How does the New Zealand retirement savings environment rank? or, *Is KiwiSaver a world leader?*

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How does the New Zealand retirement savings environment rank? In this presentation, I will explore to what extent New Zealand is a good environment for the introduction of KiwiSaver. Comparisons with other countries are limited as there are only 2 examples of auto-enrolment as a national public policy in the world: KiwiSaver and the very early stage proposals in the UK. So inevitably, we shall be ranking the New Zealand environment against the UK's.

The UK Pensions Commission made proposals nearly a year ago for auto-enrolment into a new vehicle they called NPSS – the National Pensions Savings Scheme. The UK Government has said it intends to introduce auto-enrolment into some kind of savings vehicle, and is considering exactly what design that vehicle should take. It seems to prefer the name "Personal Accounts". In this presentation, I will refer to the UK plans as NPSS.

KiwiSaver is the first national auto-enrolment savings scheme in the world. It will be the first test case of a national public policy that in effect forces the population to engage with saving, even if only to the extent of taking action to stop saving. So in this session we will consider whether KiwiSaver will be both a success here and successful as a role model for other countries who might wish to follow the auto-enrolment trend. I will not be going into the detail of how KiwiSaver will operate – other sessions in this conference cover that. Instead, we will ask: does KiwiSaver look set to be a world leader not just because it's first but because it is good policy?

I will:

- Compare the UK and NZ environments for auto-enrolled saving
- Draw out what lessons KiwiSaver might offer to the UK and other countries that may be thinking of an auto-enrolment policy, and,
- Suggest some lessons for New Zealand policy.

Comparison UK and NZ
To start, I will suggest how, if a Government is going to introduce auto-enrolment as public policy, it will clearly be better off if it can do so in an easy environment for saving, rather than be where the environment makes savings harder. This describes a hard situation in which to introduce auto-enrolment.

Auto-enrolment the hard way

- Government must 'do something'…
- …but is not certain what it can do
- Existing policy makes difficulties for auto-enrolment
- …and there is a real risk that saving gets worse not better

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There might be political pressure for the Government to do something about savings, perhaps because people believe there is a 'savings gap', with 'millions of people not saving enough'. Hard on a Government if that is the case, and then you don't really know what to do, perhaps because previous Government interventions into the savings industry have not all been successful. And if you have a state pension system that penalises saving, then clearly auto-enrolment will be difficult. And if the pensions industry is telling you that introducing auto-enrolment may make savings worse not better, then the policy decision a very hard one indeed.

Many of you have some knowledge of the UK pension system, know how extremely complicated it is, and will guess that it is the UK in this very difficult situation.

In comparison, I think that in New Zealand, KiwiSaver will be much easier. In New Zealand, Government is not under so much pressure to introduce KiwiSaver, but is in the easier position of wanting to do so. It helps that KiwiSaver is a consistent part of a wider policy context that is relatively stable. And it helps that existing savings are proportionately small, so the risk of new KiwiSaving cannibalising existing saving is lower.

Auto-enrolment the easy way

- Government does not have to, but wants to encourage saving…
- …and decides on a clear approach
- Auto-enrolment fits with wider policy…
- …and the risk of substituting savings is small

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All this means that whatever the shortcomings and problems of KiwiSaver, it looks more likely to succeed than the UK plans.

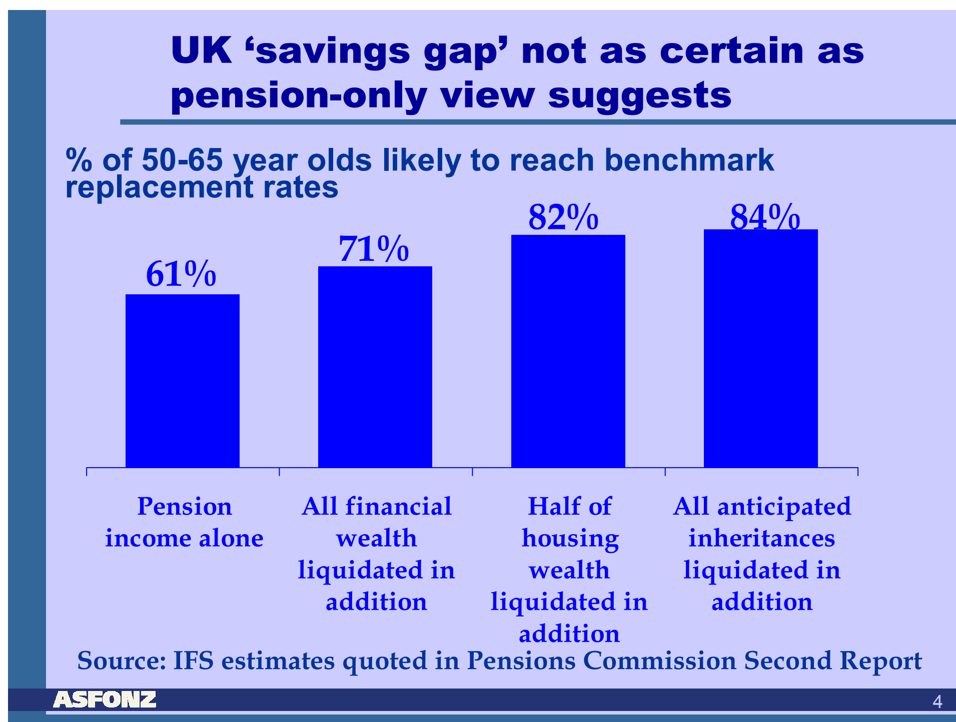
As we go through a comparison of the UK and New Zealand on these 4 issues, see if you agree with this. You may have reservations about KiwiSaver, but perhaps this will put them into a perspective of 'things could be a lot worse'.

