THE UNIVERSITY OF AUCKLAND
Te Whare Wānanga o Tāmaki Makaurau
NEW ZEALAND

BUSINESS SCHOOL

Retirement Policy and Research Centre

A Briefing from the Retirement Policy and Research Centre

KiwiSaver what it is, what we know, what we need to know

RPRC PensionBriefing 2021-3[1]

14 December 2021

This PensionBriefing specifically focusses on the data gaps in KiwiSaver reporting. These gaps are important. New Zealand has very little in depth analysis of KiwiSaver: who benefits and who loses. We compare the information on superannuation schemes available in New Zealand with that available in Australia. Specifically, better data could signal where policy changes to KiwiSaver can be made to achieve better outcomes across different genders and ethnicities.

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1. Introduction

Much has been written about New Zealand's unique auto-enrolment scheme, the history and framework of KiwiSaver and its gender implications (see for example Dale and St John 2020).[2] That background is not repeated here, except to note that KiwiSaver is unusual compared to auto-enrolment schemes elsewhere such as UK, and as has been proposed in Ireland (St John 2016).[3]

In brief, New Zealand's KiwiSaver can be described as an extremely successful branding exercise, widely supported with 3.1 million members in a national population of 4.9 million. Members have accrued $81.6 billion since the scheme began in 2007. KiwiSaver is unique because:

- It has largely replaced traditional superannuation schemes.
- There is a choice of 28 providers and multiple (300) funds offering a wide range of investment options, growth strategies and different levels of risk.
- Membership is wide, but a high number do not make regular contributions.

[1] This PensionBriefing draws on RPRC papers published on KiwiSaver, eg Kiwisaver: lessons for Ireland 2016, the 2019 Working Paper for the 2019 Review of Retirement Incomes Policies *Decumulation,Time to Act* and working paper Women and Retirement in a post COVID-19 world.
[2] See https://cdn.auckland.ac.nz/assets/business/about/our-research/research-institutes-and-centres/RPRC/OtherPapers/WP%202020-1%20Women%20and%20Retirement%20FINAL.pdf.
[3] See https://cdn.auckland.ac.nz/assets/auckland/business/our-research/docs/RPRC/wp2016-2-kiwisaver-lessons-for-ireland-sept2016.pdf.

- KiwiSaver is an individual voluntary scheme and fully portable.
- The Inland Revenue Department (IRD) is the clearing house for employer contributions.
- There are minimal tax subsidies.
- The Financial Markets Authority (FMA) provides broad oversight, re fees, default schemes, annual reporting.
- The Financial Services Council (FSC) offers independent analysis.
- There is some accountability and assessment in 3 yearly reviews by the Retirement Commission Te Ara Arunga Ora.

It is clear that the state pension alone cannot be relied on for even a 'no frills' lifestyle for most retirees. While KiwiSaver is not the only source of additional resources in retirement it is an increasingly important one. Research from Massey University[4] suggests a two-person household would need savings of $809,000 to fund a 'choices' lifestyle in a city and $511,000 in the provinces. To fund a 'no frills' lifestyle would require $195,000 in the city and $75,000 in the provinces.

This briefing reviews the data currently available and reveals the gaps in what is needed to adequately monitor and improve KiwiSaver to ensure it is successful for all New Zealanders.

2. What has happened to other superannuation schemes?

As KiwiSaver gradually supplanted employment-based superannuation schemes, data on such schemes became harder to find. The Government Actuary's Office (GA) used to present comprehensive statistics on both retail and employer-sponsored superannuation schemes. The last report was for 2010 and soon after, the functions of the GA came under the Ministry of Business, Innovation and Employment (MBIE), and information became harder to obtain.

While workplace superannuation schemes that transitioned from the Superannuation Schemes Act 1989 regime provide public information for each individual scheme (annual reports and financial accounts on the Disclose website),[5] the overall picture on superannuation accumulations is no longer collated into one report.

