

Workplace Savings NZ Policy Principles

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Workplace Savings NZ

1. Policy Characteristics

Workplace Savings NZ will support policies impacting on savings effected through the workplace that exhibit some or all of the following characteristics:

1.1. has an aim of, and assists in, providing retirement savings on a basis that is:

- sustainable;
- likely to produce an adequate level of income in retirement;
- widely accessible;

1.2. provides certainty and security through a regulatory regime that:

- is simple, clear and understandable;
- is efficient;
- ensures investors are supplied with relevant information so they can readily assess the risk, cost and appropriateness of investment opportunities;

1.3. increases the level of education available to all on investment and retirement issues;

These are the most important criteria against which Workplace Savings NZ will assess policy initiatives from government and industry.

2. Adequacy of Retirement Income

2.1. Adequacy Guidelines

Workplace Savings NZ recommends the adoption of adequacy guidelines for a minimum subsistence retirement income.

3. Structure of the Retirement Savings System

Workplace Savings NZ accepts that there is broad political and community support in New Zealand for a retirement income system (commonly referred to as the “three pillar” system) to achieve the adequacy target which involves:

- Pillar 1** provision of an adequate **public safety net** (New Zealand Superannuation) funded out of general revenue and the NZ Super Fund;
- Pillar 2** encouragement of **a minimum level of retirement savings contribution** (workplace savings schemes, including KiwiSaver) for those in the workforce; and
- Pillar 3** encouragement of **voluntary self-provision** by way of other savings in financial services products.

3.1. The aged pension

- 3.1.1. Workplace Savings NZ supports the current universal guaranteed minimum retirement income provided by government (NZ Super) to provide for protection against poverty and recognises that for most, this will be an important part of their overall retirement income.
- 3.1.2. Workplace Savings NZ believes that government involvement in the financing and provision of the safety net provision is essential.
- 3.1.3. Workplace Savings NZ supports debate, in respect of NZ Super, on:
 - the appropriate age of eligibility so as to ensure the sustainability and affordability of universal entitlement on an equitable basis;
 - the level of NZ Super as a % of NAWW, targeting and means/asset testing the benefit; and
 - encouraging voluntary deferment of receipt of the benefit by those still in the workforce in return for an enhanced benefit later; and
 - early access to NZ Super for those who have attained age 60 and who can no longer work (e.g. manual labourers physically incapable).

3.2. Compulsory savings

Workplace Savings NZ supports further debate on the concept of compelling all New Zealanders to make direct contributions towards their own retirement savings under Pillar 2.

3.3. Voluntary savings

Workplace Savings believes voluntary retirement savings should be encouraged. However, savings levels beyond the compulsory minimum once someone has opted into KiwiSaver should be a matter for individual decision.

3.4. Government Co-contributions

Workplace Savings supports the concept of a capped co-contribution by Government to individuals who elect to save in a KiwiSaver scheme. However, we will encourage government to deliver equity by extending this co-contribution to all KiwiSavers.

3.5. Working with Others

- We strongly support the role of the Retirement Commissioner and the work of the Commissioner's office;
- We will work with others, both inside and outside of government, to support and enhance the retirement savings environment.

4. Taxation

- 4.1. Workplace Savings NZ recognizes that governments may have public policy objectives that they will see as requiring tax concessions for retirement savings purposes. Any incentives should be easily understood and designed to encourage additional savings.

- 4.2. Workplace Savings NZ supports the reform of taxation of life annuities to assist the development of a variety of annuity contracts suited to the needs of retired persons.
- 4.3. Workplace Savings NZ supports reforms of taxation of retirement savings that will reduce complexity and compliance costs, and increase the fairness of arrangements. Our attitude to any tax reform proposal is dependent on the impact of such proposals on retirement savings and savings more generally:
 - 4.3.1. Workplace Savings NZ does not support provisions which impose undue compliance and administration costs on retirement savings funds, their members or participating employers.
 - 4.3.2. Workplace Savings NZ supports realistic timetables that would allow any affected funds to adjust their accounting and investment practices if this were required in any reform.
 - 4.3.3. When changes are made to the taxation of retirement savings, Workplace Savings NZ supports taking into account the accrued rights and expectations of individuals by the use of transfer values and/or other transitional arrangements. However, while we recognise that 'grandfathering' of accrued rights and expectations satisfies some aspects of equity criteria, such methodologies often introduce other anomalies between individuals of the same and different generations, and also add complexity and confusion. For those reasons the use of grandfathering should be minimized, and then only if the negative factors are appropriately managed.

