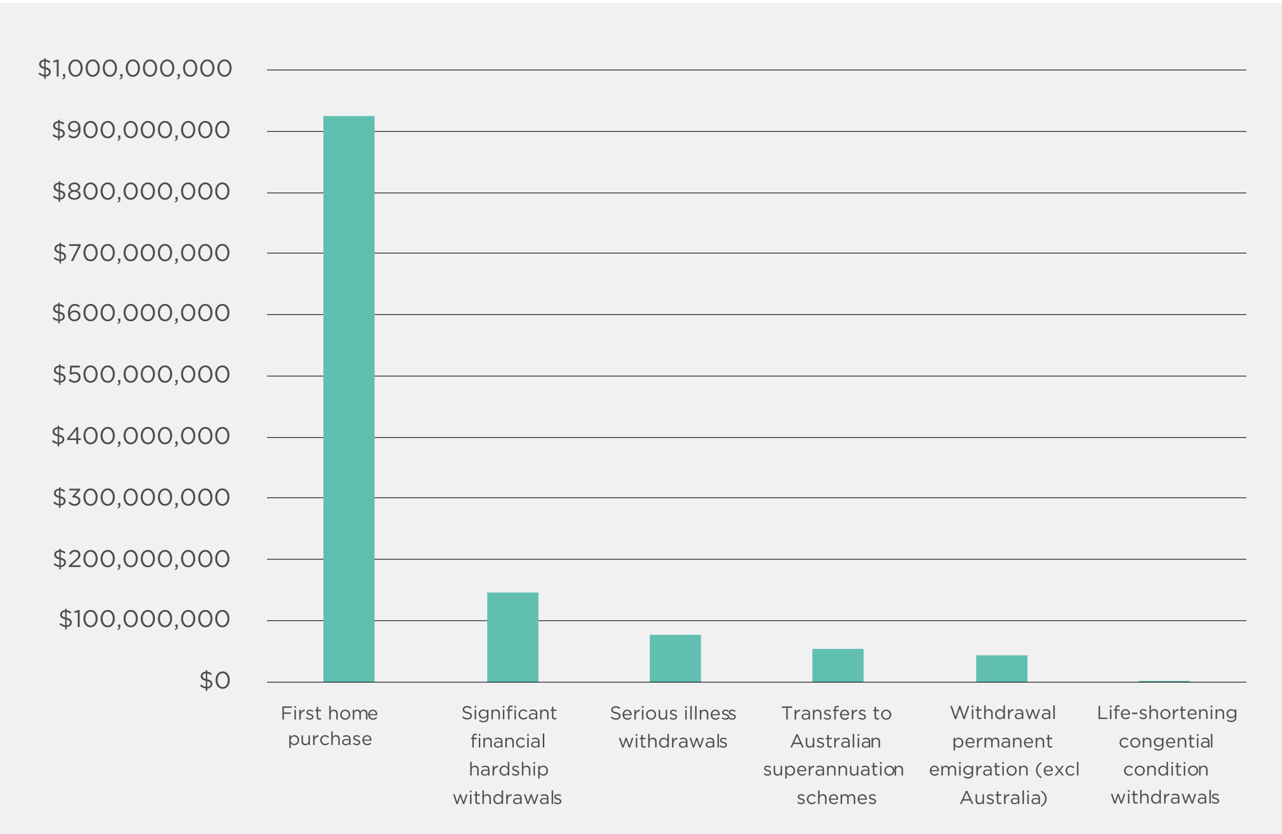
The first home withdrawal feature of KiwiSaver was part of a "home ownership assistance" package, which was intended to complement the introduction of the Work-Based Savings Scheme (which became KiwiSaver). The rationale was explained as follows:

"The Government believes that asset ownership is important to enable people to participate fully in society and that assets provide families with greater security, control and independence. Moreover, the security of tenure associated with home ownership confers further benefits on households, in terms of their health and education outcomes, and social cohesion. Home ownership also provides equity that many households are able to use when borrowing funds to establish small and medium-sized enterprises. Home ownership has been a significant means of saving for retirement in New Zealand for most households. Living standards research indicates better outcomes for retired home owners compared with retired renters."(Minister of Finance & Minister of Housing, 2005).

The latter point has been confirmed in research commissioned by Te Ara Ahunga Ora, which has found clear relationships between wellbeing and housing in older age (Stephens et al., 2021), and research finding that retiree homeowners have higher wellbeing across a range of subjective wellbeing measures compared to those who are renting in retirement (Le & Richardson, 2023).

As illustrated in Figure 15, first home withdrawals represent the majority funds withdrawn pre-age 65, with significant financial hardship withdrawals the next largest amount.

### Figure 15 Pre-age-65 withdrawals for the year ended March 2023



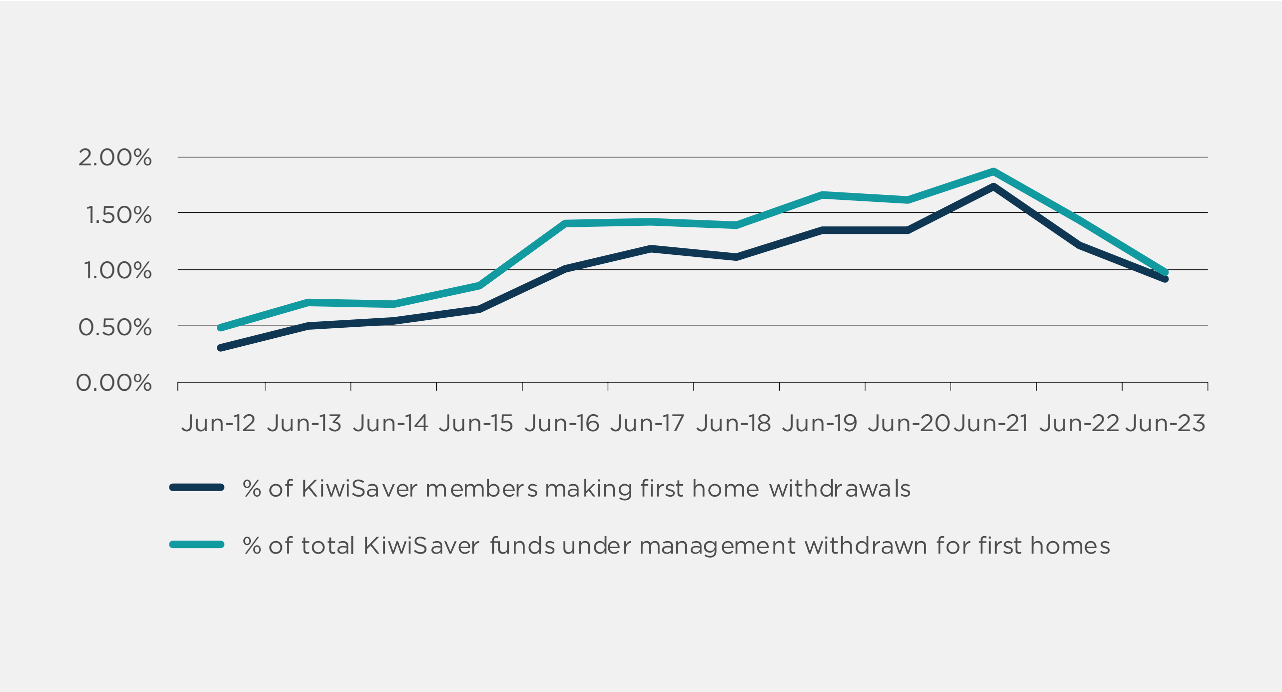

Source: Data from FMA (2023b)

