

NEW ZEALAND



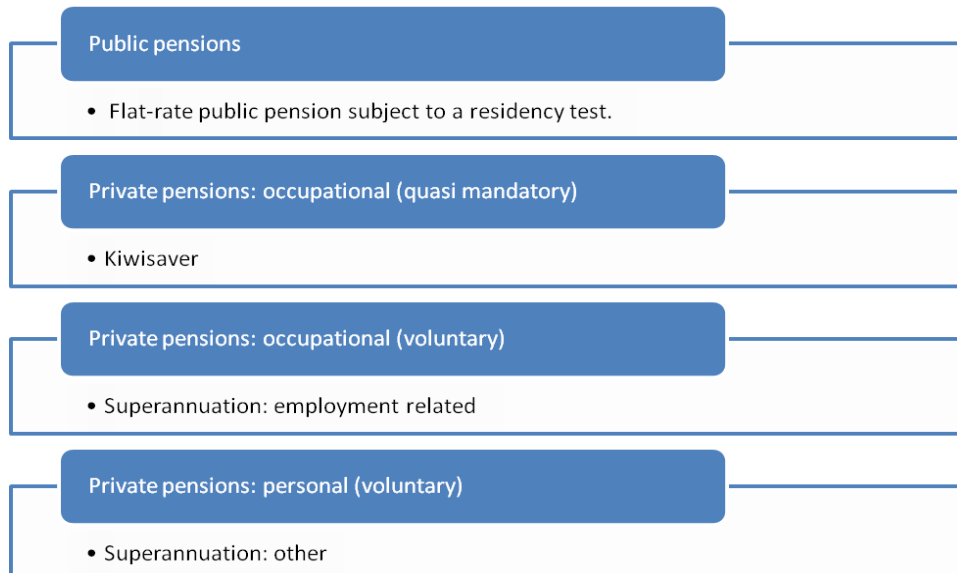
DEMOGRAPHICS AND MACROECONOMICS

| | |
|-------------------------------|----------|
| Nominal GDP (NZD bn) | 178.1 |
| GDP per capita (USD) | 30 960.3 |
| Population (000s) | 4 228.0 |
| Labour force (000s) | 2 245.0 |
| Employment rate | 96.4 |
| Population over 65 (%) | 12.5 |
| Dependency ratio ¹ | 23.5 |

