CTA submission

On topics covered by the
Retirement Commissioner's [2025 Review of Retirement Income Policies]
to submissions@retirement.govt.nz

Introduction

Thank you for the opportunity to comment on the terms of reference for the 2025 Review of Retirement Income Policies.

The Corporate Trustees Association (CTA) is the industry body for supervisors licensed by the Financial Markets Authority. Our members supervise a range of entities, including KiwiSaver schemes, other managed investment schemes, and retirement villages.

General

1. Commentary on the purpose of retirement income policies, the performance of these policies, and developments and emerging trends since the 2022 review.

The licensed supervisors support New Zealand's current retirement income policies. We identify below some opportunities for strengthening them.

Our direct connections with the entities providing retirement services to New Zealanders put supervisors in a unique position to observe and influence how those policies operate in practice.

The balance between the pillars of retirement income policy—NZ Super, KiwiSaver and other investments—is evolving. Notably, the KiwiSaver market is increasingly significant, now exceeding $120 billion. That's more than a quarter of annual NZ GDP and over 1.5 times the size of NZ Super.

The characteristics of investing also face change. Private assets are becoming more prevalent internationally and domestically. Their potential benefits include not only longer-term investment opportunities ideally matched to retirement saving timeframes but also a funding source for infrastructure projects that could benefit all citizens.

In recent months, industry and Government have discussed how access to private assets might be facilitated for KiwiSaver. That should be done in a way that does not introduce disproportionate risk or complexity to KiwiSaver or undermine positive public perceptions of retirement savings.

Accordingly, we recommend that retirement income policies specifically acknowledge the importance to the retirement system of:

- robust and well-regulated financial markets, public and private
- KiwiSaver being kept simple and easily understood.

Other developments and emerging areas to consider include:

- ensure that the KiwiSaver hardship withdrawal policy settings remain appropriate
- using decumulation products to access retirement income, having regard to risks, incentives, and opportunities for innovation
- efficiencies in applying retirement income to housing (e.g. retirement villages)
- opportunities for digitisation
- savings approaches tailored for different ethnicities
- financial literacy and access to advice.

2. How these trends could play out in New Zealand over the next 25 years and their distributional and fiscal implications.

Robust markets: Investments in private assets need to align with sound investment strategies and offer opportunities for enhanced returns that are in the best interests of members. These should be supported by robust governance, risk management and transparency. The role of the supervisors is, in part, to supervise the performance of the manager's obligations, including adherence to those requirements.

The public investment market also needs investment and growth. Scale helps, but the market requires regulatory settings that support innovation and encourage fresh thinking around product design and the like, rather than a regulatory regime that results in compliance conservatism. The opportunity for investment has multiple benefits: for example, major infrastructure projects that help supercharge the economy and lift prosperity are often most effectively delivered by private and public markets working together. Ultimately private asset investment, if done well, could help to support and lift the scale of the public markets.

Simple KiwiSaver: As KiwiSaver matures, its settings should be regularly reviewed. Any potential changes should have a positive impact on increasing retirement benefits while not adding operational complexities that might be challenging for providers and members.

Hardship: We note the impact that KiwiSaver early withdrawals can have on long-term savings. Supervisors would welcome the opportunity to work with the Retirement Commissioner and industry to ensure that the significant financial hardship policy settings remain appropriate.

Decumulation: Decumulation products, despite only taking effect once a person has retired, are as important to retirement income as wealth creation products. Policy and regulatory settings should respond to the development of the decumulation market.

Retirement villages: Are there aspects of retirement income policy that could be developed in a manner that improves or incentivises the availability of suitable housing for retirees, whether through retirement villages or other mechanisms? More generally, could the "buying power" of NZ's retirement income system be applied to leverage retirees' major expenditure: housing, insurance, health, etc.

Digitisation: There is an opportunity to modernise the courts and general financial systems to move towards digital ways of working and away from physical "wet ink" and the like (e.g. statutory declarations for KiwiSaver withdrawal applications, need for physical wills and EPAs, etc).

Cultural context: Can KiwiSaver and/or other retirement mechanisms be adapted to better suit the needs of different groups and ethnicities? For example, for communities that take a collective approach to savings.

Financial capability: Financial inclusion and wellbeing—together with access to suitable financial products and advice—remain important, especially as KiwiSaver member balances grow over time. Financial literacy is as much about investors' own skills as it is about ensuring financial products are well designed and responsibly distributed.

3. Evidence on retirement income policy innovation in other developed countries and lessons for New Zealand.

In relation to KiwiSaver hardship withdrawals, we recommend that NZ policy settings be compared internationally, including with Australia.

4. The diverse savings outcomes and experiences of women in retirement given they are the majority population of over 65s, and that there is a 25% gap on average in KiwiSaver balances between men and women.

-

KiwiSaver and other private savings

5. The performance of the KiwiSaver scheme, with a focus on default settings, opportunities to improve contribution rates, use of different KiwiSaver fund types, participation by the self-employed, and whether KiwiSaver has been effective in increasing the net national savings rate.

We support the recently announced increased contribution rates, which will help grow asset accumulations and increase individuals' savings.

There are six (resilient and strong performing) default providers, delivering good service at a low fee. Anything that helps support more contributions is a good thing for everyone.

We encourage the Government to regularly reassess the taxation component of retirement income policies.

6. Government contributions to KiwiSaver, particularly the costs and benefits of government contributions, and which groups benefit most from receiving these contributions.

-

7. Whether any market distortions arise from the KiwiSaver model.

-

8. The role of (non-KiwiSaver) private savings in providing retirement income.

Supervisors support consumers having access to a range of investment opportunities. It is important that consumers understand the difference between KiwiSaver and other investments, including different risks and investment timeframes and conditions. More so, as consumers increasingly access information about their investments through platforms that can give the appearance of them all having equal terms and conditions.

There are flexibilities outside KiwiSaver that are relevant for some individuals. For example, access to some types of longer-term private assets might be best suited to a non-KiwiSaver investment scheme, or eventually perhaps a hybrid between KiwiSaver and non-KiwiSaver.

As emphasised above, KiwiSaver's simplicity has much to commend it, so keeping complexities (elevated risks, withdrawal/transfer limitations etc) outside the KiwiSaver system might well be for the best.

9. Opportunities for innovation and improvement of provider and industry guidance/products supporting the decumulation/drawdown of retirement savings and other assets.

It would be helpful—to remove uncertainty—for the retirement income policies to specifically include accessing retirement income (e.g. through a decumulation product or via early withdrawal) and applying retirement income for major expenses (e.g. using retirement income to become a resident of a retirement village). That clarification may help promote thinking about innovative approaches for accessing and applying retirement income.

Governance

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

The Purpose Statement for NZ's Retirement Income System notes that the system "sits within the broader government provision of infrastructure also needed to enable older New Zealanders to live well, such as health care, housing, and transport."

Retirement income policies can influence that broader infrastructure. For example, facilitating private market investments by KiwiSaver could help deliver infrastructure benefits (better transport, improved climate resilience etc). Should the policy-making processes specifically contemplate how those policies could better support the broader efforts to enable older New Zealanders to live well?

Similarly, the robustness of financial markets—public and private—has a profound impact on the success of retirement income policies. Particularly as the private savings (including KiwiSaver) limb of the retirement income system grows. Regulators and the licensed supervisors are central to well-functioning financial markets. Future reviews might consider directly addressing the strength of the markets to ensure they are optimally positioned to support the aims of the retirement income system.