



Address to Future of Super Conference, Pullman Hotel,
Auckland Monday 14 October Rt Hon Dame Jenny
Shipley Chairman Financial Services Council

<http://fsc.org.nz/SuperSizeRetirementIncome.html>

Time to Agree on New Policy to Provide Comfortable Retirement
Incomes for New Zealanders

Welcome ladies and gentlemen, colleagues and our speakers,
especially Stéphanie Payet from the OECD in Paris and John Brogden
from the Financial Services Council in Australia, both of whom have
travelled far to get to our conference.

I would also like to warmly welcome our New Zealand experts who will
share their knowledge and learnings to add to our debate.

I want to acknowledge the generous support of our sponsors - AMP,
Mercer, Sovereign, Fidelity Life, Westpac and ANZ.

The Financial Services Council is ideally placed to host this forum,
bringing together 21 member companies from the financial and
insurance sector and 18 associate members.

Together these entities are entrusted to manage more than \$80 billion
in savings from 2 million New Zealanders – and they employ over
40,000 people.

The FSC uses independent research and a wide network of New
Zealand and international experts and specialists to develop and
promote evidence-based policies and practices to help Kiwis build and
protect their wealth.

We're here today to talk about retirement income and what has to be done politically and by individuals to help New Zealanders save for a comfortable retirement.

It's the big conversation of our time – and it can't wait.

But our common goal has to be on getting action, politically, to create a stable environment that encourages savings and actually encourages people to achieve the level of savings required to have a comfortable retirement.

That's a real challenge for people who do not have the safety blanket of the old defined benefit pensions guaranteeing a high percentage of your salary for life as many government servants do.

The current retirement income policy is 20 years old, but a lot has happened since then. We have KiwiSaver now which we didn't have then.

When I was Minister of Social Welfare in the 90s we were told that the number of people over 65 was 100,000 fewer than the number we have today – mightn't sound big but it represents an additional \$1.8 billion a year in government expenditure that has to be funded.

I have a true confession – I am a member of KiwiSaver and a regular contributor. I am a convert. I was opposed at first but like many New Zealanders I have moved on.

Our ageing population is living much longer than our grandparents did and our children will live even longer.

Last year the Financial Services Council did some in depth analysis and modelling and found we needed, on current settings, to save 10 per cent of our income over 40 years to achieve a comfortable retirement.

That's too big an ask for many, especially women who spend more time out of the workforce, and the low paid.

KiwiSaver has become the default fund of choice – in more ways than one.

So six years on we can report two million New Zealanders have signed up – more than 50% of them women but around one million of those people put in the bare minimum to get the incentive and tax credit and those who are contributing are doing so at 6% - not nearly enough to fund a comfortable retirement.

That's a very long way off the 10% New Zealanders need to save each year for 40 years under the current settings to have an income that they tell us needs to be double NZ Super for them to live in a degree of comfort

Our research tells us the majority of people want to save but need and want help.

The Financial Services Council wants a national debate and has identified a number of routes that politicians can look at that would make KiwiSaver fairer, more affordable, accessible and harder working - and provide ordinary Kiwis with a comfortable retirement with the ability to fund a second pension to give them a retirement income double their NZ Super - and more choice of when to retire.

We'll be putting up for consideration safe and sound options to enable a cross party policy consensus on retirement income, based on NZ Super and KiwiSaver.

We'll also be hearing from OECD and Australian experts about what's happening around the world to secure comfortable retirements for their people- and hear from our own people about how they see New Zealand being able to make our retirement schemes fairer, more accessible and work harder.

These ideas are based on independent research and analysis and we want to hear what you have to say about our options and others that'll be presented today.

We've used the information to help frame some of the options that we're presenting today to find ways to reduce the contribution to around 7 per cent and make saving more attractive by levelling the tax playing field with other forms of retirement investments.

Yes we've got a challenge that is only going to get worse and cost more the longer we procrastinate.

The shortfall in retirement income is an increasingly urgent issue and decision makers have to get to grips with it – and so does every adult, even if you're just starting your working life because you are in for a long, long life and we all want it to be a good one.

It is a safe issue for all political parties to come together and bring in a new agreement on retirement income that updates the one last negotiated 20 years ago in 1993 and leads to all New Zealanders being able to save so they can buy a second pension and live a comfortable retirement

We need answers to the New Zealand problem.

The FSC options show that a stronger, deeper national savings base is achievable and it is possible to make KiwiSaver fairer, more accessible and affordable.

And now we'll hear from our CEO Peter Neilson on how we can supersize retirement incomes in New Zealand.