Out of the total amount withdrawn for first home and financial hardship between 2012 and 2023, the majority (89%) has been withdrawn for first home purchases, with financial hardship withdrawals representing only 11%. Withdrawals from both these categories have generally trended up over the past 12 years. The increasing trends should be viewed in the context of growing KiwiSaver balances over time: KiwiSaver funds under management have increased on average 21% per annum over the 12 year period (RBNZ, 2023), while member numbers have increased by 5% on average per annum in the past 12 years (Inland Revenue, 2023).

Over the past 12 years a total of $8.3bn has been withdrawn for first home purchases, a very small portion of funds under management. On average 1.2% of total funds under management have been withdrawn each year over the past 12 years. **Over the past 12 years, on average, 1% of members withdraw funds for a first home each year.**

As seen in Figure 16, while both the amount withdrawn and the number of withdrawals has trended up over time, this trend has reversed in the last two years coinciding with the slowdown in the housing market. However, the average amount withdrawn has not declined, currently at $32,257 in 2023 compared to $29,437 in 2021 and $32,085 in 2022. The nine-months to end March 2024 has seen first home withdrawal numbers and amounts start to increase again, with an average withdrawal amount during this time of $36,191 (Inland Revenue, 2024).

### Figure 16 Trends in first home purchase withdrawals 2012 - 2023

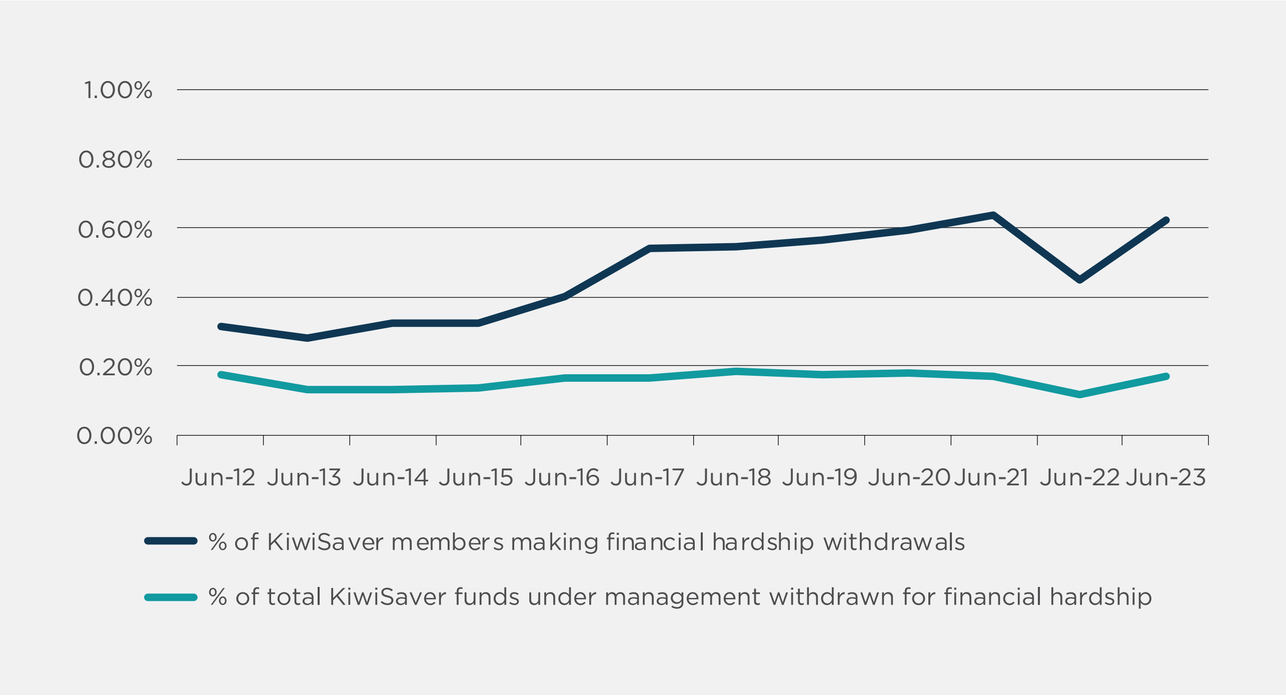



Source: Calculations based on from data from RBNZ (2023) and Inland Revenue (2023)

Given the purpose of the KiwiSaver Act as a retirement savings fund, there is an intentionally high bar for hardship withdrawals to prevent people from eroding their savings. For significant financial hardship, Schedule 1 of the Act sets out that a supervisor needs to be "reasonably satisfied that a member is suffering or is likely to suffer from significant financial hardship…". The supervisor must also be "reasonably satisfied that reasonable alternative sources of funding have been explored and have been exhausted".

As illustrated in Figure 17, the number of people withdrawing funds for hardship represents a very small proportion of KiwiSaver members. **On average over the past 12 years less than 0.5% of KiwiSaver members withdraw funds for hardship each year.** Between 2012 and 2023 a total of $983 million has been withdrawn for financial hardship, a very small portion of funds under management, with, on average, less than 0.2% of total funds under management withdrawn each year over this time period. Figure 15 shows that the number of financial hardship applications has an increasing trend over time, other than a temporary decrease in 2022. The average amount withdrawn has ranged between $6,200 and $7,300 over the past five years. Reflecting the current economic environment where people are facing inflationary pressures and higher interest rates, in the nine months to end March 2024 the number of withdrawals has increased. The number of people withdrawing funds continues to be a very small fraction of all KiwiSaver members, although it has increased to approximately 0.9% of KiwiSaver members for the year to end March 2024. The average amount withdrawn has increased to $7,900 in this time period (Inland Revenue, 2024).

**Figure 17 Trends in significant financial hardship withdrawals 2012 – 2023**




Source: Calculations based on from data from RBNZ (2023) and Inland Revenue (2023)

Much lower amounts are withdrawn for the other categories of pre-65 withdrawals. Withdrawals or transfers on permanent emigration (to countries other than Australia) have been fairly stable between $40-$45 million per annum for a number of years, with transfers to Australian superannuation schemes fluctuating between $40-$55 million per annum over the past three years.