So, to explore these 4 dimensions of an auto-enrolment savings policy.

1. First, it is easier if Government is not having a gun held to its head to 'do something' about saving, but rather would like to do something to help saving. It makes life very difficult for a Government if it faces political pressure to do something about a widely perceived problem, especially if that problem may not actually be as bad as people think.
    - 'Savings gap' data is difficult in both UK and NZ, but available data and analysis of implications appears to me to be better in NZ. Similar 'micro' calculations as John Gibson described are done in the UK to compare a supposed target retirement income with what people will have if they carry on saving as they are at the moment. The available analysis shows that NZ probably has less of a savings gap, if it has one at all, whereas there is more undersaving in the UK. The NZ result is of course largely to do with NZ Superannuation being more successful at protecting lowest earners than the UK state pension system is, a point to which I will return.

- In the UK, the existence of a retirement savings gap is widely accepted (even promoted by the savings industry), despite question marks over the evidence for it. There is little or no debate about the national savings rate, whereas here we have heard a good debate about 'macro' versus 'micro' measures. Instead the UK debate is very much about individual saving. In particular the UK debate is about private pensions being the 'only' source of retirement income – the only solution to the perceived problem. There is not full understanding of how other savings and assets will contribute, but the number at risk of 'undersaving' for retirement would obviously reduce if these other assets were taken into account.

- The Institute for Fiscal Studies in the UK showed how the proportion of the over-50s saving 'enough' for retirement – on a fairly generous benchmark level - would increase if it were assumed that people would draw down their financial assets and some of their housing wealth in addition to their pension.



The UK's Pensions Commission quoted this analysis, but did not explore its implications further. They kept on a track of new private pensions saving being the only answer.

- In NZ, there is less distinction between financial assets than in the UK which has distinct and generous tax relief for pensions. In NZ it is easier to have a policy to encourage general saving than in the UK where policy has got stuck on pensions.

- So the political imperative in the UK is higher, the policy objective more prescriptive, and debated almost entirely in terms of pension adequacy to the point of even describing a target pension income.

Different emphasis in policy objectives

UK Department for Work and Pensions, May 2006

…[the reforms] *could achieve enough on average to deliver replacement rates of around 45% for lifetime median earners who start saving at age 30…*

NZ Officials' Report on the KiwiSaver Bill June 2006

…encouraging a long-term savings habit… KiwiSaver aims to switch the bias towards making savings easy rather than difficult…

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The UK Government suggests that someone on median earnings will reach a replacement rate of 45% after a full career of working and saving, after the NPSS policy has been in place long enough. Success will therefore be looked for on a very particular measure, even if the Government considers this an illustration rather than a target. In contrast, the objectives behind KiwiSaver are described more generally, in terms of outcomes which are hard to argue against and would be generally considered good.

- Some have argued that the outcomes for KiwiSaver will not be good enough. But surely a Government would rather be in a position to see how a new policy develops, rather than be under pressure from the beginning to set a high target for success which, as I will come back to, will be very difficult to meet.

2. The second factor making policy easy for Government is if it has a chance to develop its own policy. It is hard for Government if it is not sure what it should do, harried by issues of trust and competence, and facing contradictory steers on what the solution should look like:
   - Last month I attended a seminar in the UK at which Dr Cullen described KiwiSaver. We were all impressed at a Minister so obviously knowledgeable about the subject (as we heard, he has been involved in superannuation issues since the late 1980s) being able to

talk so cogently about his programme of superannuation policy initiatives, how they fitted together and the idea behind KiwiSaver. In my nearly 5 years of running the UK's Pensions Policy Institute, we had 4 successive Cabinet Ministers responsible for pensions, and I think 5 junior pensions ministers. Short stints are hard in a subject with a long learning curve. In the UK a great deal of time has been spent on big focus group exercises with the public and seminars with industry and other players to get 'consensus'. But there is no Government-led inspiration around which consensus can be developed even if that were possible anyway. There are some very deep differences of opinion within the different parts of UK industry on how the auto-enrolment policy should evolve.

