

Changes to KiwiSaver Policy since 2019

Background paper prepared by the Ministry of Business,
Innovation and Employment for the Retirement
Commissioner's 2022 Review of Retirement Income Policy



Ministry of Business, Innovation and Employment (MBIE)

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Introduction

This report provides an overview of changes to KiwiSaver policy since 2019 when the last Review of Retirement Income Policies was issued. The purpose of the report is to assist the Retirement Commissioner to compile the 2022 Review of New Zealand Retirement Income Policies.

KiwiSaver policy changes

KiwiSaver is a voluntary work-based retirement savings scheme set up by the government to help New Zealanders save for their retirement. Individuals, employers, and the Government each contribute, and funds are invested on behalf of members by KiwiSaver providers.

The Government has made several changes to KiwiSaver policy since the 2019 Review of Retirement Income Policies. These are summarised under the relevant subheadings below.

CHANGES TO DEFAULT FUNDS

There are a range of KiwiSaver funds available - members can choose a fund from a KiwiSaver scheme provider and switch at any time. KiwiSaver members who do not choose their own fund and are between 18 and 65 years of age are automatically enrolled in a “default fund”. The settings for default funds can make a significant difference to a person’s retirement income, so it is important that the default funds work well for people.

KiwiSaver default fund providers are appointed on a contractual basis by the Government. In December 2021 six KiwiSaver providers were appointed to provide default funds for a seven-year term. The appointed providers include Bank of New Zealand (BNZ), Booster, BT Funds Management (Westpac), Kiwi Wealth, Simplicity and Smartshares (NZX). At the same time, changes were also made to default fund settings with the goal to enhance New Zealanders financial wellbeing in retirement. These changes include:

- **Fees:** members fees have reduced and become simpler and more transparent. The six default providers offer the best value for money for their members in terms of lower fees and higher levels of service.
- **Fund type:** the investment fund type for default KiwiSaver providers moved from conservative to balanced, i.e., a fund type that invests in slightly riskier assets such as shares and property but with potentially higher returns over the long term.
- **Customer engagement:** default KiwiSaver providers are required to engage with their members to help them make more informed decisions about their retirement savings. This helps with things like understanding what fund is best for an individual’s circumstances, and how much they should be contributing so they are on track for the type of retirement they want.
- **Responsible investment:** default KiwiSaver providers are required to maintain a responsible investment policy on their websites, and investment in fossil fuels and illegal weapons is excluded from these funds. This is to ensure default funds are invested more responsibly and do not contribute to the climate crisis.

EARLY ACCESS TO SAVINGS FOR PEOPLE WITH LIFE-SHORTENING CONGENITAL CONDITIONS

In March 2021, the KiwiSaver Act 2006 was amended so that people with life-shortening congenital conditions are entitled to apply to withdraw from their fund at a time that is right for them to retire, rather than once they turn 65. This allows people with these conditions to have the opportunity to use KiwiSaver to save for their retirement and to access their savings at a point that would allow them to spend a reasonable amount of their adult life in retirement. The four conditions guaranteed early access are:

- down syndrome
- cerebral palsy
- Huntington’s disease
- fetal alcohol spectrum disorder.

The list of conditions was developed in consultation with health and disability experts. A person who has a (perhaps rare) 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.

Previously, New Zealanders with life-shortening congenital conditions may not have been advised to join KiwiSaver due to the lock-in date of 65 years old when members can access their savings for retirement. The change allows New Zealanders with life-shortening congenital conditions to access the specific benefits of KiwiSaver that cannot be accessed through privately run retirement savings schemes, notably the Government contribution and compulsory employer contributions.

IMPROVEMENTS TO ANNUAL STATEMENTS

The Financial Markets Conduct Amendment Regulations 2019 require annual statements sent to KiwiSaver members to include retirement savings and income projections. The projections are calculated using a consistent methodology and assumptions.

Retirement savings products like KiwiSaver require people to make decisions, often many years in advance, about factors that will significantly influence the level of retirement income they will receive. In particular, the rate of contribution and fund selection can have a major impact on a person's retirement income. These impacts are often underestimated by investors.

Showing the amount a member is on track to receive at age 65 in annual statements helps people 'project forward' and understand how their current contributions and investment decisions can impact on their retirement savings over time. Investors also receive some information about what steps they can take to make an impact on their retirement savings.

These requirements complement changes to KiwiSaver annual statements that came into force in 2017, requiring KiwiSaver providers to give the following information to investors:

- total fees paid that year (in dollar values)
- the total amount that the investor's account grew by over the year
- summary transaction figures detailing the money that has gone in and out of the investor's account during the year.

Conclusion

This report has outlined changes to KiwiSaver policy since the 2019 Review of Retirement Income Policies. The Ministry of Business, Innovation and Employment looks forward to being of any further assistance to the Retirement Commissioner in completing the 2022 Review. Further information on the changes outlined in this report can be found on the Ministry's website:

Default provider appointments and changes to fund settings: [Appointment of KiwiSaver default providers | Ministry of Business, Innovation & Employment \(mbie.govt.nz\)](#)

Early access to KiwiSaver for people with life-shortening congenital conditions: [Early access to KiwiSaver for people with life-shortening congenital conditions | Ministry of Business, Innovation & Employment \(mbie.govt.nz\)](#)

Improvements to KiwiSaver annual statements: [Improvements to KiwiSaver annual statements | Ministry of Business, Innovation & Employment \(mbie.govt.nz\)](#)