The funds withdrawn for serious illness were $76 million in 2023, compared with $68 million in the previous year. The amendment to the KiwiSaver Act in 2020, allowing early access for those with congenital conditions has resulted in $390,000 and $292,000 funds being withdrawn in 2022 and 2023 respectively (FMA, 2023b).

There are a number of countries that allow early access to both Tier 2 and Tier 3 retirement savings. In Canada, the Tier 2 compulsory pension can be accessed by anyone with a lower rate of entitlement at age 60, full entitlement at 65, and increased entitlement at 70 (Government of Canada, 2024). This would allow anyone who felt they were unlikely to reach the age of 65 to commence receipt of their personal retirement savings earlier.

In the USA, people can access their Tier 3 IRA and 401k (voluntary savings like KiwiSaver) penalty free from age 59.5 (IRS, 2024). Australia also allows early access to Tier 2 pensions (which they call 'Super'). A person born before 1 July 1960 can get access to their Super when they turn 55. If they were born later, the age varies between 55 and 60. However for this early access a person needs to be retired or have started a transition to a retirement income stream. People aged 65 or over can access Super and work as well (this allows access to Tier 2 retirement savings two years ahead of the qualifying age for the Australian Age Pension (Tier 1)) (Australian Taxation Office, 2024).

There are also currently examples in New Zealand where earlier access to savings is permitted. For example the State Sector Retirement Savings Scheme (which is closed to new members), allows access from age 50 for those leaving Public Service employment permanently, and people can access funds in the 10 years prior to the age of eligibility for NZ Super on full or partial retirement (Public Service Commission, 2023). Iwi also offer retirement savings schemes that are not KiwiSaver products, one example Whai Rawa offered by Ngāi Tahu allows withdrawals to be made from age 55 (Whai Rawa, 2024).

What we see from the policies above is provision being made for the uncertainty of life expectancy, which we all face. The policies enable those who believe their life span will be shorter to access a pension at a younger age. This might include manual workers or people with known health conditions. It should be noted that anyone making the decision for early access is taking on an element of risk, if they incorrectly estimated their longevity, as their funds may run out. However, in New Zealand, NZ Super provides a retirement income stream for life therefore partly alleviating longevity risk.

# Conclusion and recommendations

KiwiSaver is first and foremost a retirement savings product, clearly articulated in the purpose statement. There are currently specific exceptions. One allows access for a first home deposit which encourages younger people to participate in the scheme and establishes an early savings mindset. In addition, research finds that homeownership is associated with higher wellbeing in later life, supporting the Act's purpose to promote wellbeing particularly in retirement.

The current significant financial hardship withdrawal process is fulfilling the legislative purpose of allowing access to funds in specific circumstances to meet immediate financial needs, but at the same time applying an intentionally high hurdle to ensure that financial wellbeing, particularly in retirement, is maintained where possible. The requirement to ensure that people are only using hardship withdrawals as a last resort and ensuring that they access all other support available to them first, plays an important role in ensuring that current needs are met, but not at the expense of longer-term financial wellbeing.

**We recommend that the current first home deposit and financial hardship withdrawal settings are maintained.**

**We encourage the wider financial services industry to continue to develop products and services that encourage other non-retirement savings for both short-term focused savings to build resilience (e.g. emergency savings) and medium-term savings goals (e.g. education).** This will help reinforce that KiwiSaver is a retirement savings scheme, not a general savings mechanism.

# After age 65 withdrawals

## AFTER AGE 65 WITHDRAWAL SETTINGS

A KiwiSaver member can make withdrawals from their KiwiSaver fund when they reach the NZ Super qualification age, which has been set at 65 years since 2001. There are no restrictions on withdrawing the full amount or a partial amount. There is no specific requirement that KiwiSaver is used to create an income stream after age 65 with the purpose set out in the Act specifying that KiwiSaver should provide "retirement benefits". What this will mean for a particular individual will depend on their specific financial circumstances.

Initially those over the age of 65 were not allowed to open a KiwiSaver account, changes in 2019 removed this exclusion. At the same time the lock-in period that required people over 60 to remain in the scheme for five years before withdrawing their money was also removed (TAAO, 2019a).

All KiwiSaver providers allow members to continue to hold their KiwiSaver accounts after they reach the age of 65 (FSC, 2019). Members can 'draw down' their KiwiSaver balance over time, by accessing any amounts when they wish, to supplement other retirement income such as NZ Super. Any time after age 65, total or partial tax-free withdrawals can be made, or a regular drawdown can be established (e.g., fortnightly, monthly) to which minimum withdrawal amounts may apply.

Currently only default KiwiSaver providers are required to engage with members at specific milestones, around the age of eligibility for accessing KiwiSaver (age 55, 64 and 65) triggering relevant messages regarding contributions and fund choice (FMA, 2022).

## ASSESSMENT OF POST AGE-65 WITHDRAWAL SETTINGS

An overview of KiwiSaver post-65 withdrawals was included as part of Term of Reference 5 of the 2022 RRIP and covered in more detail in the paper "Decumulation: Policy Insights" prepared for the RRIP (Reyers, 2022). The following section is based on these documents.

The settings related to post-65 withdrawals provide flexibility and choice as people access their accumulated funds. As there are limited specific managed drawdown products in New Zealand, KiwiSaver funds have by default morphed into drawdown funds for many who keep their funds in their KiwiSaver account after age 65. Individual managed drawdown products are seen to create flexibility and choice in the decumulation phase, however there is a risk of outliving funds depending on how well the drawdown from the investment product is managed. This is less of a concern where there is a government pension that provides a safety net for those who outlive their funds. According to the OECD, good decumulation systems combine flexibility with longevity risk protection (OECD, 2021a) and in New Zealand longevity risk protection is already provided by NZ Super.

Upon reaching age 65, a person may access their KiwiSaver balance without any restriction on how much can be accessed and without any tax consequences. However, many people retain their account either to continue their employee contributions if they are still in paid work or as an investment vehicle. **There are over 200,000 people aged 65 and over with KiwiSaver accounts (almost a quarter of all those aged over 65)** (Inland Revenue, 2023).

Recent data, which covers 93% of KiwiSavers, has shown that accounts are now held by people of all ages including people aged 86 or over. These people will have benefited from the 2019 change that allowed people aged over 65 to open a KiwiSaver account. On average, older KiwiSavers have larger balances than younger age cohorts, especially those aged over 80 (MJW, 2024a).

# Conclusion and recommendations

KiwiSaver was established to help people save or 'accumulate'. It is still a relatively new scheme so it may not be currently optimised to assist those who wish to drawdown or 'decumulate' their assets. People are retaining or opening accounts after age 65 and have increasingly complex financial decisions to make about how to fund their retirement. Therefore, providing guidance to assist individuals is important given the self-managed nature of this process.

Guidance provided by the New Zealand Society of Actuaries suggests a 'rule of thumb' approach, using two 'buckets' of savings, one for emergencies, invested in low-risk assets, and another to supply income over the longer-term, is invested at medium risk (RIIG, 2021). These suggestions recognise the important role played by NZ Super by providing insurance against longevity risk.