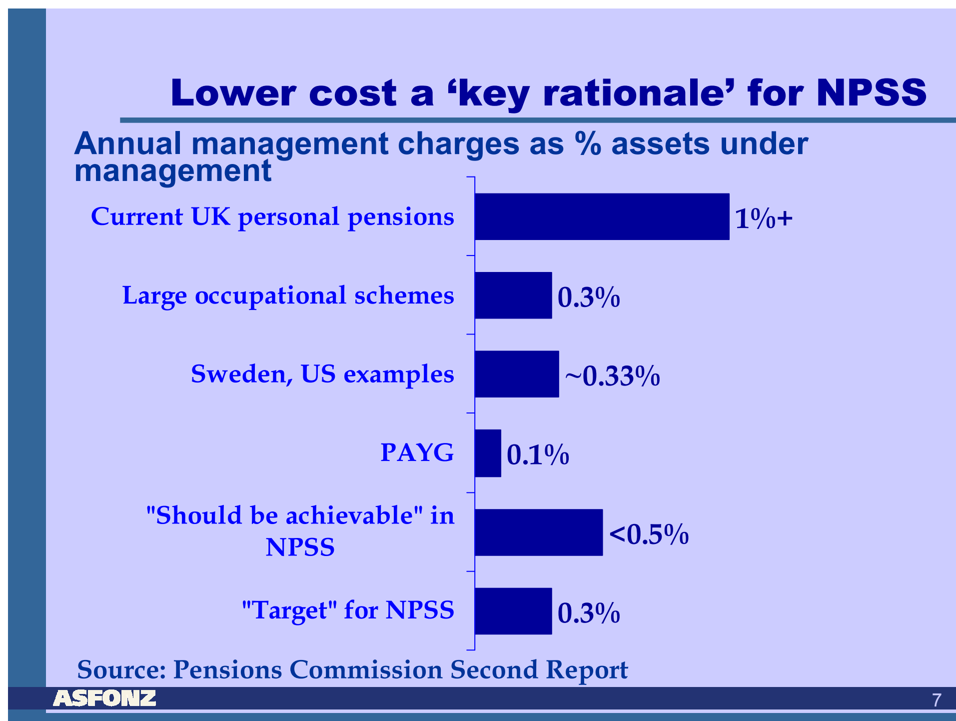
- And there are suspicions about trust and competence. UK Governments have a bad track record in new IT development. This is important as one will be needed for the NPSS; the annual-based UK PAYE system cannot be used as the contribution collection as that in NZ can be used for KiwiSaver.

- The track record of UK Government interventions into private pensions is not great either: stakeholder pensions have been disappointing, and Government had to allow industry a higher level of charges than originally hoped for. Government has also recently announced the end of contracting-out, the uniquely British complexity of allowing a private pension to replace part of the state pension.

- Any Government would want to avoid any potential liability if something goes wrong in private pensions. The UK Parliamentary Ombudsman has just held the Government responsible for compensating people who have lost pension when their employer folded with a deficient pension fund. The Government refuses to accept liability. Whether the Government is right to resist or not, it is not helping to create a warm atmosphere in which to develop an NPSS.

- It has also to be said that the British public do not hold much faith in the financial services industry either. I attended National Pensions Day - a very big focus group. There were around 200 people in the room and there were 6 similar events taking place around the country, all linked by satellite. Generally the mood for auto-enrolment was positive, but the next thought voiced by those I heard was either "I don't think the Government should run it" or "I don't want those people in the City getting their hands on my money". The financial services industry in New Zealand may not be everyone's obvious place to put their money, but it seems to me at least not tainted with quite the scandals the UK has experienced (Robert Maxwell and Equitable Life cast long shadows).

- The UK Government was given a very strong steer on the costs of the NPSS from the Pensions Commission. The Commission focused on a cost target of 0.3% of assets under management a year.



It said that *the potential to make pension saving possible at substantially lower* [cost] *is one of the key rationales for creating this national system*. Current pension products have annual management charges of at least 1% in order to make profits for their providers. Auto-enrolment into a national scheme should reduce the costs of marketing, advice and product proliferation. By looking at the benchmarks illustrated on this slide the Commission suggested that *costs substantially below 0.5% should be achievable and the target should be to achieve costs of 0.3% or less*. This is probably only possible with one default pooled investment fund with minimal choice for the individual and no room for brand marketing. This is radical and raises difficult issues for Government: one large fund is more likely to be seen as a Government-run scheme than will a model where individuals choose their own provider. But even though charges may not be the most important determinant of people choosing to save, or of their ultimate returns, this very low target has become a critical measure by which Government will be judged. Here in New Zealand, KiwiSaver should be lower cost, but an aggressive low cost target has not been set up as a 'make or break' rationale.

- The other aspect of cost is the cost to the taxpayer. There has been no rigorous estimate of the costs to the UK taxpayer of the NPSS. Yet they are expected to be substantial: the Commission suggested something like £500m in set up costs alone and the Government suggests tax relief will cost an extra £1.2bn to £3bn every year.

KiwiSaver lower cost than UK alternative

Set up cost of UK plan	~ £500 million (?)
Cost of new tax relief, each year	Between £1.2 billion and £3 billion
Cost of KiwiSaver, 2005/6 to 2009/10	~ NZ$ 900 million

Initial cost per new saver in UK appears to be around **3½ times** the cost of a new saver in New Zealand

