

# IOPS COUNTRY PROFILE: NEW ZEALAND



## DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (NZD bn)	<b>284.7</b>
GDP per capita (USD)	<b>42092.7</b>
Population (000s)	<b>4 871.6</b>
Labour Force (000s)	<b>2 858.0</b>
Employment rate	<b>95.4</b>
Population over 65 (%)	<b>15.2</b>
Dependency rate <sup>1</sup>	<b>26.0</b>

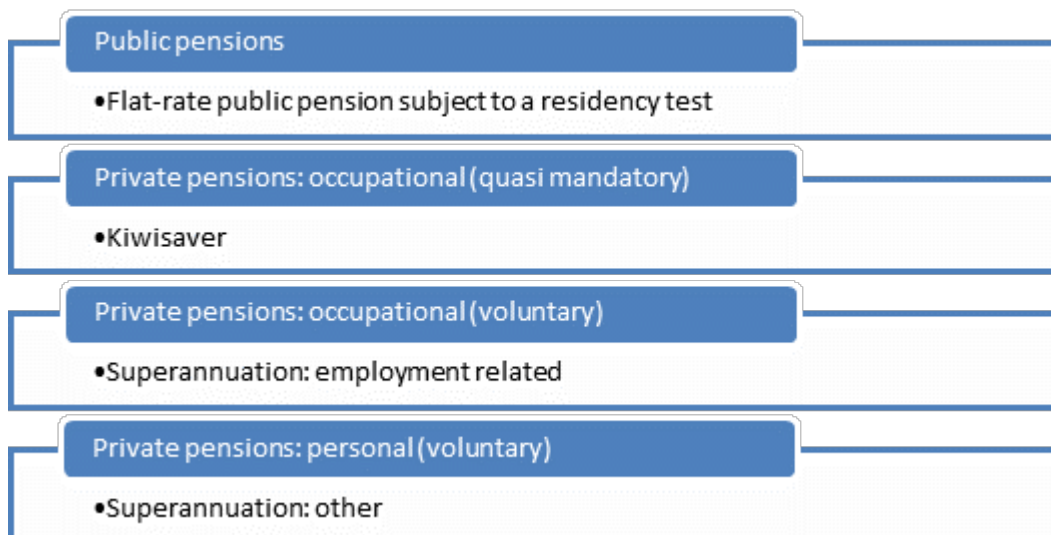
Data from 2018.

1. Ratio of over 65-year-olds to the labour force.

Source: StatsNZ, OECD, various sources

## NEW ZEALAND: COUNTRY PENSION DESIGN

### STRUCTURE OF THE PENSION SYSTEM



Source: OECD Global Pension Statistic

## NEW ZEALAND: THE PENSION SYSTEM'S KEY CHARACTERISTICS

### PUBLIC PENSION

The public pension system is universal and is not income tested. People aged 65 and above with 10 years' residence after age 20 (including 5 years residence in New Zealand or a realm country – the Cook Islands, Niue or Tokelau – after age 50) are eligible. As of 2019 the benefit was NZD 411 a week for a single person, NZD 380 if sharing accommodation, while NZD 633 for a couple (with both qualifying for the pension). 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 NZD 14.2 billion as at 31 May 2019. The Fund is required to pay tax on income it derives at a 28% rate (the same as the company tax rate).

### OCCUPATIONAL QUASI MANDATORY

#### *Coverage*

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

#### *Typical Plan Design*

KiwiSaver schemes are defined contribution plans.

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

The contribution rate options are 3%, 4%, 6%, 8% or 10% for an employee. Members also have the right to make lump-sum contributions to their KiwiSaver account and subject to agreement with their scheme provider can make regular contracted payments. In order to encourage participation and incentivise savings each member receives a Government contribution of up to NZD 521.43 per year (NZD 1 Government contribution to every NZD 2 contributed by the member).