Given the flexibility and choice when accessing accumulated funds post age 65, it is important that people have the confidence to use their accumulated assets to fund their retirement. Guidance and advice delivered in a consistent manner in a simple system creates an environment that supports individual decision making and reduces possibility financial decision-making errors. As there is a choice for KiwiSaver members when they reach age 65, appropriate communication and modelling tools should be provided well in advance.

Te Ara Ahunga Ora is currently developing a drawdown calculator that will provide guidance to people on how they might draw down their savings in retirement, using the New Zealand Society of Actuaries "rule of thumb" approach.

**We recommend that KiwiSaver providers should make improvements to assist members as they navigate the drawdown phase after age 65.** The RRIP 2022 contained a number of specific recommendations for KiwiSaver providers and Government to assist members:

- **KiwiSaver providers should use consistent terminology, and supply consistent information and guidance, to assist members with drawdown management.**
- **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.**
- **Government should extend the existing requirement for default fund providers to provide timely information and guidance in the approach to retirement (at age 55, 64 and 65) to all KiwiSaver providers.**

Finally, while the current age of access to KiwiSaver funds is linked to the age of eligibility for NZ Super, **should a change be made in the future to the age of eligibility we would recommend that the age of access to KiwiSaver be decoupled from the age of eligibility for NZ Super** (please refer to the companion paper on NZ Super Issues and Options (TAAO, 2024a) for a full discussion).

# Conclusions

Earlier in this paper we highlighted the variety of concerns that have been raised over time regarding KiwiSaver settings. We review these in light of the evidence provided in this paper.

First, considering concerns that because the scheme is voluntary rather than compulsory, people don't have to join and can opt out. KiwiSaver has proven extremely popular since inception and participation rates are high. Second, there is the concern that people who join don't necessarily contribute. We find that a very high percentage of paid employees are contributing to KiwiSaver. The vast majority of those who are not currently contributing to KiwiSaver are those probably not in a position to contribute either due to the fact that they are not currently in paid work, or that they earn very low levels of income. **We therefore conclude that there is no evidence base for compulsion.**

Third, turning to the concern that people don't contribute "enough", we suggest that there is room for improvement. There is a case to be made that **those on higher incomes might need to be contributing more,** and to this end the current design of KiwiSaver lends itself to making use of choice architecture, through the **use of defaults and opt-outs, to encourage higher savings rates for those in a position to contribute more,** while at the same time not disadvantaging those unable to contribute at higher levels.

There are also limited incentives for those who are self-employed. Employees benefit from employer matching but those who are **self-employed** only have the small government contribution as an incentive. **Increasing the government contribution** for those who do not benefit from employer matching could ultimately lead to higher contribution rates for those who are self-employed. In addition, we would encourage the **industry to consider ways to design innovative products and services that assist self-employed people to accumulate savings for retirement.**

**Employers also have an important role to play.** We have highlighted a number of areas where employers could do more to increase the retirement savings level of New Zealanders, including the **removal of total remuneration approaches, matching employee contributions above 3%, and providing matching employer contributions for those over 65 and under 18s.** While employers can already voluntarily take these actions, the **evidence suggests that the majority of employers are not doing this,** in the absence of voluntary changes by employers, **Government could legislate for these settings to change.**

Fourth, when considering concerns about **pre-age 65 withdrawals, only a very small portion of KiwiSaver members are making these withdrawals.** The ability to access funds for a first home deposit encourages younger people to participate in the scheme, and homeownership has the potential to contribute to financial wellbeing in retirement. **We believe that the current significant financial hardship withdrawal process is fulfilling the legislative purpose** of allowing access to funds in specific circumstances to meet immediate financial needs, but at the same time applying an intentionally high hurdle to ensure that financial wellbeing, particularly in retirement, is maintained where possible. We **encourage the industry to continue to develop products and services that encourage other non-retirement savings** for both short term focussed savings to build resilience (e.g. emergency savings) and medium term savings goals (e.g. education).

Fifth, when it comes to accessing funds after age 65, the concern is that people are not getting the guidance they need for the drawdown phase.  We believe **KiwiSaver providers should also be doing more to assist members as they navigate the drawdown phase after age 65.**

Finally, as noted earlier, iwi-based savings schemes do not benefit from the same matching incentives as KiwiSaver. However, these schemes provide a by Māori for Māori approach that recognises the part of iwi, hapū and whānau in retirement provision. We therefore suggest that consideration be given to determining whether the incentives offered in the KiwiSaver scheme (employer matching contribution and government contribution) could be extended to iwi-based savings schemes. This would allow individuals to choose where they direct their own contributions, without missing out on the employer match and government contribution should they prefer to save in their iwi-based scheme.

We also would use this opportunity to highlight that good policy is based on evidence. Good retirement income policy requires evidence about how well-prepared individuals are for their retirement. This requires the regular issuance of disaggregated data, ideally based on administrative data rather than relying on survey data. Given the importance of KiwiSaver as part of the retirement income system, **the Government does not have access to sufficient data to inform policy.** We therefore recommend that Government require providers to share anonymised disaggregated data (ideally with the FMA), to allow more detailed reporting and analysis to be undertaken. In addition, we recommend that Government collect disaggregated data on wealth, in particular through the use of longitudinal studies, to enable changes to household wealth to be assessed over time.

In closing it is important to reiterate that KiwiSaver plays a crucial supporting role in the retirement income system, providing additional retirement savings that can supplement income and provide a 'nest egg' for emergencies. What KiwiSaver does not do - and can never be expected to do - is to provide an income to sustain people through their retirement years. That is the role of NZ Super. It is not the role of KiwiSaver because KiwiSaver is implicitly linked to the labour market, meaning that a significant proportion of our society (women, Māori, Pacific People, people of colour, people with disabilities), who are paid less and who work fewer hours of paid work over their life course, will almost never be in a position to self-fund their own retirement.

# Appendix A – Full list of recommendations

## Recommendations for Government:

### JOINING:

- Changing the KiwiSaver settings to make it compulsory is not necessary. We recommend retaining the existing soft compulsion setting of auto-enrolment with opt out, and the ability to opt-in directly.
- We recommend that changes are made to allow enrolment for children under the age of 16 with signature from only one parent or guardian if it is not feasible or practicable to obtain consent from all guardians.
- We recommend that KiwiSaver eligibility is extended to include temporary visa holders (RRIP 2022).
- We recommend that existing settings limiting membership to one KiwiSaver provider should be retained.