In 2020, the FMA provided a one-off overview of remaining restricted schemes (Table 1). The number of such schemes has continued to decline, from 110 in 2017 to 102 in 2020, along with a decline in members. Only 166,881 members remain. There are now only 60 Defined Benefit (DB) schemes and only 6 (10%) of these are still open. Of the 33,392 total

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[4] See https://www.massey.ac.nz/massey/fms/Colleges/College%20of%20Business/School%20of%20Economics%20&%20Finance/FinEd/documents/RetExpBudget_Report_June2021.pdf.

[5] See https://disclose-register.companiesoffice.govt.nz/.

membership, just 18,261 are current contributors while 15,131 are receiving a pension, usually an unindexed one.

The Government Superannuation Fund 2020 annual report (2021) shows over the five years (2016-2020) the numbers of contributors to the state's DB scheme had fallen by half to 4,512, and the number of annuitants (receiving annuities in retirement) had fallen by 3.8% to 43,894. Just over 5% of the total 825,000 superannuitants in 2020 had an inflation-adjusted Government Superannuation Fund (GSF) annuity.

In summary, combining statistics of state and private DB schemes for those in retirement, only around 6-7% of New Zealand superannuitants have a life annuity, around 70% of these are GSF pensions. Many of these pensions will be small, and some are paid to surviving spouses and children.

Over time, as KiwiSaver supplants the traditional company DB schemes, almost all of which are closed to new members, there will be vastly fewer retirees with supplementary income that protects them from longevity risk. Some argue that this does not matter and that drawdown products based on rule of thumb will suffice (O'Connell et al 2021).[6]

There may be, however, as RPRC argues, a case for a maximum value, inflation-adjusted 'KiwiSpend' annuity default option in the KiwiSaver space (St John and Dale 2019b).[7] Instead of everyone saving the lumpsums for a 'no frills' or 'choices' retirement, and some dying asset rich while others outlive their lumpsum saving, there could be a sharing from those who die early to those who live longest through the annuity mechanism. If this case is further developed, good data on median and mean balances in KiwiSaver by age and gender will be required (RPRC 2022 forthcoming).[8]

Data on who accesses KiwiSaver early and why is also essential, especially in light of the unequal economic impact of Covid. To address issues of inequality in retirement and pensions gaps, data by gender and ethnicity is required.

[6] See https://actuaries.org.nz/wp-content/uploads/2021/11/How-to-make-drawdown-a-success-FINAL-Nov21.pdf 'How to make drawdown a success'.
[7] See ToR 6 FINAL St John and Dale 4 Oct revised.pdf (auckland.ac.nz)
[8] KiwiSpend for a 21st century retirement. (RPRC forthcoming 2022).

Table 1. Restricted schemes 2020- overview[9]

	Number of Schemes	Assets ($)	Total Membership
Restricted Workplace Savings Schemes* *Includes: Employer-Based,3 Master Trusts and NPF	88 (22 open)	12,066,223,000	99,103 of which 70,552 members contribute, 15,131 are pensioners and 13,420 are non contributory.
WPS Defined Benefit WPS Defined Contribution	60 (6 open) 25 (14 open)	4,216,202,000 7,532,261,000	33,392 60,851
Restricted Legacy Schemes (ex retail)	9	1,883,829,000	35,006 of which 7,004 contribute
Restricted KiwiSaver Schemes	5	1,143,601,000	26,932 of which 20,275 contribute
2020 TOTAL RESTRICTED SCHEMES	102	15,093,653,000	161,041
2017 Restricted Schemes totals	110	14,663,999,000	166,881

