



## Office of Hon Craig Foss

MP for Tukituki

Minister of Commerce  
Minister of Consumer Affairs

Minister of Broadcasting  
Associate Minister for ACC

24 JUN 2014

Diane Maxwell  
Retirement Commissioner  
PO Box 12 148  
WELLINGTON

Dear Ms Maxwell

Thank you for preparing the 2013 Review of Retirement Income Policies - entitled *Focusing on the Future: Report to Government* (the Review).

I acknowledge the extensive amount of work that has gone into the Review and your commitment to helping New Zealanders prepare for retirement. The high level and quality of feedback from the public and industry on retirement income policy is encouraging.

The Review has been carefully considered by the Government, which has led to the response provided under the relevant headings below.

### **Current settings for New Zealand Superannuation: recommendations 1-3 and 14**

The Government is committed to New Zealand Superannuation settings as they now stand. This includes a commitment to retaining the age of eligibility of 65, retaining the current indexation method of New Zealand Superannuation and retaining existing individual overseas state pension entitlements.

### **KiwiSaver: recommendations 4-8**

#### *Age of access to KiwiSaver balances to be kept at 65*

In line with our commitment to retaining New Zealand Superannuation settings as they stand, and in keeping with the purpose and express provisions of the KiwiSaver Act 2006, the age of access to KiwiSaver balances will continue to be 65, as long as a member has been in the scheme for five years.

#### *Hold an auto-enrolment day for employees who are not currently KiwiSaver members*

The Government has signalled the intention to proceed with a one-off enrolment exercise for KiwiSaver when sufficient surplus becomes available. It is proposed that this will involve a one-off exercise to enrol all employees not currently in KiwiSaver. Employees will have the opportunity to opt out of the exercise prior to enrolment.

*Establish a joint working party to identify gaps in available data on KiwiSaver and ways in which those gaps can be filled and report by 1 December 2014*

The Government endorses the establishment of such a working party comprising public and private sector representatives and considers that you are well placed to establish and chair it. However, it is important to balance new data on KiwiSaver against the ease and costs of obtaining it and the protection of KiwiSaver member privacy.

*Retirement Commissioner to convene a broadly representative review to determine viability of approaches to the voluntary annuitisation of savings, including KiwiSaver balances on retirement*

The Government supports this recommendation. There is currently a lack of financial services providers offering voluntary annuities products. However, there are indications that new entrants are looking to fill this gap. As KiwiSaver fund balances grow there are likely to be greater numbers of providers seeking to meet any market demand.

*Ministry of Business, Innovation and Employment to report on means to fairly maintain employee contributions of KiwiSaver members while on parental leave by 30 June 2014.*

KiwiSaver already provides employees with the choice to have employee contributions deducted from their paid parental leave payments. This gives the employee greater discretion over their family budget during the post-natal period.

Examining other ways to maintain employee contributions during the paid parental leave period is not in a current Government work programme.

#### **Tax exemption on New Zealand Superannuation Fund investment returns: recommendation 9**

The Government considers that taxing the New Zealand Superannuation Fund investment returns provides better investment signals for those managing the Fund.

The Government has committed to restarting contributions to the New Zealand Superannuation Fund as fiscal conditions allow. In Budget 2014 the Government announced that contributions to the New Zealand Superannuation Fund will resume once net debt reaches 20 per cent of GDP, projected to be in 2019/20.

#### **Mandate for financial literacy: recommendation 10**

The Government intends to explicitly recognise your financial literacy work. The Government will progress this through appropriate legislation.

### **Remove tax on the inflation component of interest on simple savings products: recommendation 11**

The Treasury and Inland Revenue have produced a joint report analysing the merits of this proposal.<sup>1</sup> In line with the recommendations in that report, Government will not pursue the removal of taxation on the inflation component of interest on simple savings products at this time.

### **Increase supply of age-friendly housing: recommendation 12**

The Ministry of Business, Innovation and Employment has a number of policies and work programmes to increase the supply of age-friendly housing in place. Examples include:

- Social Housing Fund projects targeted at elderly tenants
- purpose built housing developments in Auckland and Christchurch
- working with the Treasury to support Housing New Zealand asset management systems to focus on areas of greatest need, including housing suitable for older tenants
- incorporating “lifetime design” principles for new builds.

The Government encourages you to discuss these initiatives with Ministry of Business, Innovation and Employment officials. The Government is also considering establishing a task force to address low income elderly housing options.

### **Encouraging age-friendly work places: recommendation 13**

The Government does not have any specific programmes in place. However, the Ministry of Business, Innovation and Employment is engaged in sector-led workforce plans in Canterbury, looking at non-traditional sources of supply. Depending on the sector, this could include older workers and keeping people engaged post-retirement.

Providing skills development for older workers would be restricted to the extent that student loan eligibility is restricted for older people. Government policy on student loan eligibility is based on value for money and public benefit. Government is not intending to alter these settings at this time.

### **Improve information and advice on international pensions: recommendations 15-17**

The Ministry of Social Development has a dedicated webpage for seniors on its website<sup>2</sup> with links to other information and general advice on deduction of overseas pensions. For example, there is information on the impacts of the direct deduction of overseas entitlements and examples to provide guidance on how deductions may affect entitlements to New Zealand Superannuation.

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<sup>1</sup> Refer to the joint report by the Treasury and Inland Revenue 'Taxation of Savings and Investment 2013', <http://taxpolicy.ird.govt.nz/publications/2013-other-savings-investment/taxation-savings-and-investment-income>.

<sup>2</sup> Refer to Ministry of Social Development landing page for Seniors: <http://www.msd.govt.nz/what-we-can-do/seniorcitizens/entitlements/index.html>.

In addition to the high level information on international pensions, there is a 'Seniors Ask a Question' tool which is also accessible on the Ministry of Social Development's website. This allows the user to ask a question and the answer is posted on the page. Previous questions and answers can also be searched by key words.

I note that these recommendations also appeared in the 2010 Review of Retirement Income Policy as recommendation 4.6 and that you consider that more needs to be done to better inform migrants, intending migrants and other superannuitants about the direct deduction policy. The seniors webpage was launched by the Ministry of Social Development in 2011 and the Government encourages you to engage with Ministry of Social Development officials to discuss ways to highlight and improve the existing information.

### **Concluding comments**

The Government recognises the importance of retirement income policy. A number of cross agency initiatives are in progress and Government is committed to exploring further developments in this area where appropriate. The Government looks forward to working with you towards the goal of helping New Zealanders prepare for retirement across a lifetime.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Craig Foss', with a stylized flourish at the end.

Hon Craig Foss  
**Minister of Commerce**