### CONTRIBUTING:

- We continue to recommend the removal of total remuneration approaches.
- We recommend that employer contributions should be required for over 65s and under 18s.
- We recommend that consideration is given to making employer contributions compulsory for all employees, not just for employees who are currently contributing.
- We recommend that the Government contribution is increased for those who do not benefit from an employer matching contribution (e.g. the self-employed).
- Consideration should also be given to extending the matching Government contribution to those aged under 18.
- We note the recent changes made by the Government to support those on paid parental leave by making matching contributions for those who continue to make their employee contribution, and would encourage that this be extended to all those on paid parental leave, and not just those who can continue to make their own contributions.
- To encourage higher contributions, we recommend that the Government introduce a higher default contribution rate of at least 4% (with employer matching at this level), retaining the 3% contribution rate as the minimum contribution rate.

### WITHDRAWALS:

- We recommend that the current first home deposit and financial hardship withdrawal settings are maintained.
- Government should extend the existing requirement for default fund providers to provide timely information and guidance in the approach to retirement (at age 55, 64 and 65) to all KiwiSaver providers (RRIP 2022).
- Should a change be made in the future to the age of eligibility we would recommend that the age of access to KiwiSaver be decoupled from the age of eligibility for NZ Super.

### OTHER:

- We recommend that Government require providers to share anonymised disaggregated data (ideally with the FMA), to allow more detailed reporting and analysis to be undertaken. In addition we recommend that Government collect disaggregated data on wealth, in particular through the use of longitudinal studies, to enable changes to household wealth to be assessed over time.

# Recommendations for KiwiSaver providers and the wider financial services industry:

- We encourage innovation from the industry to encourage those who are self-employed to accumulate savings for retirement.
- We recommend that KiwiSaver providers should make i**mprovements to assist members as they navigate the drawdown phase after age 65.** Specific recommendations as contained in the 2022 RRIP are as follows:
    - KiwiSaver providers should use consistent terminology, and supply consistent information and guidance, to assist members with drawdown management.
    - 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.
- We encourage the wider financial services industry to continue to **develop products and services that encourage other non-retirement savings for both short term focussed savings to build resilience** (e.g. emergency savings) and **medium term savings goals** (e.g. education).

# Recommendations for employers:

This paper highlights areas where **employers could voluntarily do more** to increase the retirement savings level of New Zealanders, including:

- the **removal of total remuneration approaches**
- provide **matching employer contributions** for those **over 65** and **under 18**
- **match employee contributions over 3%**
- We also highlight that Te Ara Ahunga Ora made a number of **recommendations in the 2022 RRIP for employers** which are relevant to **addressing some of the gender inequities that arise from workplace-based retirement savings schemes.**
- Employers could maintain their employer contributions to their employee's KiwiSaver during parental leave (or other carer leave).
- 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.
- Employers are encouraged to continue addressing their gender and ethnic pay gaps and occupational gender segregation.

# Appendix B – Life expectancy for Māori

Work undertaken for the 2022 Review of Retirement Income Policies included a series of four papers on 'What does retirement look like for Māori?'. The research findings from these papers included calls for life expectancy to be considered in the development of policy options to present to Government to better support Māori in later life.

The third paper in the 'What does retirement look like for Māori?' series examined demography and included the table below.

### Table B1: Current life expectancy differences at age 65 for Māori and other groups in NZ

| | Māori | non-Māori | Pacific | Asian | Total |
|---|---|---|---|---|---|
| Number per 100,000 males who reach age 65 | 76,179 | 89,506 | 81,387 | 93,279 | 87,642 |
| Number per 100,000 females who reach age 65 | 82,892 | 93,205 | 86,474 | 96,253 | 91,775 |
| Male life expectancy at 65 years | 15.4 | 19.6 | 16.2 | 22.6 | 19.3 |
| Female life expectancy at 65 years | 17.5 | 21.9 | 18.5 | 24.5 | 21.6 |
| Balance between NZ Super benefit and working life contribution (males) | 12.8 | 18.2 | 14.1 | 21.5 | 17.7 |
| Balance between NZ Super benefit and working life contribution (females) | 15.3 | 20.9 | 16.8 | 23.9 | 20.4 |
| Number per 100,000 males who reach age 50 | 91,657 | 96,278 | 93,311 | 97,884 | 95,511 |
| Number per 100,000 females who reach age 50 | 94,658 | 97,657 | 95,451 | 98,589 | 97,147 |
| Deaths aged 50 to 65 years per 100,000 males | 15,478 | 6,772 | 11,924 | 4,605 | 7,869 |
| Deaths aged 50 to 65 years per 100,000 females | 11,766 | 4,452 | 8,977 | 2,336 | 5,372 |

Source: Cook, L. (2022:12) What does retirement look like for Māori? Paper 3 – Demography
(Data source: www.stats.govt.nz. NZ Period Life Tables 2017-2019)

Average period life expectancy at birth is 73.4 for tāne and 77.1 for wāhine.  The table shows increased life expectancy for those who reach the age of 65, of 80.4 for tāne and 82.5 for wāhine.  Both figures are lower than for non-Māori men and women though, as life expectancy at birth is 80.9 for males and 84.4 for females, increasing to 84.6 and 86.9 if they reach the age of 65 ((Stats NZ, 2021).

The difference between these figures and the life expectancy at birth figures is explained in part by the increased rate of death aged 50 to 65 for Māori compared to non-Māori (Cook, 2022).

The figures above are from the period life expectancy tables of 2017-19, which mean they represent how long a group of people would live, on average, if nothing changed from the health and mortality experience of that period.  In reality, over people's lifetimes, health outcomes would be expected to improve and mortality get better, so actual average lifespans would be longer than these figures imply. This means a period life expectancy is not a forecast of what the actual average lifespan might be for the group. As the figures are averages there will be people who live longer as well as for a shorter period of time.

What we can determine from the period life expectancy figures is that Māori experience a significant health disadvantage to non-Māori and are more likely to die younger. The health issues disproportionately faced by Māori also mean that they would be especially disadvantaged by any increase in the age of eligibility for NZ Super because poorer health makes paid work harder to find and retain. The New Zealand Society of Actuaries recently cited the 'significant visible differences' in lifespans in New Zealand as a reason to at least not increase the age of eligibility for NZ Super until there is evidence of the gaps closing (NZSA, 2024).

There is also the issue of healthy ageing to consider as we know that those later years are likely to be spent in poorer health. Globally, we are starting to see increasing health and life expectancy inequality between higher and lower socio-economic groups, within the same countries (UN, 2023:44). Locally, a Waitangi Tribunal report from the Wai 2575 kaupapa inquiry stated that, during the period from the late 1970s to the late 1990s, Māori had not benefited from the overall increase in life expectancy in Aotearoa New Zealand, as theirs had remained virtually static over that time (Waitangi Tribunal, 2023). Improvements are now being made albeit slowly (ASMS, 2020).