3. KiwiSaver data collection points

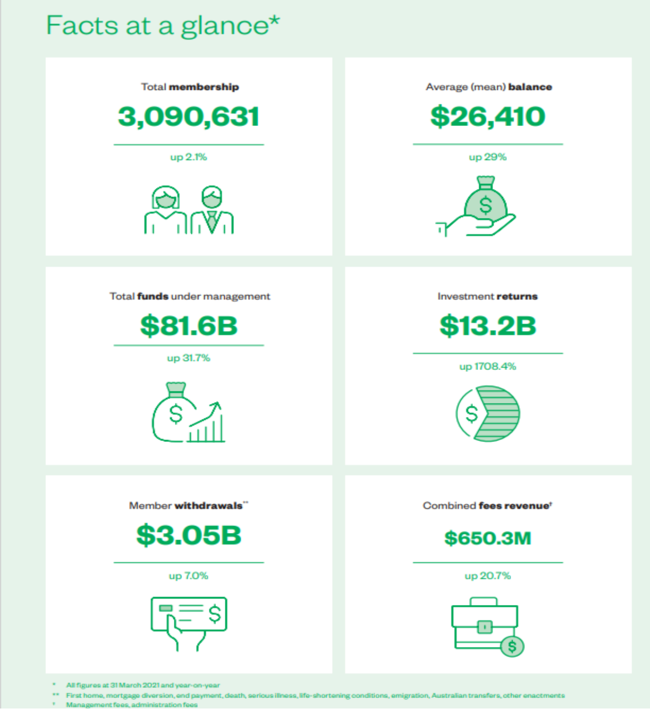
The Financial Markets Authority (FMA)

The FMA stands at the apex of the KiwiSaver superstructure and has the ultimate oversight of the KiwiSaver providers. KiwiSaver statistics are collected and published each year in the FMA Annual KiwiSaver report[10] based on regulations written by MBIE under the KiwiSaver Act.[11]

Data on fees, fund-switches, default membership, scheme size and nature of schemes is documented but the data provided to the FMA is at the scheme level and do not include individual member information, or individual provider information. Under the Financial Markets Authority Act 2011 the FMA is required to report on information in aggregate form rather than at an individual scheme level. Table 2 illustrates the aggregated nature of the data presented.

[9] Summary statistics for restricted schemes from part of a joint presentation given by an FMA presenter at a November 2020 FSC arranged forum for licenced independent trustees and chairs of restricted workplace savings schemes.
[10] See KiwiSaver Report | Reports and papers | FMA
[11] See https://www.legislation.govt.nz/act/public/2006/0040/latest/DLM378372.html#DLM378380.

Table 2. Aggregate statistics KiwiSaver FSC 2021



Appendix tables give aggregate figures on KiwiSavers who are non-contributors including those on savings suspensions and how this changes during the year, but not by gender or income or age. Table 3 shows the limited nature of gender and age breakdown.

Table 3. Total memberhsip KiwiSaver, 2021

Age at end of annual return year	Female	Male	Gender unknown	Total
17 and under	127,018	133,357	1,236	261,611
18-25	217,285	226,628	3,354	447,267
26-30	169,381	174,848	2,299	346,528
31-35	169,800	170,056	2,649	342,505
36-40	148,691	144,959	2,425	296,075
41-45	133,808	125,329	1,979	261,116
46-50	142,822	128,155	1,694	272,671
51-55	137,171	121,930	1,375	260,476
56-60	132,200	117,202	1,155	250,557
61-65	108,003	95,184	812	203,999
66-70	50,378	45,250	290	95,918
71-75	21,804	20,077	101	41,982
76-80	4,422	4,356	38	8,816
81-85	193	189	5	387
86 and over	114	113	1	228
Unknown age	203	281	11	495
Totals	**1,563,293**	**1,507,914**	**19,424**	**3,090,631**

There is no breakdown by median and average balances by age and gender or ethnicity, and there is no statutory provision for FMA to produce these statistics. To gain this information under current law it would be necessary to go to the KiwiSaver providers directly.

Note, however, that a good representation of the statistics on balances by age and gender could be compiled by an independent body from either the top 3 or the top 10 providers.

Financial Services Council (FSC)

The FSC is described as the voice of the financial sector.[12] Table 5 shows a summary of the information from the FSC in a snapshot of KiwiSaver data at a highly aggregated level based on quarterly survey data of FSC members and Reserve Bank data on total funds under management. This enables trends in contributions and asset accumulation to be monitored over the year (FSC 2021).

