

An International Viewpoint, Bringing the Global Pensions Community Together - Event 4 New Zealand

These events are aiming to reflect the approach to pensions in other countries. Sometimes the same terminology is used in other countries to describe a different concept than that which we understand it to mean in the UK. Where possible we have tried to clarify this.



The Pensions Policy Institute (PPI) held a seminar on the 14 October 2020, sponsored by **MFS Investment Management**, Gold Supporting Members of the PPI, with special guest Diane Maxwell who gave insight into recent developments with the New Zealand pension system, as well as the impact of COVID-19 on pension saving. The event took place virtually with around 35 attendees.

This is the fourth of a series of internationally focussed virtual events, exclusively for PPI Governors and Supporting Members. Each event features a leading expert sharing their country's experiences of retirement income and saving, any recent reforms, and offer the opportunity for attendees to ask questions and learn from a different perspective.

Madeline Forrester, Head of Global Consultant Relations, MFS Investment Management & PPI Council Member, chaired the event.

Following welcoming remarks and housekeeping from the Chair, **Joshua Barton, Managing Director, Relationship Manager and Head of Institutional Sales - Australia / New Zealand, MFS Investment Management** formally welcomed everyone to the event. Below is his transcript:

"I am Josh Barton, Managing Director of Relationship Management & Head of Institutional Sales based in Melbourne.

We are delighted to be sponsoring this series of international discussions comparing and contrasting some of the different approaches to Pension Provision around the Globe.

For our guests who are not based in the UK, The Pension Policy Institute (PPI) is an educational, independent research organization, with a charitable objective to inform the policy debate on pensions and retirement income provision. The PPI operate at the heart of the UK pensions policy world, and they look to facilitate impactful conversations. The PPI's objective is to inform and promote the long term thinking that is vital to pensions provision, but sometimes hard for elected officials with short term mandates to achieve.

Like the PPI, MFS bases our findings on thorough, long term research and analysis, and collaborative discussions. We hope these discussions will create an opportunity for us all to learn more about best practice globally, and how that might be helpful as we look at our specific regional environments and the challenges and opportunities we face. We'd like this to be a truly interactive session so that we can learn not just from the PPI; but also from each other.

After six years as Retirement Commissioner for New Zealand, Diane Maxwell will deliver candid reflections of preparing for an ageing population, the tensions between public and private provision in a world of low interest rates and high government debt, and the question of how politicians navigate unpalatable policy choices in the face of growing pensions and health spend.

Thank you very much for attending, and I hope you find the discussion both useful and rewarding."

Expert presentation

The Chair then invited the guest expert, **Diane Maxwell, Former Retirement Commissioner for New Zealand** to speak on the current experience of the New Zealand pension system.

Diane started by setting out the focus of her presentation, how to approach policy reform, particularly that which might be unpalatable. She presented information on the global scale of the ageing population. She then set out how that leads to questions around how pensions will be provided and who has the responsibility to make provision and/or face the costs. Diane highlighted a number of factors that are affecting retirement provision. These included the increase in life expectancy and a lower fertility rate which together lead to the ageing population, but further issues she mentioned included the falling yields on savings and changes in employment contracts.

She then considered the New Zealand context, noting that while New Zealand has a relatively small population at just around 4.8 million, there is ethnic diversity and that some demographic measures have significant differences along ethnic lines. For example, Maori and Pacific Islanders have higher fertility rates, and lower life expectancy by around 7 years.

She set out the New Zealand retirement system including the NZ Super, NZ Superfund and KiwiSaver.

NZ Super is the pay-as-you-go state pension, it has a pension age of 65, but over 40% of New Zealanders currently continue to work past that age while receiving the NZ Super. NZ Superfund is a sovereign wealth fund, with the aim of partially prefunding the NZ Super. Diane said that the NZ Superfund does not currently contribute to the NZ Super, but will start to from 2035/36, with the expectation that it will provide 10% of the net cost by 2066.

KiwiSaver is the main private pension element of the NZ pension system. It is an automatically enrolled employer arrangement. The automatic enrolment was described by Diane as “soft compulsion”, but she noted that there is debate as to whether there should be “hard compulsion”. There are 3.9 million memberships of KiwiSaver, of which 59% are active. KiwiSaver operates a pot-follows-member approach so there should not be many instances of people having multiple pots with different providers. Access is from age 65, which was linked to the NZ Super, but there are exceptions such as in the case of reduced life expectancy.

Diane then set out the role of the Retirement Commissioner. The Retirement Commissioner is an autonomous crown entity, that being a government appointee who is independent of government and exists to provide an independent view. The Retirement Commissioner has responsibility for reporting on retirement income policy, financial education, and monitoring retirement villages. Diane noted that while this was an important role to exist, it was not perfect, and that a more holistic approach to the challenges of the ageing population may be more appropriate.

Diane then gave insight into her period of appointment as the Retirement Commissioner. She discussed the problem of trying to influence policy, but also how reports that are read but not influential are of no real use. She decided to do things differently for the 2016 review, she set out a calendar of themes over the year, to give each issue its own time, without competing conversations drowning out certain topics, she removed jargon to make the documentation accessible and encourage day-to-day conversation. And instead of delivering a report that would not actually be read, they set up an accessible online portal and discussion centre.

The portal enabled people who were not normally part of the policy discussion to get involved and have an informed conversation. Diane noted that the portal got more hits in one day than the previous report got in three years. Diane concluded by saying that to get change in a democracy you need to involve the electorate, that if voters understand the issues, even if they are initially unpalatable such as increasing pension age, then you can get the change required with a broader consensus, but it does take a lot of work to get to that point.

Question and answer session

Madeline Forrester then opened the session to the audience to ask questions of the guest speaker, **Diane Maxwell**. This portion of the event was held under the Chatham House Rule.

Questions included expanding further on some of the issues raised in Diane's presentation. Topics that were discussed included:

- Whether a Retirement Commission is something that the UK could benefit from.
- What lessons the UK could take from New Zealand in terms of the growth of small deferred workplace pots, and how New Zealand had settled on the pot-follows-member approach.
- What the role is of technology and online platforms in helping with financial education, and whether there is a risk of leaving some people behind if technology is relied upon.
- How, as the Retirement Commissioner, Diane approached the task of being someone that the politicians would listen to and whose ideas they would follow.
- What progress has been made in improving consumer financial capability as a whole in New Zealand and whether this varies with different segments of the population.
- What is being done to address the challenge of diversity in the population and the labour market, when policies are often designed as one size fits all.

Closing remarks

Madeline Forrester then invited Joshua Barton and Diane Maxwell to make closing remarks and closed the meeting.

Event series kindly sponsored by:



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