# Appendix C – History of KiwiSaver

**1 July 2007**

### KiwiSaver launched

Member contribution rates 4% or 8% (no compulsory employer contribution)

$1000 KiwiSaver kick-start paid on joining

Annual fees subsidy $40

Member tax credit: max $1040 a year

6 default providers (7-year term): AMP, AXA, ASB, Mercer, OnePath and Tower

Default portfolio: Conservative

**31 March 2008**

**MEMBERSHIP AND FUNDS UNDER MANAGEMENT**

**Membership 716,000**

**Funds under management: $767 million**

**1 April 2008**

Compulsory matching employer contribution 1%

Employer tax credit reimbursed contributions at a rate of 100% up to $20 per week

**1 April 2009**

Minimum contribution rate decreased from 4% to 2% for members

Government $40 annual fee subsidy removed

Employer compulsory contribution capped at 2%

Employer tax credit discontinued

**1 April 2012**

Employer Superannuation Contribution Tax (ESCT) introduced on employer contributions

**Year ending 30 June 2012**

Member tax credit reduced to 50c for every $1 contributed, max $521 per year

**1 April 2013**

Minimum employee and compulsory employer contributions increased from 2% to 3% (available contribution rates: 3%, 4%, 8%)

**31 March 2014**

**MEMBERSHIP AND FUNDS UNDER MANAGEMENT**

**Membership 2,297,840**

**Funds under management: $21.4bn**

**1 July 2014**

9 KiwiSaver default providers (7-year term): AMP, ANZ, ASB, BNZ, Grosvenor, KiwiBank, Mercer, Fisher Funds and Westpac

Default portfolio remains "Conservative"

**21 May 2015**

**$1000 KiwiSaver kick-start removed**

**1 April 2018**

**KiwiSaver providers' annual member statements required to include:**

total fees paid that year (in dollar values)

total amount account grew over the year

summary transaction figures with details on money going in and out

**1 April 2019**

New contribution rates introduced: 6% & 10% (available contribution rates: 3%, 4%, 6%, 8%, 10%)

Membership opens to over 65s

"Contribution holiday" changes to "Savings suspension" and default suspension period reduced from 5 years to 1 year

**1 July 2019**

Lock in period requiring people over 60 to remain in the scheme for five years before withdrawing money removed

**1 April 2020**

KiwiSaver providers required to show projections in annual statements (lump sum projection at 65, and weekly amount that translates into if you make regular withdrawals from then until your balance reaches zero at age 90)

**26 March 2021**

New withdrawal category introduced allowing people with a life-shortening congenital condition to apply to withdraw their savings before turning 65

**31 March 2021**

**MEMBERSHIP AND FUNDS UNDER MANAGEMENT**

**Membership 3,090,631**

**Total funds under management: $83.3bn**

**1 December 2021**

**6 KiwiSaver default providers (7-year term): BNZ, Booster (formerly Grosvenor), Kiwi Wealth, Simplicity, Smartshares, Westpac**

**New default fund settings:**

Default portfolio changed to "Balanced"

Fees reduced, simpler and more transparent

Default providers required to engage with members at key points (when a member first joins; after withdrawing money for a first home; when a member is 55 and 64; and when a member has turned 65)

Investment in fossil fuels and illegal weapons are excluded from default funds

Default providers required to maintain a responsible investment policy on their websites

**31 March 2024**

**MEMBERSHIP AND FUNDS UNDER MANAGEMENT**

**Membership 3,348,048**

**Total funds under management: $115.2bn**

# References


Australian Taxation Office. (2023). Check your myGov account for your share of $16 billion in lost and unclaimed super. Australian Taxation Office. https://www.ato.gov.au/Media-centre/Media-releases/Check-your-myGov-account-for-your-share-of-$16-billion-in-lost-and-unclaimed-super/

Australian Taxation Office. (2024). Super withdrawal options [Content]. scheme=AGLSTERMS.AglsAgent; corporateName=Australian Taxation Office; address=GPO Box 9990 Canberra ACT 2600; contact=13 28 65. https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/super-withdrawal-options

Beehive. (2006). KiwiSaver—Security and choice. The Beehive. https://www.beehive.govt.nz/release/kiwisaver-security-and-choice

Beehive. (2011). Fact sheet – KiwiSaver changes. The Beehive. https://www.beehive.govt.nz/release/fact-sheet-%E2%80%93-kiwisaver-changes

Beehive. (2015). KiwiSaver $1,000 kick-start payment to cease. The Beehive. https://www.beehive.govt.nz/release/kiwisaver-1000-kick-start-payment-cease

Capitalize. (2023). The true cost of forgotten 401(k) accounts. https://www.hicapitalize.com/wp-content/uploads/2023/06/The-true-cost-of-forgotten-401k-accounts-2023.pdf

Cook, L. (2022). What does retirement look like for Māori? A brief study of how demographic dynamics will shape the impact on Māori of retirement income policy. https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/2022-RRIP/ToR-2-What-does-retirement-look-like-for-Maori-Demography-Part-3-of-4.pdf

Employment Relations (Protection for Kiwisaver Members) Amendment Bill (2023). https://bills.parliament.nz/v/6/bc7acd0f-efd4-4d6b-c045-08db67c4d76d

Finch, D., & Gardiner, L. (2017). As good as it gets? The adequacy of retirement income for current and future generations of pensioners. Resolution Finance. https://www.resolutionfoundation.org/app/uploads/2017/11/Pensions.pdf

FMA. (2022). New default engagement requirements a cue for all KiwiSaver providers. Your Site Name. https://www.fma.govt.nz/library/articles/new-default-engagement-kiwisaver-requirements/

FMA. (2023a). KiwiSaver Annual Report 2023 (p. 28). Financial Markets Authority. https://www.fma.govt.nz/assets/Reports/KiwiSaver-Annual-Report-2023.pdf

FMA. (2023b). KiwiSaver Reports. Financial Markets Authority. https://www.fma.govt.nz/library/reports-and-papers/kiwisaver-report/

FMA. (2023c). Superannuation scheme market statistics.

FSC. (2019). KiwiSaver 2050: Pathways to the future. https://f.hubspotusercontent10.net/hubfs/7422267/FSC%20Corporate/Documents/Research%20Reports/KiwiSaver%20Discussion%20Paper%20Final%20September%202019.pdf

Government of Canada. (2024). CPP retirement pension: When to start your pension. https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-benefit/when-start.html

Inland Revenue. (n.d.-a). Employer superannuation contribution tax (ESCT). Retrieved 16 November 2023, from https://www.ird.govt.nz/employing-staff/deductions-from-income/employer-superannuation-contriibution-tax-esct

Inland Revenue. (n.d.-b). Getting my KiwiSaver savings early. Retrieved 9 February 2024, from https://www.ird.govt.nz/kiwisaver/kiwisaver-individuals/getting-my-kiwisaver-funds-early

Inland Revenue. (n.d.-c). Getting my KiwiSaver savings for health reasons. Retrieved 24 November 2023, from https://www.ird.govt.nz/kiwisaver/kiwisaver-individuals/getting-my-kiwisaver-funds-early/getting-my-kiwisaver-for-serious-illness