While we have the average member balance ($27,858 as at September 2021) this tells nothing of the distribution around the average or the differences by gender and ethnicity.

Table 4. Financial Services Council snapshot of KiwiSaver data Sept 2021

Source: FSC Quarterly KiwiSaver Survey, 30 September 2021

Inland Revenue (IR)

The IR publish monthly and yearly on a range of aspects of KiwiSaver[13]

- Members joining KiwiSaver
- KiwiSaver schemes
- KiwiSaver scheme entry method
- KiwiSaver scheme transfers
- KiwiSaver contributions
- KiwiSaver withdrawals
- Members exiting KiwiSaver

[12] See fsc.org.nz/site/fsc1/Media%20Releases/301121%20-%20Resilience%20in%20KiwiSaver%20despite%20Covid-19%20-%20DRAFT%20v3%20-%20FInancial%20Services%20Council22.pdf.
[13] See https://www.ird.govt.nz/about-us/tax-statistics/kiwisaver, and https://www.ird.govt.nz/about-us/tax-statistics/kiwisaver/datasets.

For example, Table 5 shows the aggregate annual data on access to withdraws by reason. Data is not broken down further by gender, age, income bracket, but is also available on a monthly basis as shown in Table 6.

Table 5. Amount of KiwiSaver Funds withdrawal by withdrawal reason (IR, 2021)

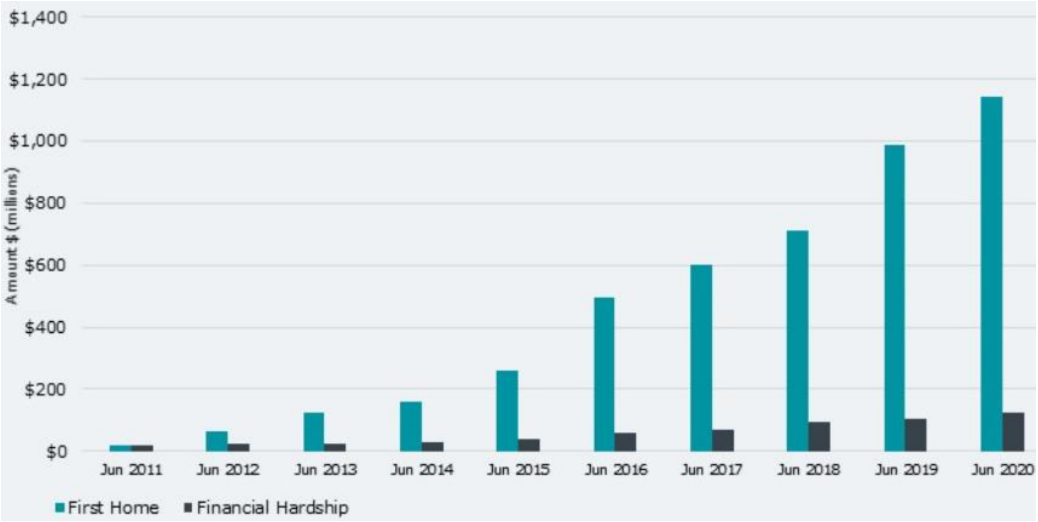
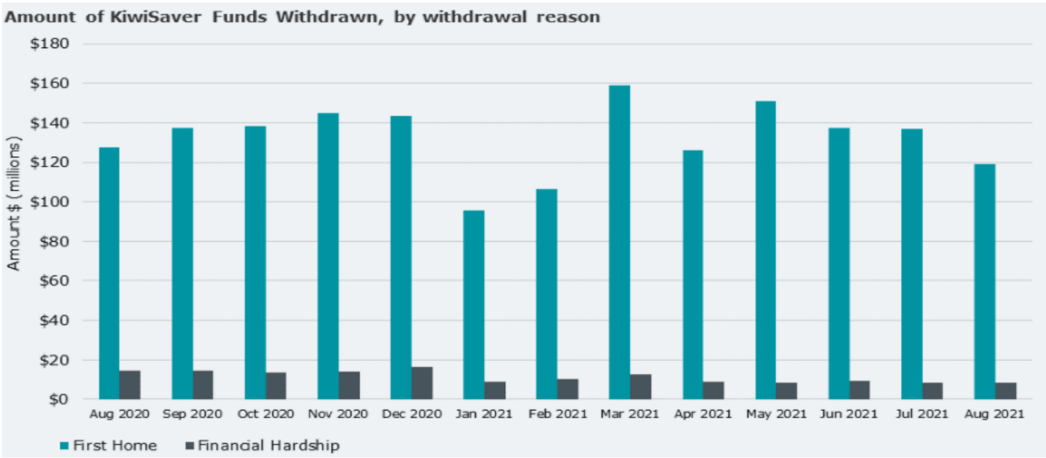


