

Regulatory Affairs

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Financial Markets

Building, Resources and Markets

Ministry of Business, Innovation & Employment

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Dear Sir or Madam

Bank of New Zealand's submission on the discussion document "Enabling KiwiSaver investment in private assets"**1 Introduction**

- 1.1 Bank of New Zealand ('BNZ') welcomes the opportunity to contribute to the discussion document "Enabling KiwiSaver in private assets" (the Discussion Document) and acknowledges the significant work undertaken to present reform options that will make it easier for KiwiSaver providers to offer investments in private assets. We agree that investing in private assets, if managed carefully, could deliver benefits to KiwiSaver members while also providing economic benefits for New Zealand businesses and the wider economy.
- 1.2 In May 2024, BNZ Investment Services Limited (BNZISL) partnered with JBWere New Zealand, Jarden Wealth, and Harbour Asset Management to create FirstCape Group. As a result - BNZ Investment Services Limited (BNZISL) – the manager of the BNZ KiwiSaver Scheme, YouWealth, Private Wealth Series and BNZ Term PIE – ceased to be owned by BNZ. Given the importance of wealth management for our customers, BNZ remains the sole distributor of the BNZ KiwiSaver Scheme. One key objective of the new partnership was to enhance the products and services available to BNZ customers and strengthen BNZ's ability to meet their investment needs.
- 1.3 Given BNZ's new role as a distributor and FAP license holder providing advice on KiwiSaver, rather than an issuer of KiwiSaver, we have not responded to the specific questions regarding the proposed reform options in the Discussion Document. However, outline below several policy reforms we consider essential for increasing participation and contributions to KiwiSaver. We believe these measures will contribute to KiwiSaver's long-term success whilst also enabling investment in private assets.

2 Further information that we would like MBIE to consider that has not been covered in the Discussion Document.

- 2.1 We encourage policymakers to consider the benefits of introducing a compulsory KiwiSaver contribution requirement. As a starting point, this could apply to employers, ensuring that they contribute at least 3% of their employees' KiwiSaver accounts, even if an employee chooses to "opt out" of contributions. Reports from National Capital (using

data from IRD, MBIE and Stats NZ) estimates that if the 703,325 non-contributing KiwiSaver members each contributed the 3% minimum, they could collectively accumulate approximately \$113 billion by retirement. The demographic most at risk - those aged 18-24 – could each miss out on an average of more than \$300,000.¹

- 2.2 As a FAP license holder providing advice we believe a single provider system where a member has a single KiwiSaver account at one provider, is best for members. We submit that advising KiwiSaver members about their goal progress requires accurate information for projections. Advisors require confidence in the information of contribution levels and current balances in order to offer a more tailored and effective service. We believe this approach will ensure clarity in each members KiwiSaver journey making it more likely for them to reach their goals.
- 2.3 BNZ proposes an incremental approach to increasing KiwiSaver contributions, beginning with employer contributions and gradually raising the minimum contributions over time. As policymakers consider this, we encourage them to examine the success of the Australian superannuation system. As of September 2024, the total pool of Australians' retirement savings is over \$4 trillion, or around 149 per cent of GDP – one of the largest pools of retirement capital in the world relative to GDP². Whilst the primary benefit of this system is improved retirement savings for Australian citizens, the global nature of the investments also helps strengthen Australia's economic and diplomatic ties and its influence on the international financial landscape. We recognise that the Australian superannuation system has criticisms including being too complex for a proportion of Australians and having inequitable tax concessions. However, their superannuation system is becoming fundamental to Australia's future economic wellbeing. We believe New Zealand should consider adopting a similar approach.
- 2.4 The benefits of requiring compulsory superannuation contributions are numerous, and we highlight a few key ones below:
 - 2.4.1 **Increased international investment:** The New Zealand economy relies on international investment. BNZ, along with the broader financial industry, depends on robust and diverse capital markets. The attractiveness of New Zealand as a place to invest is compromised when New Zealanders themselves do not invest significantly in the country's productive assets.
 - 2.4.2 **Improved financial literacy:** Compulsory superannuation encourages individuals to engage with their financial future, fostering greater financial literacy and long-term planning. It also helps diversify investments beyond housing.
 - 2.4.3 **Reducing poverty among retirees:** Requiring people to save for retirement can reduce financial hardship among older New Zealanders. We believe employers should contribute to their workers' KiwiSaver accounts, regardless of whether the employee chooses to contribute. Alternatively, we support a very low compulsory contribution

¹ <https://www.interest.co.nz/kiwisaver-data/126688/financial-advisory-firm-national-capital-warns-non-contributing-kiwisaver>

² <https://www.apra.gov.au/news-and-publications/apra-releases-superannuation-statistics-for-september-2024>

rate given current economic constraints, with a view to increasing this incrementally over time to achieve better long-term retirement outcomes.

- 2.5 BNZ recognises that this would be a significant shift in government policy and this is something we have consistently supported since the establishment of KiwiSaver. However, given that MBIE is opening discussion on reform of KiwiSaver to benefit Capital Markets, we consider the question of compulsory KiwiSaver is fundamental to that question and welcome further discussion on this.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'Paul Hay', with a stylized flourish at the end.

Paul Hay
Āpiha Matua: Waeture me te Tūtohu (Chief Regulatory and Compliance Officer)
Bank of New Zealand

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