Inland Revenue. (n.d.-d). Getting my KiwiSaver savings when I move overseas. Retrieved 24 November 2023, from https://www.ird.govt.nz/kiwisaver/kiwisaver-individuals/getting-my-kiwisaver-funds-early/getting-my-kiwisaver-funds-when-i-move-overseas

Inland Revenue. (n.d.-e). Joining KiwiSaver. Retrieved 29 September 2023, from https://www.ird.govt.nz/kiwisaver/kiwisaver-individuals/joining-kiwisaver

Inland Revenue. (n.d.-f). Joining KiwiSaver as an employee. Retrieved 29 September 2023, from https://www.ird.govt.nz/kiwisaver/kiwisaver-individuals/joining-kiwisaver/joining-kiwisaver-as-an-employee

Inland Revenue. (n.d.-g). KiwiSaver benefits. Retrieved 16 November 2023, from https://www.ird.govt.nz/kiwisaver/kiwisaver-individuals/kiwisaver-benefits

Inland Revenue. (n.d.-h). KiwiSaver for employers. Retrieved 16 November 2023, from https://www.ird.govt.nz/kiwisaver/kiwisaver-employers

Inland Revenue. (n.d.-i). Taking a savings break. Retrieved 16 November 2023, from https://www.ird.govt.nz/kiwisaver/kiwisaver-individuals/making-changes-to-my-kiwisaver/taking-a-savings--break

Inland Revenue. (2015). First home withdrawal available for homes on Māori land. https://www.taxtechnical.ird.govt.nz/new-legislation/act-articles/taxation-kiwisaver-homestart-and-remedial-matters-act-2015/first-home-withdrawal-available-for-homes-on-maori-land

Inland Revenue. (2023). Annual KiwiSaver Statistics—June 2012 to June 2023. https://www.ird.govt.nz/about-us/tax-statistics/kiwisaver

Inland Revenue. (2024). Monthly KiwiSaver Statistics—March 2024. https://www.ird.govt.nz/about-us/tax-statistics/kiwisaver

Inland Revenue, & New Zealand Treasury. (2018). Taxation of Retirement Savings. https://taxworkinggroup.govt.nz/resources/twg-bg-4002784-taxation-of-retirement-savings.html

IRS. (2024). Types of Retirement Plans | Internal Revenue Service. https://www.irs.gov/retirement-plans/plan-sponsor/types-of-retirement-plans

Kirkpatrick, L., Meehan, L., & Pacheco, G. (2024). Distributional analysis of KiwiSaver contributions. New Zealand Policy Research Institute. NZPRI_Kiwisaver contributions research report (retirement.govt.nz)

Le, T., & Richardson, E. (2023). Expenditure patterns of New Zealand retiree households (Working Paper 23–07). Motu Economic and Public Policy Research. https://assets.retirement.govt.nz/public/Uploads/Research/2023/August/WP-Expenditure-patterns-of-NZ-retiree-households.pdf

Madrian, B. C., & Shea, D. F. (2001). The power of suggestion: Inertia in 401 (k) participation and savings behavior. Quarterly Journal of Economics, 116(4), 1149–1187.

MBIE. (2021). Early access to KiwiSaver for people with life-shortening congenital conditions | Ministry of Business, Innovation & Employment. https://www.mbie.govt.nz/business-and-employment/business/financial-markets-regulation/kiwisaver/early-access-to-kiwisaver-for-people-with-life-shortening-congenital-conditions/

MBIE. (2023a). Current minimum wage rates. Employment New Zealand. https://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/minimum-wage-rates/

MBIE. (2023b). Migration Data Explorer. https://mbienz.shinyapps.io/migration_data_explorer/#

Minister of Finance, & Minister of Housing. (2005). 2005 Budget Savings Package: Home Ownership Assistance. https://www.treasury.govt.nz/sites/default/files/2020-10/polmem-6apr05-h.pdf

Minister of Finance, & Minister of Revenue. (2019). Government response to the Tax Working Group. https://www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2019/2019-ir-cab-19-sub-0176/2019-ir-cab-19-sub-0176-pdf.pdf?modified=20200910080608

MJW. (2024a). KiwiSaver Demographic Study. https://assets.retirement.govt.nz/public/Uploads/Policy/KiwiSaver-demographic-study-MJW-2024.pdf

MJW. (2024b). Retirement Adequacy Calculator. MJW-2024-Retirement-Adequacy-Calculator.pdf

Morrissey, S. (2022). What does retirement look like for women? (p. 38). https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/2022-RRIP/TAAO-_What-does-retirement-look-like-for-women_2022.pdf

New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Act (2021). https://www.legislation.govt.nz/act/public/2021/0046/latest/LMS106828.html

New Zealand Treasury. (2007, November 21). KiwiSaver Extended Questions & Answers. https://www.treasury.govt.nz/publications/information-release/kiwisaver-extended-questions-answers

O'Connell, A. (2005). KiwiSaver: Another lesson from New Zealand? (PPI Briefing Note 21). Pensions Policy Institute. https://www.pensionspolicyinstitute.org.uk/media/ev0hw5mb/200506-bn21-kiwisaver-another-lesson-from-nz.pdf

O'Connell, A. (2009). Kiwisaver: A model scheme? Social Policy Journal of New Zealand, 36, 130–141.

OECD. (2019). Pensions at a Glance 2019: OECD and G20 Indicators. OECD. https://doi.org/10.1787/b6d3dcfc-en

OECD. (2020). Increasing the role of retirement savings plans for workers in non-standard forms of work. In OECD Pensions Outlook 2020. https://www.oecd-ilibrary.org/sites/a9e208e8-en/index.html?itemId=/content/component/a9e208e8-en#

OECD. (2021a). OECD Roadmap for the Good Design of Defined Contribution Retirement Savings Plans. OECD. https://doi.org/10.1787/9789264017009-en-fr

OECD. (2021b). Pensions at a glance 2021: OECD and G20 indicators. OECD Publishing. https://www.oecd-ilibrary.org/finance-and-investment/pensions-at-a-glance-2021_ca401ebd-en

OECD. (2022a). Pension Markets in Focus—OECD. https://www.oecd.org/pensions/private-pensions/pensionmarketsinfocus.htm

OECD. (2022b). Recommendation of the Council for the Good Design of Defined Contribution Pension Plans (OECD Legal Instruments OECD/LEGAL/0467). https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0467

OECD. (2022c). Strengthening Asset-backed Pension Systems in a Post-COVID World. OECD. https://doi.org/10.1787/288cb3cf-en

OECD. (2023a). OECD Labour Force Statistics 2022. Organisation for Economic Co-operation and Development. https://www.oecd-ilibrary.org/employment/oecd-labour-force-statistics-2022_dc0c92f0-en

OECD. (2023b). Pensions at a Glance 2023: OECD and G20 Indicators. OECD. https://doi.org/10.1787/678055dd-en

OECD. (2023c). Self-employment rate (indicator). [dataset]. https://doi.org/doi:10.1787/fb58715e-en