5. Post retirement Policy

5.1. Benefits

Workplace Savings NZ supports debate on whether or not encouragement should be given to the payment of retirement benefits as income streams, whether derived from locked-in savings or provided in the form of defined benefit annuities.

5.2. Income streams

Workplace Savings NZ supports simplified rules and equitable tax treatment for income streams which allow flexibility in product design to meet members' needs.

5.3. Flexible retirement

Workplace Savings NZ supports the introduction of rules relating to paying benefits and accepting contributions for older workers which reduce complexity, improve equity, increase ease of application for administrators and make them more suitable for the modern workforce.

6. Governance

- 6.1. Workplace Savings NZ supports the development and implementation of fund governance frameworks by trustees in respect of their responsibilities and accountabilities for the prudent management of the fund, including the assets held in trust, in the interest of the members and their dependents.
- 6.2. Regulation should be efficient and cost effective and avoid any unnecessary duplication or overlap of functions between regulators.

- 6.3. Workplace Savings NZ believes that prudential supervision to ensure the safety of retirement savings should be based on a genuine assessment of risks and the adoption of an appropriate and measured response to any problems identified, rather than the creation of additional layers of regulation for its own sake. Addressing any problems requires the creation of appropriate and targeted guidance as well as the presence of a pro-active regulator prepared to take action when members' benefits are genuinely at risk, but not otherwise.
- 6.4. Where any licensing requirements or conditions are based on industry codes, such codes should ultimately be enforceable by the regulator.
- 6.5. Workplace Savings NZ supports the registration of trustees and the requirement to maintain practical risk management documentation.
- 6.6. Any regulatory requirements for trustees (e.g. fit and proper tests) must not undermine the continuation of representative trustee composition for workplace savings schemes.
- 6.7. Workplace Savings NZ believes the regulators must exercise their powers in a transparent and accountable fashion.

7. Consumer Protection

Workplace Savings NZ believes that, to sustain the credibility of the retirement savings industry, the guiding principle for disclosure requirements should be consumer protection i.e. the consumer should readily understand what they are getting and what they are paying for it. Workplace Savings NZ therefore supports the following:

- 7.1. Consistency, comparability and ease of understanding for the average consumer should be guiding principles for the development of disclosure standards.
- 7.2. The objectives of disclosure material must be realistic, recognizing consumers' need, ability and willingness to absorb information.
- 7.3. Workplace Savings NZ believes that the most important aspects of investments to be disclosed are:
 - 7.3.1. The level of risk and likely returns to be received;
 - 7.3.2. The costs involved.
- 7.4. Disclosure standards should include both point of sale and ongoing disclosure.

8. Electronic Commerce

- 8.1. Workplace Savings NZ supports the move towards electronic commerce with its inherent administration and cost efficiencies, and in particular supports any reforms that incorporate further enablers of E-Commerce across the retirement savings industry.

9. Custodians

- 9.1. Workplace Savings NZ considers that robust custodian arrangements are an essential component of the retirement savings system and supports direct regulation of custodian entities.

10. Anti Money Laundering

- 10.1. Workplace Savings NZ considers that, due to both the regulatory environment in which funds operate and the operating procedures in place to meet these requirements, registered superannuation and KiwiSaver schemes should be considered at low risk of being used for money laundering.
- 10.2. Workplace Savings NZ recognises, however, government's international commitments and that government, government departments and industry participants need to be vigilant in monitoring possible money laundering activities and eliminating any opportunities revealed.

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