Source: Analysis from Government estimates

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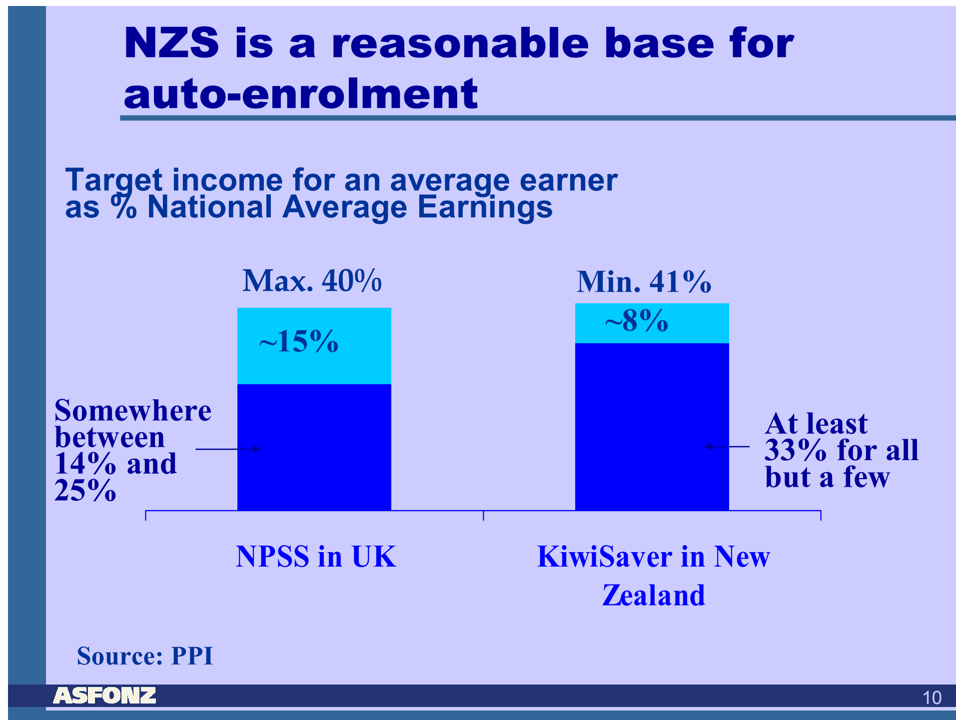
There has been no debate about whether this would represent value for money for the UK taxpayer. My very rough and preliminary estimate suggests that the cost of the UK plan would be much higher than the cost of KiwiSaver, for each new saver who joins: around 3½ times as much, mostly due to UK tax relief of course. The UK Treasury would be expected to have something to say about that, but the Treasury has yet to say anything on the auto-enrolment initiative in the UK, which has been driven by the Department for Work and Pensions. It could be a hard conversation. In contrast, KiwiSaver has been driven by the New Zealand Treasury, and the costs to the New Zealand taxpayer of developing and running KiwiSaver have been announced alongside policy developments.

- The UK Government is finding all these contradictory steers difficult, and is taking its time to decide what to do. Implementation is expected to be in 2012, 6½ years after the Pensions Commission published their proposal. KiwiSaver will be up and running in less than 4 years. The birth of KiwiSaver seems to be much easier than the conception of auto-enrolment is proving to be in the UK.

3. The third way to make auto-enrolment easy is to ensure that it is introduced into a stable system, with a relatively high and predictable state pension. A more difficult policy is to try it where the state pension is low and uncertain.
   - Compared to the minimum 33% National Average Earnings available to nearly all New Zealand residents through New Zealand Super, the UK provides a low and uncertain state pension.



In the UK, even after some reforms to the state pension expected in legislation before Christmas, the state pension will reach 25% of NAE only for some people. But the majority of people are expected to receive less than this from the state, and for some it will be around 14% of NAE. Where exactly you end up depends on your work and earnings history, whether you pass the rules for any time spent out of work to count, what the rules are for means-tested benefits when you reach retirement and whether you take up the means-tested benefits available then. This makes the achievement of the target income the UK Government illustrates (which I referred to earlier) difficult to reach.

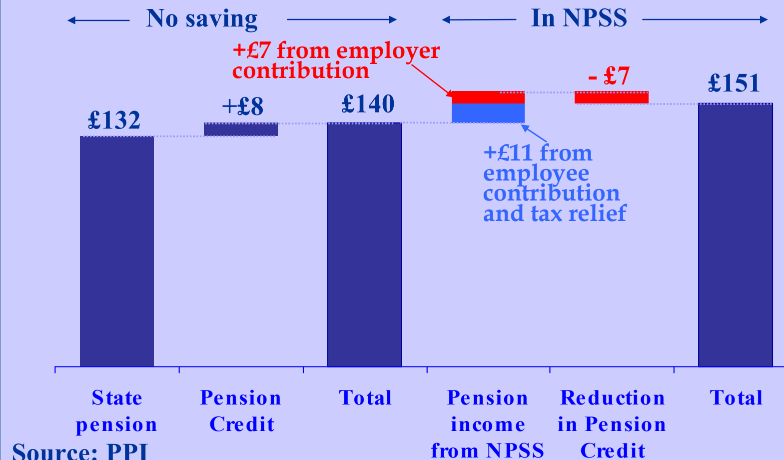
   - Any saving through KiwiSaver is for discretionary savings, for those who choose to want more than a basic income. Those choosing to opt out know they can still get by on NZ Super, even if it is only described as “milk and arrowroot biscuits”. In the UK, saving is more critical: to make up for inadequacy and uncertainty on the state pension and get to the “milk and biscuits” level even before you start to think about having more than that.