Petitions Committee. (2022). Petition of Jessica Keltie: Relax the laws on kids' KiwiSaver accounts for solo parents. https://www.parliament.nz/resource/en-NZ/SCR_119652/66560b4fce1c73ecdf396faecfdb87d8e47cc8cd

Public Service Commission. (2023). Comparison of SSRSS and KiwiSaver. https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.publicservice.govt.nz%2Fassets%2FDirectoryFile%2FComparison-of-SSRSS-and-KiwiSaver-December-2023.docx&wdOrigin=BROWSELINK

RBNZ. (2023, November 27). T43 - Kiwisaver: Assets by sector. https://www.rbnz.govt.nz/statistics/series/non-banks-and-other-financial-institutions/kiwisaver-assets-by-sector

Reyers, M. (2022). Decumulation: Policy Insights. https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/2022-RRIP/ToR-5-Decumulation-Policy-Insights-TAAO.pdf

RIIG. (2019). Longevity in New Zealand: Implications for Retirement Income Policy. New Zealand Society of Actuaries. https://actuaries.org.nz/content/uploads/2022/03/2-Longevity-RIIG-FINAL-Oct-19-1.pdf

RIIG. (2021). How to make drawdown a success (p. 16). New Zealand Society of Actuaries. https://actuaries.org.nz/wp-content/uploads/2021/11/How-to-make-drawdown-a-success-FINAL-Nov21.pdf

RIIG. (2023). Drawdown Rules of Thumb: Update 2023. New Zealand Society of Actuaries. https://actuaries.org.nz/content/uploads/2023/08/RIIG-RoT-Update-2023-FINAL-August-23.pdf

Schmied, J. (2023). The replacement rate that maintains income satisfaction through retirement: The question of income-dependence. The Journal of the Economics of Ageing, 26, 100471. https://doi.org/10.1016/j.jeoa.2023.100471

St John, S. (2014). What has New Zealand's Retirement Policy Framework to Offer the International Debate. Policy Quarterly, 10(3), 29–34.

Stats NZ. (2023). Labour market statistics: June 2023 quarter. https://www.stats.govt.nz/information-releases/labour-market-statistics-june-2023-quarter/https://secure.livechatinc.com/

Steering Committee Capital Markets 2029. (2019). Growing New Zealand's Capital Markets 2029. https://www.fma.govt.nz/assets/Reports/Growing-New-Zealands-Capital-Markets-2029.pdf

Stephens, C., Birchall, M., & Thompson, J. (2021). Diversity in housing experiences and their correlates for New Zealand adults aged 75+ and 65-74 years. Health and Ageing Research Team, Massey University. https://assets.retirement.govt.nz/public/Uploads/Research/Diversity-in-housing-experiences-2021.pdf

TAAO. (2019a). KiwiSaver changes now in effect. https://retirement.govt.nz/news/latest-news/kiwisaver-changes-now-in-effect/

TAAO. (2019b). Review of Retirement Income Policies (p. 57). Te Ara Ahunga Ora Retirement Commission. https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/2019-RRIP/CFFC-Review-of-Retirement-Income-Policies-2019.pdf

TAAO. (2021). New Zealand retirement income policies and how they compare within the OECD (Policy Paper 2021–02; p. 22). Te Ara Ahunga Ora Retirement Commission. https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/TAAO-RC-Policy-Paper-2021-02.pdf

TAAO. (2022a). A snapshot of the history of KiwiSaver. Te Ara Ahunga Ora Retirement Commission. https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/TAAO-A-Snapshot-of-the-History-of-KiwiSaver.pdf

TAAO. (2022b). KiwiSaver non-contributors (p. 14). Te Ara Ahunga Ora Retirement Commission. https://assets.retirement.govt.nz/public/Uploads/Financial-Capability-Research/TAAO-_NZ-financial-capability_KiwiSaver-non-contributors.pdf

TAAO. (2022c). New Zealand Financial Capability: Focus on Māori. https://assets.retirement.govt.nz/public/Uploads/Research/TAAO-_NZ-financial-capability_maori.pdf

TAAO. (2022d). New Zealand Financial Capability: Focus on Pacific Peoples. https://assets.retirement.govt.nz/public/Uploads/Deep-dive-on-Pacific-Peoples-financial-capability.pdf

TAAO. (2022e). Review of Retirement Income Policies (p. 84). Te Ara Ahunga Ora Retirement Commission. https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/2022-RRIP/RRIP_2022.pdf

TAAO. (2023a). KiwiSaver pre-age 65 withdrawals and savings suspensions (Policy Paper 2023–02; p. 16). Te Ara Ahunga Ora Retirement Commission. https://assets.retirement.govt.nz/public/Uploads/TAAO-RC-Policy-Paper-KiwiSaver-pre-age-65-withdrawals-and-suspensions.pdf

TAAO. (2023b). KiwiSaver Total Remuneration (Policy Brief 02). Te Ara Ahunga Ora Retirement Commission. https://assets.retirement.govt.nz/public/Uploads/TAAO-RC-Policy-Brief-2023_Kiwisaver_4.pdf

TAAO. (2024a). NZ Super: Issues and Options. Te Ara Ahunga Ora Retirement Commission. https://assets.retirement.govt.nz/public/Uploads/Policy/TAAO-RRIP-NZ-Super-issues-paper.pdf

TAAO. (2024b). What retirement assets do people have beyond NZ Super and KiwiSaver? (Policy Paper 2024–01). Te Ara Ahunga Ora Retirement Commission. https://assets.retirement.govt.nz/public/Uploads/Policy/TAAO-RC-Policy-Paper-What-else-do-people-have-beyond-KS-and-NZS_AW.pdf

Tax Working Group. (2019). Future of Tax: Final Report Volume I - Recommendations. https://taxworkinggroup.govt.nz/resources/future-tax-final-report-vol-i-html

Thaler, R. H., & Sunstein, C. R. (2008). Nudge: Improving decisions about health, wealth and happiness. Yale University Press.

Townsend, W. (2018). Behavioural economics and retirement savings: Improving Kiwisaver. Policy Quarterly, 14(4), Article 4. https://doi.org/10.26686/pq.v14i4.5153

Whai Rawa. (2024). Retirement – Whai Rawa – Te Rūnanga o Ngāi Tahu. Whai Rawa. https://whairawa.com/benefits/retirement/

World Bank. (2013). Matching contributions for pensions: A review of international experience. https://documents1.worldbank.org/curated/en/106841468177233641/pdf/Matching-contributions-for-pensions.pdf

**Te Ara Ahunga Ora Retirement Commission**

Level 15, 19 Victoria St W, Auckland and Level 2 Solnet House, 70 The Terrace, Wellington.
PO Box 106-056, Auckland City 1143. Phone +64 9 356 0052.

**retirement.govt.nz  sorted.org.nz  sortedinschools.org.nz**