Data from 2007 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM



Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Assets | | | | | | | |
| Total investments (National currency millions) | 18,308 | 17,015 | 15,673 | 16,836 | 17,683 | 20,231 | 19,781 |
| Total investments, as a % of GDP | 14.69 | 12.99 | 11.21 | 11.29 | 11.27 | 12.23 | 11.10 |
| Of which Assets overseas, as a % of Total investment: | | | | | | | |
| • Issued by entities located abroad | ND | ND | ND | ND | ND | ND | ND |
| • Issued in foreign currencies | ND | ND | ND | ND | ND | ND | ND |
| By financing vehicle (as a % of Total investments) | | | | | | | |
| • Pension funds | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| • Book reserves | NA | NA | NA | NA | NA | NA | NA |
| • Pension insurance contracts | NA | NA | NA | NA | NA | NA | NA |
| • Other financing vehicle | NA | NA | NA | NA | NA | NA | NA |
| By pension plan type | | | | | | | |
| • Occupational assets | 10,437 | 9,841 | 9,188 | 10,155 | 10,969 | 12,856 | 12,591 |
| • % of DB assets | 52.67 | 50.60 | 48.52 | 47.62 | 47.39 | 41.30 | 41.05 |
| • % of DC (protected and unprotected) assets | 47.33 | 49.40 | 51.48 | 52.38 | 52.61 | 58.70 | 58.95 |
| • Personal assets | 7,871 | 7,174 | 6,486 | 6,681 | 6,714 | 7,375 | 7,190 |
| Structure of Assets (as a % of Total investments) | | | | | | | |
| Cash and Deposits | ND | ND | ND | ND | ND | ND | ND |
| Fixed Income | ND | ND | ND | ND | ND | ND | ND |
| Of which: | | | | | | | |
| • Bills and Bonds issued by the public and private sector | ND | ND | ND | ND | ND | ND | ND |
| • Loans | ND | ND | ND | ND | ND | ND | ND |
| Shares | ND | ND | ND | ND | ND | ND | ND |
| Land and Buildings | ND | ND | ND | ND | ND | ND | ND |
| Other Investments | ND | ND | ND | ND | ND | ND | ND |
| Contributions and Benefits | | | | | | | |
| Total Contributions, as a % of GDP | 1.96 | 1.48 | 1.28 | 1.22 | 1.25 | 1.32 | 1.45 |
| • Employer Contributions, as a % of Total contributions | 15.55 | 19.35 | 22.85 | 29.45 | 32.50 | 27.12 | 25.44 |
| • Employee Contributions, as a % of Total contributions | 84.45 | 80.66 | 77.15 | 70.55 | 67.50 | 72.88 | 74.56 |
| Total Benefits, as a % of GDP | 2.14 | 1.99 | 1.78 | 1.36 | 1.28 | 1.50 | 1.29 |
| • % of benefits paid as a Lump sum | 92.66 | 92.43 | 90.85 | 88.65 | 88.03 | 90.55 | 89.68 |
| • % of benefits paid as a Pension | 7.34 | 7.57 | 9.15 | 11.35 | 11.97 | 9.45 | 10.32 |
| Membership (in thousands of persons)¹ | | | | | | | |
| Total membership | 699 | 685 | 662 | 644 | 643 | 607 | 586 |
| • % of Active membership | 95.73 | 95.73 | 95.69 | 95.73 | 95.83 | 95.70 | 95.76 |
| Of which: % of Deferred membership | 0.29 | 0.29 | 0.27 | 0.27 | 0.26 | 0.27 | 0.29 |
| • % of Passive membership | 4.27 | 4.27 | 4.31 | 4.27 | 4.17 | 4.30 | 4.24 |
| Other beneficiaries | ND | ND | ND | ND | ND | ND | ND |
| Number of Pension Funds/Plans | | | | | | | |
| Total number of funds | ND | ND | ND | ND | ND | ND | ND |
| Total number of plans | 745 | 670 | 647 | 585 | 550 | 532 | 524 |

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

NEW ZEALAND: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The public pension system is universal and no income test. People aged 65 and above with 10 years' residence after age 20 (including 5 years after age 50) are eligible. As of 2006 the benefit was NZD 263.9 a week for a single person, NZD 243.6 if sharing accommodation, while NZD 406 for a couple. The benefit is adjustable according to the inflation annually. The total cost is borne by the government.

In 2001 the New Zealand Superannuation Fund (a kind of sovereign pension fund) was established, with assets rising to around NZD14bn as of October 2007.

OCCUPATIONAL QUASI MANDATORY

Coverage

New Zealand citizens and individuals with the right to live in New Zealand indefinitely who are under the age of 65 are entitled to join a KiwiSaver plan. Newly hired employees who are over 18 are automatically enrolled and have eight weeks in which to opt out.

Typical Plan Design

KiwiSavers are defined contribution plans.

An individual may choose which KiwiSaver to join and may change plans at any time.

The contribution rate is 4% or 8% for an employee, but is subject to agreement with the service provider if the member is not an employee. In order to encourage participation each member receives a NZD 1 000 tax-free kick-start and subsidised payment from the government, a tax credit of up to NZD 1 042.86 per year, and a fee subsidy of NZD 20 every six months. From April 2008, employers will be required to make matching contributions. Employees have the right to make lump-sum contributions to their KiwiSaver plan and, on certain conditions, to defer tax on additional earnings by investing them in the plan.