- I have shown the KiwiSaver amount as an income, but of course it can be taken as a lump sum. Even if all the money is taken and spent, there is no fear of falling back onto a means-test. In the UK, because the NPSS is designed on top of a policy of means-tested basic income, there has to be compulsory annuitisation of NPSS saving; to ensure people don't take their savings, spend it and then fall back on means-tested benefits. Compulsory annuitisation is unpopular and locks the NPSS into a pensions silo, rather than it being a general encouragement to save.

- Currently just under half of people over state pension age in the UK need to go through a means-test to get basic income. The proposed reforms to state pensions were driven largely by an agreed need to contain the politically unsustainable spread of means-testing. The Government suggest that their proposed reforms will take the proportion of older people needing to be means-tested down to around a third, but independent modelling by the Pensions Policy Institute suggests it could stay at current levels. This illustrates the degree of uncertainty in future outcomes of UK pension policy.

- The reliance on a policy of means-testing basic income has driven the pattern of contributions in the NPSS: 8% of a band of earnings in total coming 4% from the employee, 1% from tax relief; and a compulsory 3% from the employer. The 3% from the employer is 40% of the total, 8% contribution and it is just enough to make up for the 40% withdrawal rate of the means-tested benefit. You will therefore just get a positive return from your contributions even if you are on means-tested benefits in retirement.

  This example illustrates. Someone who before the new scheme did no saving might have £132 a week from state pension and £8 a week from the means-tested Pension Credit benefit. If he saved in the NPSS, his own contributions and tax relief would give him £11 a week extra pension income, but the £7 a week pension income from his employer's contributions would be exactly netted off by the reduction in his Pension Credit entitlement.



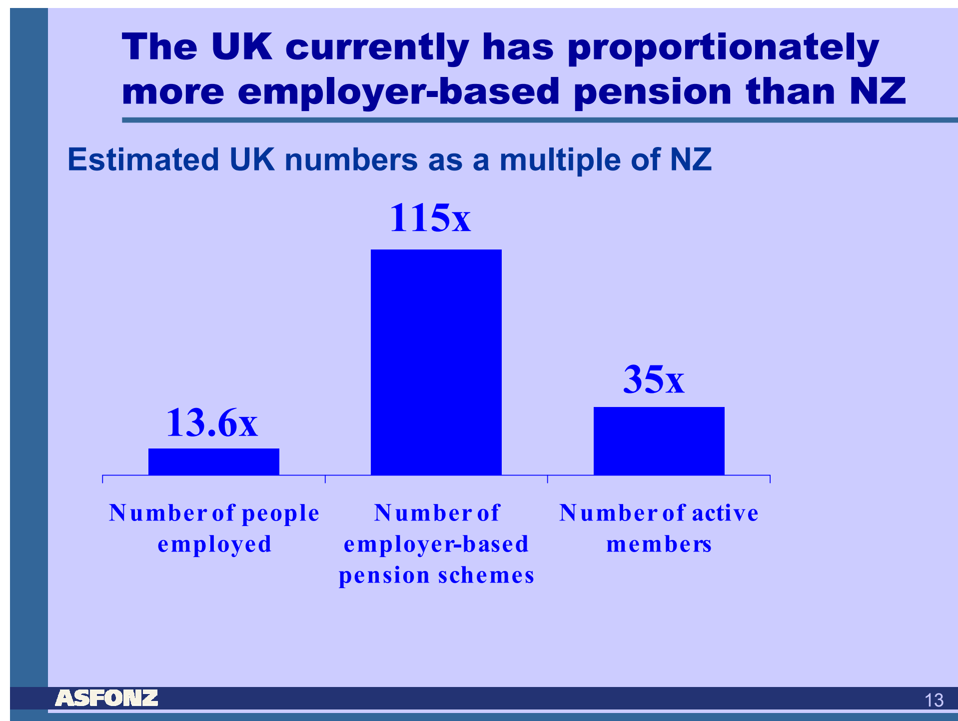
This means that any one who *may* be eligible for means-tested benefits in retirement has an uncertain rate of return from saving. The rate of return will be lower for poorer people - for whom the employer contribution just substitutes for benefit - whereas richer people will get full value from their employer contribution.

- Compulsion is also controversial with employers. There has in particular been an outcry from smaller employers for whom the new cost is significant. Compulsion also requires new compliance, the details of which we have not yet seen.

- KiwiSaver has none of the difficulties from returns being compromised by means-testing, or from compulsion on employers.

- It does have the issue of whether consumers will make the right choice about KiwiSaving being good for them especially compared to paying down debt. The UK has this problem too. But New Zealand is a decade ahead of the UK in providing generic financial advice through the Retirement Commission – a fact recognised by the UK Government but as yet not acted upon.

4. The fourth way to make auto-enrolment easy is to introduce it where there is little other saving in competition. It is hard to have very large existing pension business and multiple current providers concerned about the detrimental impact of introducing a new savings initiative in competition:
    - There is proportionately much more existing pension saving in the UK. Getting figures on a like for like basis is not exact, but here are my best estimates on one way of looking at it: the prevalence of employer-based pension or superannuation schemes.