Employers are required to contribute to the KiwiSaver plans of employees between the ages of 18 and 65 who are having KiwiSaver contributions deducted from their salary and wages. The contribution required from an employer is 3% of the payroll. If employers are in agreement, their contributions can count towards the minimum employee contribution requirement of 3% as part of a total remuneration approach (this cannot result in the employee's remuneration dipping below the minimum wage if the 3% employer contribution component was subtracted).

KiwiSaver savings can be accessed at age 65. There are also permitted early withdrawals for financial hardship, serious illness, permanent emigration and purchase of a first home.

## Fees

The fees charged by KiwiSaver providers vary across scheme. However, KiwiSaver fees must not be “unreasonable”.

## Taxation

Tax treatment is (TTE), with both contributions and investment returns being taxed, while pension withdrawals are exempt.

Contributions are made from taxed income. KiwiSaver investments are taxed under the Portfolio Investment Entity (PIE) regime. Tax rates are determined based on the lower amount of taxable income the investor earned in either of the previous two tax years. If the member’s income in both tax years was NZD 70,001 or more their tax rate is 28%, if their income is between NZD 48,001-70,000 their tax rate is 17.5% and if it less than this amount their tax rate will be 10.5%. As the top personal tax rates in New Zealand are 30% and 33% the top 28% PIE is slightly concessionary.

## OCCUPATIONAL VOLUNTARY

The KiwiSaver initiative was implemented in 2007 to operate alongside pre-existing superannuation plans, which can be either defined benefit or defined contribution in nature. Employers prior to November 2009 could apply for an exemption from automatically enrolling their employees in KiwiSaver, if the employer’s pre-existing superannuation scheme was registered by 1 July 2007 and is approved by the FMA as meeting certain criteria, such as providing benefits that are equal to or greater than KiwiSaver’s minimum benefit requirements.

## MARKET INFORMATION

### *Occupational quasi-mandatory*

If an employer has chosen a preferred KiwiSaver scheme, new employees are automatically enrolled in it. Otherwise, new employees will be provisionally allocated to a default KiwiSaver fund. However, they can make the choice to transfer to another KiwiSaver provider at any time, with most providers offering a range of investment options with different combinations of risks and returns. The government has, to date, approved nine financial institutions as default KiwiSaver providers. Including default providers, a total of 28 KiwiSaver scheme providers operate in New Zealand. Current default provider arrangements expire in mid-2021, meaning new default provider appointment will need to be made at this time.

At the 30 June 2019, 2.9 million individuals were enrolled in KiwiSaver. As at 31 March 2019, assets managed were at NZD 57.0 billion.

### *Occupational voluntary*

At the end of 2018, participants in occupational voluntary plans were 185,743 in total. Assets managed reached NZD 18.4 billion (USD 12.4 billion).

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## REFERENCE INFORMATION

### KEY LEGISLATION

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

[http://www.legislation.govt.nz/act/public/2001/0084/latest/DLM113924.html?search=ts\\_act%40bill%40regulation%40deemedreg\\_New+Zealand+Superannuation+and+Retirement+Income+Act+\\_resel\\_25\\_a&p=1](http://www.legislation.govt.nz/act/public/2001/0084/latest/DLM113924.html?search=ts_act%40bill%40regulation%40deemedreg_New+Zealand+Superannuation+and+Retirement+Income+Act+_resel_25_a&p=1)

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

<http://legislation.govt.nz/act/public/2006/0040/latest/DLM378372.html>

2007: the Income Tax Act sets forth rules governing tax issues on superannuation funds and KiwiSaver plans:

<http://www.legislation.govt.nz/act/public/2007/0097/latest/DLM1512301.html>

### KEY REGULATORY AND SUPERVISORY AUTHORITIES

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

[www.msd.govt.nz/](http://www.msd.govt.nz/)

The Ministry of Business, Innovation, and Employment, The Treasury and Inland Revenue: jointly responsible for KiwiSaver policy and the regulatory framework:

<https://www.mbie.govt.nz/>

<https://treasury.govt.nz/>

Inland Revenue: also central administrator for KiwiSaver – responsible for receiving contributions and forwarding them on to KiwiSaver schemes:

[www.ird.govt.nz/kiwisaver/](http://www.ird.govt.nz/kiwisaver/)

The Financial Markets Authority: responsible for licensing fund managers and conduct oversight of the KiwiSaver schemes and restricted superannuation schemes:

<https://www.fma.govt.nz/>

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

<https://www.nzsuperfund.nz/>

### KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

Reserve Bank of New Zealand:

<https://www.rbnz.govt.nz/>

OECD, Global Pension Statistics project:

[www.oecd.org/daf/pensions/gps](http://www.oecd.org/daf/pensions/gps)

## PENSION FUNDS DATA OVERVIEW

	2014	2015	2016	2017	2018
<b>Assets</b>					
<i>Total investments (National currency millions)</i>	51,725	58,015	65,111	76,051	81,155
<i>Total investments, as a % of GDP</i>	22.23	23.96	25.62	28.18	28.51
<i>Of which Assets overseas, as a % of Total investment:</i>					
• <i>Issued by entities located abroad</i>	50.27	48.78	49.17	49.20	50.09
• <i>Issued in foreign currencies</i>	ND	ND	ND	ND	ND
<b>By financing vehicle (as a % of Total investments)</b>					
• <i>Pension funds</i>	100.00	100.00	100.00	100.00	100.00
• <i>Book reserves</i>	NA	NA	NA	NA	NA
• <i>Pension insurance contracts</i>	NA	NA	NA	NA	NA
• <i>Other financing vehicle</i>	NA	NA	NA	NA	NA
<b>By pension plan type</b>					
• <i>Occupational assets</i>	ND	ND	ND	ND	ND
• <i>% of DB assets</i>	ND	ND	ND	ND	ND
• <i>% of DC (protected and unprotected) assets</i>	ND	ND	ND	ND	ND
• <i>Personal assets</i>	ND	ND	ND	ND	ND
<b>Structure of Assets (as a % of Total investments)</b>					
<i>Cash and Deposits</i>	7.30	6.82	7.00	6.74	7.87
<i>Fixed Income</i>	22.22	22.06	22.30	23.36	24.18
<i>Of which:</i>					
• <i>Bills and Bonds issued by the public and private sector</i>	22.18	22.04	22.29	23.35	24.17
• <i>Loans</i>	0.04	0.02	0.01	0.02	0.01
<i>Shares</i>	27.30	26.54	29.15	32.72	31.83
<i>Land and Buildings</i>	ND	ND	ND	ND	ND
<i>Other Investments</i>	43.18	44.58	41.55	37.18	36.13
<b>Contributions and Benefits</b>					
<i>Total Contributions, as a % of GDP</i>	ND	ND	ND	ND	ND
• <i>Employer Contributions, as a % of Total contributions</i>	ND	ND	ND	ND	ND
• <i>Employee Contributions, as a % of Total contributions</i>	ND	ND	ND	ND	ND
<i>Total Benefits, as a % of GDP</i>	ND	ND	ND	ND	ND
• <i>% of benefits paid as a Lump sum</i>	ND	ND	ND	ND	ND
• <i>% of benefits paid as a Pension</i>	ND	ND	ND	ND	ND

<b>Membership (in thousands of persons)<sup>1</sup></b>					
Total membership	ND	ND	ND	ND	ND
• % of Active membership	ND	ND	ND	ND	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND
• % of Passive membership Other beneficiaries	ND	ND	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND
<b>Number of Pension Funds/Plans</b>					
Total number of funds	ND	ND	ND	ND	ND
Total number of plans	ND	ND	ND	ND	ND

<sup>1</sup> 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: Reserve Bank of New Zealand, StatsNZ, OECD, Global Pension Statistics