



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**Submission of the
New Zealand Council of Trade Unions
Te Kauae Kaimahi**

to the

**Economic Development, Science and Innovation
Committee**

on the

KiwiFund Bill

P O Box 6645

Wellington

13 April 2018

1.1. This submission is made on behalf of the 30 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With 320,000 members, the CTU is one of the largest democratic organisations in New Zealand.

1.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.

1.3. According to the Explanatory note to the Kiwifund Bill, it

Establishes an independent working group with the objective to set up a government-owned and operated KiwiSaver provider, known as KiwiFund. It is intended that the working group would first examine the accountability of current KiwiSaver providers relating to complaints of charging exorbitant fees, unethical investments, and profiteering in the trading of Kiwisaver providers. The working group would be made up of 4–5 specialists across banking, savings, and retirement fields. The working group would advise on setting up KiwiFund based on broad principles such as:

- a lower and transparent fee structure;
- a government owned and operated KiwiSaver scheme;
- a requirement that profits stay in New Zealand;
- preferential treatment given to New Zealand based investments;
- a requirement that funds are invested in socially and ethically responsible ways; and
- the new provider be supported by a government guarantee.

KiwiFund would provide an option for people to choose a KiwiSaver provider that is ultimately accountable to New Zealand taxpayers.

1.4. We support consideration of a government owned and operated KiwiSaver option.

1.5. It is also timely to review KiwiSaver to ensure that funds held on behalf of working people are as secure as possible from incompetent or unethical management and fraud, and to review the fee structure.

- 1.6. KiwiSaver has been criticised for its relatively high fees which are at odds with its favoured status and detract from lifetime returns¹.
- 1.7. Greater availability of funds which invest in an ethical and socially responsible way, or which give members the option of their funds to be invested only locally, is also to be encouraged.
- 1.8. We are interested in the other possible principles but would like to understand their advantages and disadvantages better.
- 1.9. It is also timely to review other parameters of the highly successful KiwiSaver scheme, particularly now that it is closer to maturity in terms of its membership coverage and with the first few years of superannuitants able to withdraw funds for their retirement. We therefore suggest that this initiative be included in a wider review.
- 1.10. This could include aspects such as compulsory enrolment or membership; incentives to join; government contributions when a member has a pause in earning capacity such as to care for children or dependent relatives, or is accessing a benefit; the levels of employer and employee contributions; and the taxation of employer contributions.

¹ See for example “Brent Sheather: Govt has scheme to cut KiwiSaver fees”, New Zealand Herald, 28 December, 2017, http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11966802