With nearly 14 times as many employees in the UK as in New Zealand, there are around 115 times more (open) employer-based schemes, with 35 times as many active members. The rationale for and implementation of an auto-enrolment employer-based retirement savings scheme is obviously more difficult in the UK with such a large amount of pension provision already in place. Yes, it is declining, but slowly, and the reasons for that decline may still persist under a policy of auto-enrolment. (Note: % UK working age population contributing to a non-state pension: 45% in 2000 to 43% in 2004; average contribution 7.8% NAE to 9.3% NAE).

- The risks for current providers are that their current business declines as the new auto-enrolment plan grows. So the lobby groups for pension funds and insurers are asking the UK Government to design the new NPSS to be kind to them.

Lobby groups' demands to protect existing pension business

National Association of Pension Funds

- Target group for NPSS: *those who cannot save in a pension through their job*
- Contribution cap
- No transfers in
- Financial incentives for employers making 5%+ contribution

Association of British Insurers

- Target group for NPSS: *those currently saving little or nothing*
- Contribution cap
- No transfers in
- Financial incentives for small employers

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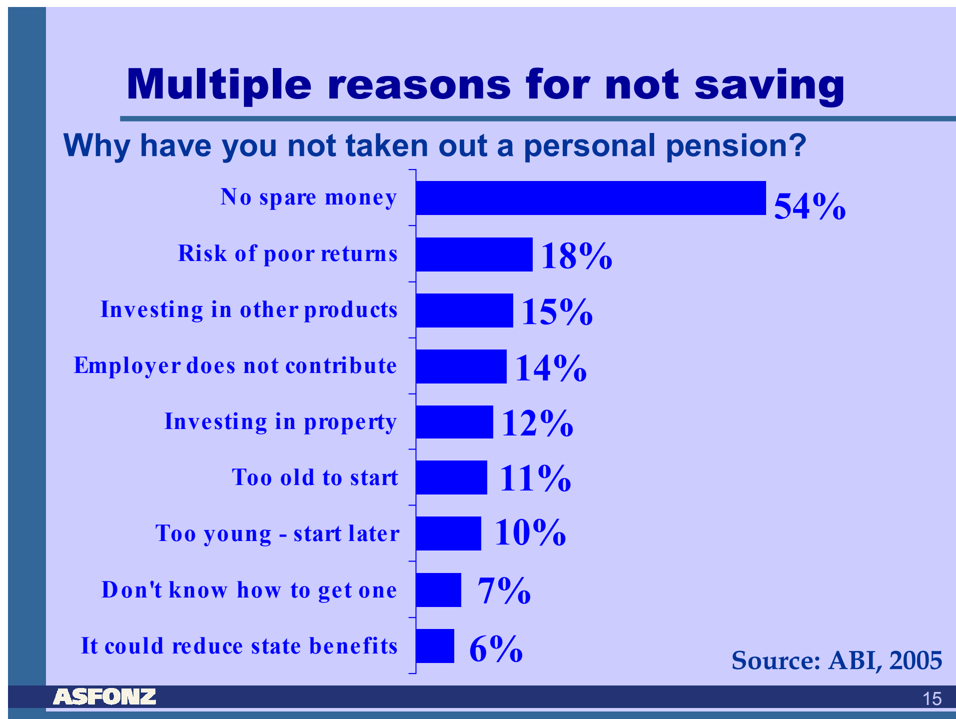
Both the pension funds and the insurers want the NPSS to be targeted to groups not in their current reach, and the NPSS to be constrained in size through a contribution cap (both suggest £3,000 pa) and no transfers allowed in. Both want new financial incentives for their target group of employers. The phrase being used is to "ring-fence" the NPSS from existing saving, but how, in a supposedly free market, you stop people from switching to a savings product which has been designed to be better than existing products is interesting.

- Both lobby groups are also asking for simple exemption rules for existing pension schemes, which have suffered a great deal of new regulation lately. There is a real risk that the introduction of auto-enrolment is the last straw for the remaining Defined Benefit schemes in the private sector.

- Defined Benefit schemes are still found in the public sector in the UK. There is a great deal of concern about the gap in pension generosity between public sector workers, mostly with good, secure, Defined Benefit provision, and private sector workers, often with no employer pension, or if they have one, it is low and Defined Contribution. In New Zealand the new SSRSS at least means there is no DB/DC rivalry, although the SSRSS is more generous than KiwiSaver.

- With a relatively high proportion of people already with a pension, many of those that don't have one may have rational reasons for not saving. For example, they may feel that they cannot afford it.



Surveys like this one tend to show multiple reasons for not having a pension, but 'not having enough money' is clearly at the top of the list. If this turns out to be a significant reason to opt-out of auto-enrolment, then the UK, with its higher penetration of pension provision may find success in auto-enrolment harder than here in New Zealand. The target groups for KiwiSaver are said to be those in income deciles 5 to 7 who are not saving. But the UK Government suggests the target group for NPSS starts in the second income decile. So affordability may well be a bigger risk for the UK than New Zealand.

