

## Submission template: Review of KiwiSaver default provider arrangements

### Financial Services Complaints Limited

#### Section 1: Your details

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**Are you requesting that any of this submission be kept confidential?** No

*If yes, please let us know why the information should be kept confidential in accordance with the Official Information Act. Please also send us a redacted version of your submission for publication.*

Reasons for withholding:

#### Section 2: Feedback on discussion paper

We only provide feedback on question 41:

**Q.41: What is your feedback on the member education requirements that default providers should have in relation to default members, and how these should be enforced in the instruments of appointment?**

Paragraphs 38 to 42 of the discussion paper highlight that KiwiSaver providers have found it difficult to contact and engage with default members. We also recognise that member engagement can be uneconomical, especially in relation to members with low balances.

However, despite these challenges, we consider that member engagement and education is fundamental to KiwiSaver being effective. We consider the obligation set out at paragraph 242(b) of the discussion paper should be extended.

Paragraph 242(b) suggests the introduction of an obligation on providers to attempt contact with default members a certain number of times by telephone or email, with the purpose of addressing the member's financial capability. In our view, it would be more effective if the

purpose of such contact extended to the points set out in paragraph 241 of the discussion document, being:

- a. **Be in KiwiSaver:** how KiwiSaver works and why it is suitable for many New Zealanders.
- b. **Contribute:** advising the member to choose a contribution rate and contribute enough to get the full member tax credit.
- c. **Right fund:** helping the member choose the right fund for them.
- d. **Right tax rate:** how to choose the right fund for them.

Our experience is that providers highlight these issues in generic information and newsletters sent to members, and ask members to be in contact with the provider should they wish to discuss them.

However, we consider there may be more default member engagement with providers, if providers had staff who would actively contact each default member when they enrol. This could be a short 30-minute conversation to cover the four issues highlighted above; a type of 'introduction call'. People will be more willing to engage if they feel they are dealing with an 'actual person', as opposed to simply being 'a number'.

We suggest it may be most effective if providers first contacted their members by email to advise they will receive an introduction call in due course, rather than providers simply cold calling members. Many people will not answer a telephone call from a number they do not know. We suggest there could be an obligation for the introduction call to be undertaken by the provider within six months of a member's enrolment with a default scheme.