Table 6. Amount of KiwiSaver Funds withdrawn monthly by withdrawal reason (IR, 2021)



The last KiwiSaver evaluation report was for the 2007-2014 period.[14] The appendix to this comprehensive report by the National Research & Evaluation Unit contains useful but now outdated information including median balances by gender and other data by gender and ethnicity.

The Te Ara Ahunga Ora Retirement Commission (RC)

The Retirement Commission presents information three-yearly in the Retirement Incomes Policies Review. The latest one was for 2019.[15] These reviews are reliant on available official statistics but also provide more detailed background reports.[16] In-house surveys

[14] See KiwiSaver (ird.govt.nz).
[15] See https://retirement.govt.nz/policy-and-research/2019-review-of-retirement-income-policies/kiwisaver/.
[16] See KiwiSaver What New Zealand Told Us KiwiSaver Survey Summary.

provide other statistics that can be valuable in providing some evidence around attitudes and behaviours. The Data available from the Commission's surveys can be found in the report for the Review of Retirement Income Policies in 2019.[17]

As an example, a 2019 survey by the (then) Commission for Financial Capability (CFFC)[18] found that 34% of women and 20% of men enrolled in KiwiSaver did not know whether their fund was in the conservative, balanced or growth categories. Of the survey's 4,000 participants, 19% of women and 14% of men – which equates to nearly 500,000 New Zealanders - didn't know how much they were contributing to KiwiSaver each payday, and about 12% of KiwiSavers did not know how much they had in their accounts. When asked if last year they received the Member Tax Credit, the annual government contribution of up to $521, 31% of women and 25% of men didn't know, and 10% of those surveyed were not aware the Member Tax Credit even existed.

Independent sources

Some NGOs and private sector companies provide additional statistical material. For example, Melville Jessup Weaver (MJW) provides detailed analysis of KiwiSaver using the data from individual providers. The 2021 MJW report[19] presents the overall statistics of the market, default providers, Assets and Membership showing which are the largest providers and which are growing the fastest, their fees, and competitiveness. Data show which providers have the highest member balances on average and which have the highest contribution ratios. The profile of each KiwiSaver Provider is reported in the appendix.

Each provider gives an overall average member balance but no detailed breakdown. However, the framework provided by MJW may allow for individual provider data to be aggregated, if not of all 28 providers, the top 10 or 3 may give reasonably accurate breakdown by age, gender and income bands but this would be a separate commissioned piece of work.

[17] See https://cffc-assets-prod.s3.ap-southeast2.amazonaws.com/public/Uploads/Retirement-Income-Policy-Review/2019-RRIP/Research-docs/The-big-picture/CFFC-Research-Income-Sources-and-Hardship-in-Retirement.pdf.
[18] See https://retirement.govt.nz/news/latest-news/what-we-dont-know-about-kiwisaver/.
[19] See KiwiSaver Market Study (mjw.co.nz).