- If a policy of auto-enrolment is introduced into an environment where pension provision is relatively well-entrenched there is a risk that even if more people have a pension, the average amount goes down. This is more of an issue in the UK than in New Zealand because there is so much more employer-based pension provision. The average employer contribution to DC occupational schemes is 6% of salary - more than the proposed NPSS compulsory contribution – and the average contribution for DB schemes is much higher. So there is a real risk of 'levelling down' once employers only have to contribute 3% and conflicting evidence on what employers' intentions for their contributions might be after the NPSS is introduced. The Pensions Commission believed that as pension provision is becoming more unequal, it would be better if more people had some even if some people have less. Others are not so sure that is a good trade-off.

For all these reasons, it sounds like the UK facing a harder path to success with auto-enrolment of its rather prescriptive pension savings plan, compared to the easier path to the simpler KiwiSaver, for reasons as much to do with the wider environment than the design of the savings vehicle itself.

But all is not lost for the UK. It has some things in its favour:

- With a start date of April 2012 it has plenty of time to get things right.
- The Government is likely to limit itself to taking the minimum policy decisions necessary as soon as possible then set up a Delivery Authority, a body at one remove from Government yet separate from industry, to be responsible for making the remaining decisions and implementing the chosen solution. This gets industry expertise into implementation and, if things go wrong, may take some of the flak away from Government.
- And if the Government finds it difficult to choose between the competing demands of the lobby groups and the Commission's proposal, it does have an obvious fall back plan: auto-enrolment into approved existing pension vehicles, including stakeholder pensions. This would be simpler than some of the proposals on the table, and very much like KiwiSaver. In other words, the UK Government is very lucky to have KiwiSaver as a role model with some experience being developed in advance.

So, I submit that in comparison with the UK, KiwiSaver has an easier path to success with an auto-enrolment policy.

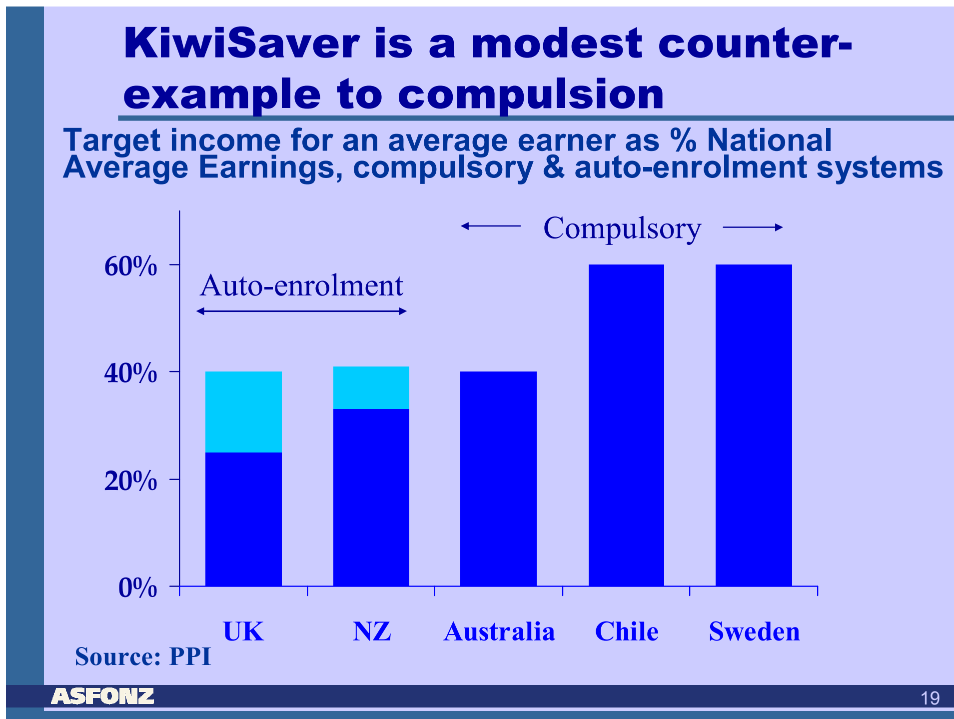
- With no proven savings problem, Government has been able to choose to introduce KiwiSaver because it wants to, without being under pressure to do so.
- It has been able to decide itself on a clear approach, and managed the budget through the Treasury.
- New Zealand Super provides a stable underpin with no doubts that full value will be obtained from saving on top. Any saving can be used for general purposes and it does not have provide a retirement income.
- With, by international standards, low existing pension business here in NZ, the risk of new saving substituting current saving is smaller.

Lessons from NZ

So, in some respects KiwiSaver is a world leader, and it can offer some lessons for the world:

1. First: KiwiSaver is first. It will build up valuable experience in practical implementation and perhaps its design will become a role model which Governments in other countries could almost exactly copy. Outcomes such as set up and running cost, numbers opting out, amounts of new savings will be pored over in many countries.

2. Second, KiwiSaver has modest ambitions to increase the number of people saving by making saving easier. Design choices have been made in a pragmatic way. The cost of saving should reduce, but policy is not overly focused on an ambitious cost target. The policy is not trying to be too prescriptive about saving only in a pension or about target levels of retirement income. With no compulsion, it is a light touch encouragement rather than heavy handed new regulation. KiwiSaver therefore provides a valuable counter-example to the greater degree of legislation preferred by the countries with compulsory saving.



