



welcome to brighter

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Te Ara Ahunga Ora Retirement Commission
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Subject: Submission for the 2025 Review of Retirement Income Policies

Mercer, a business of Marsh McLennan, is a global leader in helping clients realise their investment objectives, shape the future of work and enhance health and retirement outcomes for their people. Our parent company, Marsh McLennan is the global leader in risk, strategy and people, advising clients in 130 countries across four businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. With more than 90,000 colleagues worldwide, Marsh McLennan helps build the confidence to thrive through the power of perspective.

Helping all New Zealanders to retire well

Mercer welcomes the opportunity to contribute to the 2025 Review of Retirement Income Policies. As a global leader in retirement, investment and workforce solutions, and with more than 65 years of local experience, we have a unique ability to localise our global insights and add to this conversation. For 17 years, the *Mercer CFA Institute Global Pension Index* has analysed retirement income systems around the world, with the 2024 Index ranking 48 retirement systems, representing 65% of the world's population.

The Index is a collaborative research project co-sponsored by CFA Institute, the global association of investment professionals, and Mercer, and is supported by the Monash Centre for Financial Studies, part of Monash Business School at Monash University in Australia.

The latest 2024 index has New Zealand's retirement system ranked 14th in the world. New Zealand's retirement system has notable strengths, particularly the combination of a universal public pension and KiwiSaver. However, recent international comparisons show a decline in New Zealand's global retirement system ranking, with areas for improvement in adequacy, sustainability and integrity.

As the KiwiSaver system matures, and we are starting to see the benefits play out for retirees through a supplemented retirement income, we now need to ensure that savers of all ages understand the importance of retirement planning and decumulation strategies.

We applaud the recent announcement that financial literacy will be taught in schools from 2026. Education underpins any successful retirement system, regardless of its settings.

Mercer shares the Government's ambition for all New Zealanders to retire well. We also recognise the need for the retirement system to be responsible and sustainable in the context of an ageing population that has retirement systems, globally, under significant pressure.

This submission sets out key recommendations based on Mercer's global expertise and domestic insights, including increasing contribution rates, reinforcing KiwiSaver's retirement focus, addressing equity gaps, improving drawdown and advice options, and indexing government support.

Fundamentally, we believe New Zealand is best served by a retirement system solely focused on helping all New Zealanders retire well.

Key Recommendations:

- Continue to progressively raise contribution levels and build stronger retirement balances.
- Reinforce KiwiSaver's core purpose as a dedicated tool for retirement income.
- Address the persistent inequities in savings outcomes across gender and income groups.
- Draw on global lessons to strengthen system integrity and long-term performance.

This submission is structured to provide comment in the order of the Terms of Reference:

Item 1 - Commentary on the Purpose and Performance of Retirement Income Policies

New Zealand's retirement income system is underpinned by the principle that everyone should be able to retire with dignity. New Zealand Superannuation provides a valuable foundation with KiwiSaver playing an increasingly key role in supporting retirement adequacy.

Mercer believes KiwiSaver must remain focused on retirement. Expanding early withdrawal access, as has been suggested from time to time, risks weakening the long-term outcomes the scheme is designed to achieve.

We believe the opportunity exists to improve the system by promoting phased retirement and enabling drawdown flexibility, allowing people to ease into retirement while maintaining partial workforce participation.

Furthermore, the performance of our retirement system would be improved by continuing to increase the level, coverage and tax efficiency of contributions.

Item 2 - Trends and Long-Term Outlook

New Zealand, like many developed countries, faces long-term demographic challenges. An ageing population, rising longevity, and evolving work patterns place growing pressure on both public and private retirement systems.

While the Government has recently set a phasing strategy for coming years lifting employee and employer contributions respectively from the current 3% to 4%, to ensure a sustainable and adequate future, Mercer recommends a phased increase in combined KiwiSaver contributions to 10 percent, bringing New Zealand more in line with international peers.

We have previously stated that indexing the government contribution to inflation would improve long-term outcomes for New Zealanders, potentially increasing its value from \$60,000 to over \$87,000. The recent announcement halving the government contribution reduces the potency of this, however we believe the smaller amount should still be inflation indexed.

Item 3 - International Comparisons and Innovation

The Mercer CFA Institute Global Pension Index ranks New Zealand 14th in 2024, a fall from 10th in 2020. Leading systems such as those in the Netherlands and Australia offer valuable lessons, including the importance of higher contribution rates, stronger regulation, and well-developed pension drawdown options. These systems have built significantly larger pools of pension assets (Australia has 139% of GDP vs. 47% in NZ) and deliver greater long-term stability and security.

Benchmarking New Zealand's system against these models will help improve adequacy, sustainability and integrity.

Item 4 - Outcomes for Women and Underserved Groups

New Zealand continues to face a significant gender gap in retirement savings. The latest data shows KiwiSaver balances for women are, on average, 25% lower than those for men (Te Ara Ahunga Ora Retirement Commission, 2024).

Mercer supports a range of actions to help close this gap, including KiwiSaver contributions during parental leave, promoting flexible working conditions and phased retirement, and improving financial literacy in the workplace. These steps would help ensure that all New Zealanders, regardless of gender or life circumstances, have a fair opportunity to retire with security and dignity.

Item 5 - KiwiSaver Scheme Design and Performance

Mercer believes that KiwiSaver must be clearly defined as a long-term savings tool for retirement. Previously proposed expansions of access for purposes such as rental bonds risk confusing the public about its purpose and undermining eventual retirement outcomes.

We recommend ensuring that all providers offer structured drawdown options as an alternative to lump sums. At the same time, improving access to advice is essential to support members in navigating investment decisions, market volatility and decumulation planning. Projections must also be managed carefully, providing insight without creating false expectations.

In addition, we see an opportunity for the government to review existing liquidity rules to consider access to private assets, ensuring the scheme can take advantage of long-term investment opportunities while maintaining appropriate safeguards.

Item 6 - Government Contributions and Incentives

To build a more resilient and inclusive retirement system, the government should consider indexing the government contribution to inflation. Incentives to increase voluntary contributions can also play a valuable role, providing they maintain the scheme's simplicity.

Conclusion

New Zealand stands at a pivotal moment in the evolution of its retirement income system. With the right policy signals and practical reforms, we can build a more inclusive, resilient and effective system for the future.

Mercer encourages the government to move forward with a focus on long-term contribution adequacy, preserving KiwiSaver's core purpose, addressing savings inequities, and learning from international best practice.

We believe these changes will help future generations retire with greater confidence, flexibility and financial wellbeing. Mercer is committed to supporting this important work and welcomes further dialogue with the government and stakeholders as the review progresses. Our colleague, Tim Jenkins, Partner, Mercer Australia, will be speaking at the Financial Services Council Conference in Auckland in September 2025. Tim's team develops the Global Pension Index, and he would be happy to meet with

the Retirement Commission, to draw on global best practice in supporting policy development that improves New Zealand's retirement system.

Thank you for the opportunity to contribute to this review. Should you wish to discuss any aspect of this submission or seek further information, please contact James Camilleri, Director of Government Relations, at [REDACTED]

Yours sincerely,

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