Table 7. ANZ KiwiSaver (MJW, 2021)

ANZ	Current 31 March 2021	1 year ago 31 March 2020	5 years ago 31 March 2016	Change (1 year)	Change (5 year)
Members	587,056	592,230	540,760	-5,174	46,296
Assets ($m's)	13,182	10,075	5,538	3,107	7,644
Fees charged ($m's)	116.5	105.9	60.9	10.6	55.6
Market share (% of members)	19.0	19.6	20.7	-0.6	-1.7
Market share (% of assets)	16.1	16.3	16.4	-0.1	-0.3
Average member balance ($000's)	22.5	17.0	10.2	5.4	12.2
Contribution ratio (%)	61	59	55	1	6
Fees charged per average member ($)	198	179	117	19	81
Fees as percentage of average assets (%)	1.00	1.08	1.22	-0.07	-0.22

Other sources of independent sourced survey material may be helpful in understanding segments of the Kiwisaver membership.

For example, Ngā Tāngata Microfinance (NTM) is an NGO whose clients tend to be those on very low incomes often struggling with debt. Their client base is a source of insights into KiwiSaver for this group, but surveys are limited by size and survey method.

For example, an online survey of clients in October 2021[20] by NTM relied on a small sample (84 participants) and short questionnaire (10 questions). They found 60% of respondents were members of a KiwiSaver scheme. Of these KiwiSavers, 37% were not contributing, 46% were contributing 3%, and the remaining 17% were contributing 4% to 10%. A surprising 70% did not know whether their employer paid the employers' compulsory KiwiSaver contribution as part of or in addition to their salary/wage, and for 47% of KiwiSavers, their employer did not provide them with a pay slip providing this information. While 3% of the KiwiSavers had made a withdrawal from their account to purchase a house, 35% had made a withdrawal on hardship grounds. It was also noted that 55% of survey participants reported that the COVID-19 pandemic had negatively affected their household finances.

4. What data is available in Australia?

While the Australian Age Pension[21] (AAP) is the main income support for people who have reached eligibility age of currently 66 years, increasing by 6 months every 2 years until reaching 67 on 1 July 2023,[22] the Superannuation Guarantee (SG) scheme is the primary source of 'comfort' in retirement.

Similar to our KiwiSaver but compulsory, the SG, Australia's second tier retirement saving scheme, requires employers to contribute a minimum of 10% (from 1 July 2021) of each

[20] NTM provides no-interest, no-fees loans to low-income New Zealanders, in partnership with Kiwibank and MSD.
[21] See See https://www.servicesaustralia.gov.au/individuals/services/centrelink/age-pension.
[22] Eligibility to the AAP for citizens and residents also requires Australian residence for at least 10 years, including 5 consecutive years.

eligible employee's earnings (ordinary time earnings) to a complying super fund or retirement savings account. The SG design differs in some details to KiwiSaver, including those that affect women as outlined in Dale & St John 2021. Many of the issues are similar but in Australia better statistics on a gender, age basis are available.[23]

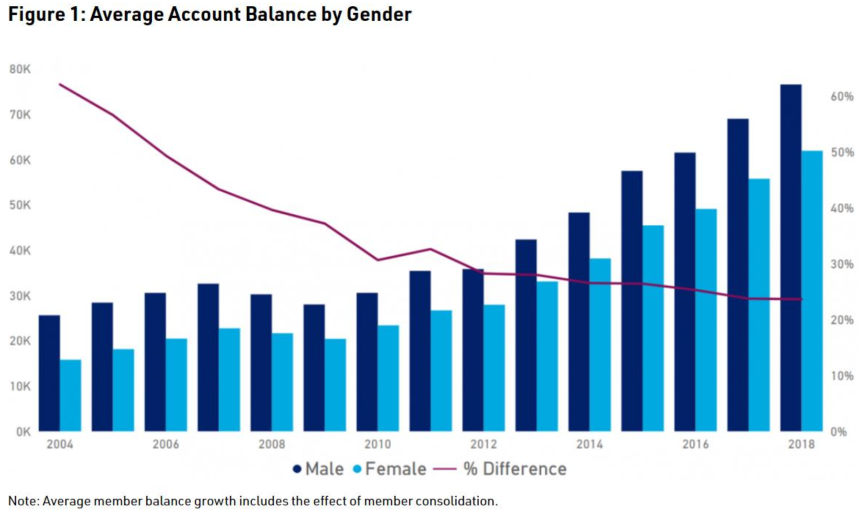
APRA is Australia's prudential regulator of banks, insurance companies and most superannuation funds. APRA publishes data on each provider in Annual MySuper statistics.[24]

