KiwiFund Bill

7—1

Report of the Economic Development, Science and Innovation Committee

August 2018

Contents

Jonathan Young
Chairperson

KiwiFund Bill

Recommendation

The Economic Development, Science and Innovation Committee has examined the KiwiFund Bill and recommends that this bill not proceed.

Introduction

The KiwiFund Bill is a Member's bill introduced by Fletcher Tabuteau MP. The bill proposes the formation of an independent working group in response to concerns about a lack of accountability by KiwiSaver providers about their fees and investment practices.

The primary objective of the working group would be to:

- examine the accountability requirements of current KiwiSaver providers relating to fees and investment practices
- advise on establishing a government-owned and operated KiwiSaver provider, to be known as KiwiFund.

KiwiFund would provide people with the option of choosing a KiwiSaver provider that is ultimately accountable to New Zealand taxpayers.

Current KiwiSaver landscape

KiwiSaver is a workplace-based savings scheme initiated in 2007 to help New Zealanders save for their retirement. Its statutory objectives are to:

- encourage a long-term savings habit and asset accumulation by individuals who are not in a position to enjoy standards of retirement similar to those in pre-retirement
- increase individuals' wellbeing and financial independence, particularly in retirement, and to provide retirement benefits.

The KiwiSaver Act 2006 enables the establishment of privately-run schemes to facilitate individuals' saving. There are 27 providers of KiwiSaver schemes (as at 19 April 2018).

Concerns raised by submitters

Submitters were divided in their responses to the bill. While there was some support in principle for a KiwiSaver review, there was significant opposition to the bill in its current form.

Members of the public and retail investors generally supported the bill. Many public and retail investors voiced support for a low-fee, government-run KiwiSaver option focused on responsible, local investment.

Industry and financial service providers were broadly opposed to the bill, stating that the current accountability and scrutiny of fees is sufficient. These submitters expressed apprehension that establishing a government owned and guaranteed KiwiSaver scheme could undermine competition and increase concentration of risk in the sector. Some also raised concerns that a guarantee could expose government to significant potential liability and that there are risks with a requirement for preferential treatment to be given to New Zealand based investments (including reducing diversification). Many submitters also opposed the idea of making ethical investments mandatory.

Conclusion

Mr Tabuteau has indicated that he wishes the bill to be withdrawn. He is confident that the issues the bill seeks to address will be dealt with through other avenues. Accordingly, we recommend that this bill not proceed.

Appendix

Committee procedure

The KiwiFund Bill was referred to the committee on 21 February 2018. The closing date for submissions was 13 April 2018. We received and considered 24 submissions from interested groups and individuals. We heard oral evidence from five submitters at hearings in Wellington.

We received advice from the Treasury.

Committee members

Jonathan Young (Chairperson)
Tamati Coffey
Paul Eagle (until 15 August 2018)
Andrew Falloon
Hon Paul Goldsmith
Gareth Hughes
Melissa Lee
Jo Luxton (from 15 August 2018)
Clayton Mitchell
Hon Aupito William Sio
Lawrence Yule

Advice and evidence received

The documents that we received as advice and evidence are available on the Parliament website, www.parliament.nz.