Since 1 April 2008 employers have been required to contribute to the KiwiSaver plans of employees who are over 18 and are paying contributions. The contribution required from an employer is 1% of the payroll, but that will increase to 4% by 2011. If employers are in agreement, their contributions can count towards the minimum employee contribution requirement of 4%.

KiwiSaver savings can be accessed at age 65 or after five years' membership, whichever is later.

Fees

The fees charged by plan providers vary across institutions

Taxation

Tax treatment is (TTE), with both contributions and investment returns being taxed, while pension withdrawals are exempt. Investment is taxed at a flat rate of 33% if the plan is the Widely-Held Superannuation Fund. The same flat rate also applies to the Portfolio Investment Entity (PIE) if a

member's taxable income in the previous two fiscal years exceeded NZD 38 000, while savers who earned less than that amount in the previous two years pay a 19.5% rate.

OCCUPATIONAL VOLUNTARY

According to the Ministry of Economic Development, the KiwiSaver program is intended to supplement existing superannuation plans, which can be either defined benefit or defined contribution in nature. Employers may apply for exemption from providing their employees with a KiwiSaver plan, if their existing superannuation plans meet certain criteria, such as providing benefits that are equal to or greater than the KiwiSaver plan's minimum benefit requirements.

MARKET INFORMATION

Occupational quasi-mandatory

If an employer has chosen a KiwiSaver plan, employees are automatically enrolled in it. Otherwise, they must make their own choice from among default KiwiSaver providers, which normally offer a range of investment options with different combinations of risks and returns. The government has, to date, approved six financial institutions as default KiwiSaver providers, while 26 others also operate in New Zealand.

Occupational voluntary

At the end of 2007, participants in occupational voluntary plans were 288 388 in total. Assets managed reached NZD 12.6 billion (USD 9.3 billion).

POTENTIAL REFORM

1. Compulsory employer contribution when an employee contributes to a KiwiSaver scheme (effective on 1 April 2008). The contribution rate will be phased in over 4 years, i.e. 1% of wages in 2008, up to 4% in 2011.
2. Employer tax credit (effective on 1 April 2008): employers will be reimbursed for their contributions to employees' KiwiSaver scheme, up to a limit of NZD 20 a week per employee.
3. Rules for minimum employee contributions (effective on 1 April 2008): 2% from employee and employer each in 2008 and 2009, 3% in 2010 and 4% in 2010 and onwards.
4. New rules and further clarifications (to become effective on 1 April 2008), e.g. changes on the period of membership for the purpose of calculating the member tax credit, new rules to establish the employer tax credit, and new rules to deal with the "invalid KiwiSaver enrolments".

REFERENCE INFORMATION

KEY LEGISLATION

2001: the New Zealand Superannuation and Retirement Income Act sets out details establishing the New Zealand Superannuation Fund;

www.legislation.govt.nz/browse_vw.asp?content-set=pal_statutes.

2006: the KiwiSaver Act lays down rules governing the establishment of KiwiSaver plans in order to facilitate individuals' savings;

www.taxpolicy.ird.govt.nz/publications/files/200640.pdf.

2007: the Taxation (KiwiSaver) Act sets forth rules governing tax issues on superannuation funds and KiwiSaver plans;

www.taxpolicy.ird.govt.nz/publications/files/assent110.pdf.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

The Ministry of Social Development: is mainly responsible for the public pension plans;

www.msd.govt.nz/.

The Ministry of Economic Development's Insurance and Superannuation Unit: incorporates the Government Actuary and is chiefly responsible for registering and supervising the KiwiSaver plans;

www.isu.govt.nz/.

Inland Revenue: responsible for receiving contributions for the KiwiSaver plans;

www.ird.govt.nz/kiwisaver/.

Guardians of New Zealand Superannuation: administers the New Zealand Superannuation Fund;

www.nzsuperfund.co.nz/.

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

Ministry of Economic Development.

OECD, Global Pension Statistics project, www.oecd.org/daf/pensions/gps.