As part of the COVID-19 response, figures from APRA (Australian Prudential Regulation Authority)[25] reveal super funds paid out over $30 billion to members across more than four million payment applications in 2020. Women were overrepresented, increasing the gender pensions gap with effects likely to get worse:

- One in five women aged 25-34 made an early release application
- On average, early release applicants started with lower SG balances
- Women, starting with lower balances than men, eroded their accounts more
- The early release scheme increases the gender pension gap for women
- Gender pension gap for women aged 25-34 vs men increased from 21% to 45%
- Gender pension gap for women aged 55-59 vs men increased from 44% to 51%.[26]

For example, there is detailed information on average and median balances by gender (see Table 8).

Table 8. Mean and median balances APRA 2021[27]



[23] Eg See https://employsure.com.au/guides/wage-and-pay/superannuation/?gclid=CjwKCAiAhreNBhAYEiwAFGGKPL0qr70nYLOSplfq_GmIsRUXitZnuueZDGp6l1yewczo9MmQhnXBrRoC9H4QAvD_BwE.
[24] See Annual MySuper statistics: June 2020 XLSX 1.66 MB Published 16 December 2020 https://www.apra.gov.au/annual-mysuper-statistics
[25] See Early super payments top $30bn - ifa.
[26] Comment via 21 September 2020 email: Sandra Buckley, CEO, Women in Super, womeninsuper.com.au.
[27] See https://www.apra.gov.au/news-and-publications/apra-deputy-chair-helen-rowell-speech-to-2019-asfa-conference.

The Australian industry body, Association of Superannuation Funds of Australia Limited (ASFA) publishes statistics on individual MySuper products, on an annual basis. These statistics contains information on profile and structure, financial performance, fees and membership for all MySuper products.

A 2017 report "Superannuation account balances by age and gender"[28] gives detailed analysis of superannuation balances by age and gender and could be a blueprint for the types of data New Zealand could collect.

> *Median figures (where 50% have more than the figure and 50% have less) are considerably lower than the average (mean) figures. In 2015-16 the median figure for men aged 60 to 64 was $110,000 while for women it was only $36,000. For households, the equivalent figures are $200,000 for households where the reference person is a man, and $95,000 where the reference person is a woman (ASFA, p. 13) .*

5. Policy discussion

Consistent, regular and statistically reliable figures should be available on the full range of issues surrounding KiwiSaver. There are, however, clearly gaps in the information that is currently provided. These gaps are only partially plugged by one-off surveys. While there is some limited data from surveys and one-off monitoring reports more official data should be collected and reported on a regular basis. At the institutional level, responsibility for collecting this data could be split between the FMA and the FSC.

One critical data lack identified here is breakdowns by gender, by age and by income bands. There is virtually nothing by ethnicity. Understanding this data is key to addressing the wide gender and ethnic pension gaps by well-designed policy measures. While we can infer from Australian data that median KiwiSaver balances of women will be far below those of men, New Zealand quantification is needed. Furthermore, gender- and ethnicity-based data is needed to understand the inequalities that COVID has raised along with the housing market crisis. Whose KiwiSaver has been sacrificed? Can we design better to ensure that KiwiSaver is actually fair for all New Zealanders?

For comments and suggestions please contact

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[28] See https://www.superannuation.asn.au/ArticleDocuments/359/1710_Superannuation_account_balances_by_age_and_gender.pdf.aspx?Embed=Y.