This slide compares the degree of compulsion in some different systems. As we have already seen, the UK and New Zealand systems aim for similar levels of overall retirement income. The UK is placing more reliance on savings, with New Zealand having the more secure and higher level of state pension with NZ Super. Of the countries with compulsory saving, Australia aims for a level more in line with New Zealand and the UK, while both Chile and Sweden aim for a very high level of retirement income. It may be that the greater degree of imposition on how we spend our money inherent in a compulsory saving policy is falling out of fashion. If so, KiwiSaver will be a role model for countries not willing to restrict so heavily people's choices on savings versus spending, but still not willing to rely so much on saving as the UK Government is.

3. Third, consistent with a policy of allowing more choice, the Retirement Commission is already an international role model for how Governments can sponsor independent financial information and education, and *Sorted* is a role model website. The greater role of the Retirement Commission with workplace advice in the KiwiSaver environment will be examined very carefully by other countries.

4. Finally, KiwiSaver is not set up to be the only response to longer lives. KiwiSaver is one part of the puzzle, so less success than expected will not be fatal. In particular, older people will not be in absolute poverty, as they could be under the inconsistent UK policy, because NZ Super provides a secure basic income. The other part of the puzzle – working longer – seems to be already better in New Zealand than in other countries. (Note: for example, 12% of over 65s work compared to around 10% in the UK). Other initiatives such as the Superannuation Fund and the SSRSS do help to make a more benign environment for KiwiSaver.

Lessons for NZ

But there are still some lessons for KiwiSaver and New Zealand retirement income policy more generally.

Lessons for New Zealand

1. Understand what makes auto-enrolment work
2. Monitor offset in other savings and wider macro-economic effects
3. Measure KiwiSaver outcomes
4. Guard against Trojan Horse: tax incentives, compulsion
5. Protect stability of NZS

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1. First, auto-enrolment is very newly in fashion. The evidence that it works comes only from studies within individual employers who wanted to make it work. How effective it can be when imposed on a nation is unknown. The survey evidence that we saw earlier suggests it will not be a silver bullet, because many other factors cause non-saving, only some of which will be helped by auto-enrolment. So it will be very important for KiwiSaver, and very helpful for other countries planning to learn from KiwiSaver, to understand to what extent national auto-enrolment works, and what conditions make it likely to work or not.

2. Second, the risk of offsetting other savings, or of other unforeseen macro-economic effects has to be watched. How much will new saving in KiwiSaver be at the expense of existing saving elsewhere? In a research paper for the UK Government, PwC suggested 30-50% of new pension savings from auto-enrolment could be offset by reductions in existing non-pensions savings. How much could it be here? What would be the impact on consumer spending of people saving more, and how much would that matter? Perhaps in a country with a small domestic stock market, a low national savings rate and some taxation policy issues, these questions become more relevant. So some monitoring of the wider macro-economic impact of KiwiSaver is suggested.

3. Third, all this suggests outcomes should be measured. How much net new savings is as a result of KiwiSaver? Who is making that saving? How much of it sticks to retirement income? Now, even if we measure KiwiSaver outcomes and understand the wider effect, would that constitute success? What outcomes would mean KiwiSaver has been successful? It may be wise to have no stated targets for success, because there is very little evidence on which to base reasonable expectations, but on the other hand, it will be easier to claim success if the relevant outcomes are being measured against targets and that means you need to think about what to measure in advance.

4. Fourth, there has to be a worry that KiwiSaver is a Trojan Horse for future undesirable changes in savings policy. New Zealand has in recent years made a very good case for not having tax incentives for retirement saving. Now that some tax differential exists between KiwiSaver and other employer provision, there will always be political pressure to change the differential one way or another. And now that KiwiSaver exists, it will be easy to suggest KiwiSaving should be compulsory, or that employer contributions should be compulsory. So, to repeat, in the UK, the rationale for compulsory employer contributions was to compensate for the state pension being low and largely means-tested. These conditions do not exist in New Zealand.

5. Finally the existence of KiwiSaver may be suggested by some as a reason to reduce NZ Super. This would be an immense shame. NZ Super is a role model for the world. The Pensions Commission admitted as much when it suggested that the best state pension for the UK would be a flat-rate universal pension, indexed to earnings in payment. It recommended that, because of the complexities of the UK's starting position, it move to reach this ideal goal in 50 years' time - frustratingly slowly for those of us who believe the UK could get there quicker. So other countries would love to have NZ Super now – it would seem strange if New Zealand allowed itself to threaten the stability of such an asset. It is the nature of NZ Super that allows New Zealand to bring in KiwiSaver the easy way. Changing NZ Super – and especially means-testing it - will make KiwiSaver much more difficult. This is not to argue for no change at all – pension age may need to be looked at because of greater longevity – but the basic structure of NZ Super is flexible to such refinements over time.

So how does New Zealand savings policy rank internationally? KiwiSaver is a world leader, which with other initiatives provides a coherent policy role model. I suspect that as KiwiSaver moves through implementation many other countries will be watching its progress. And will it be a success for New Zealand? The case for absolutely needing it may not be fully proven. But absolute proof is impossible anyway, and proving it just may not matter. If KiwiSaver can do good by making saving easier, and not do harm, then it will be on balance a positive policy. And it is more likely to be able to do good here in a relatively easy savings environment than elsewhere.