Making responsible investment the new standard in KiwiSaver

Matheson Russell

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KiwiSaver will have an increasing impact on New Zealanders’ financial wealth. The ‘default’ investment options offered by KiwiSaver schemes do not include ‘socially responsible investments’. Just as the government has regulated the investment strategy of the default option for the nine default schemes, perhaps the default options of all KiwiSaver schemes should be required to use ‘socially responsible investments’ in their investment strategy.

1. Introducing ‘responsible investment’

KiwiSaver is creating a large and growing pool of retirement savings in New Zealand. As of March 2015, KiwiSaver funds represented around $27 billion of assets under management. But how responsibly is this pool of retirement savings being invested?

The challenge of climate change more than any other contemporary issue is focusing attention on the importance of socially responsible investment (SRI). The Intergovernmental Panel on Climate Change (IPCC) concludes in its most recent Assessment Report that:

“…pathways that are likely to limit warming to below 2°C relative to pre-industrial levels … require substantial emissions reductions over the next few decades and near zero emissions of CO₂ and other long-lived greenhouse gases by the end of the century.”

In real terms, this means that up to 80% of fossil fuel reserves must be left in the ground if we are to have a strong chance of limiting global warming to the ‘safe’ threshold of 2 degrees Celsius. That is to say, most of the coal, oil and gas already discovered is unburnable.

1 Matheson Russell is Senior Lecturer, Philosophy in the Faculty of Arts, University of Auckland
2 An RPRC PensionCommentary is an opinion piece designed to provoke discussion on an issue of public significance. The views expressed in this commentary are the author’s, not the RPRC’s.
4 M Meinshausen et al. “Greenhouse-gas emission targets for limiting global warming to 2 °C” Nature 458, 1158-1162 (30 April 2009); doi:10.1038/nature08017. The International Energy Agency concurs (although it bases its prescriptions on the assumption that we aim at a 50% chance of keeping global mean temperatures below 2°C): “No more than one-third of proven reserves of fossil fuels can be consumed prior to 2050 if the world is to achieve the 2 °C goal, unless carbon capture and storage (CCS) technology is widely deployed.” (World Energy Outlook 2012, Executive Summary, p. 3) here.
This raises serious questions about the wisdom of investing in further exploration for coal, oil and gas. Not only is such investment unnecessary given the abundant reserves, it is driving the planet ever closer towards the precipice of catastrophic climate change. Financial analysts also warn of the risk to investors if, as is widely expected, increasingly stringent government regulation limits the use of fossil fuels and renders fossil fuel reserves “stranded assets.” In response to these ethical and financial considerations, a rapidly growing number of investors around the world—including pension funds, cities, churches, and universities—are disinvesting from the fossil fuel industry either in part or as a whole. In New Zealand, a number of institutions have taken this step in recent months, including Victoria University of Wellington, the Anglican Church, the Presbyterian Church, and Dunedin City Council.

But responsible investment is about more than climate change. Traditionally, the approach taken to responsible investment has been to exclude ‘unethical’ businesses from investment portfolios, e.g. tobacco, armaments, gambling, pornography. In recent years, however, the moralizing approach has been largely eclipsed by a more holistic approach to responsible investment which aims to incorporate into the investor’s decision-making process an assessment of environmental, social and governance (ESG) factors. The underlying principle behind the ESG approach is the belief that such factors are material to long-term investment returns; more sustainable companies are more likely to be a better long-term bet for investors. The flagship for the ESG approach is the United Nations-supported Principles for Responsible Investment (PRI), launched in 2006. The PRI initiative has been remarkably successful, with combined assets of more than US $45 trillion under management by signatories to the Principles.

According to the Responsible Investment Association Australasia (RIAA), the responsible investment market in Australia and New Zealand accounts for around 17.7% of total assets under management. Most of this investment takes place under the PRI framework, representing 15.7% of the total, while traditional ‘ethical’ investment makes up the remaining 2.2%. In New Zealand, 40% the total assets under management are invested under responsible investment mandates, although this high figure is almost entirely due to the New Zealand Superannuation Fund (NZSF) which is a global leader in responsible investment among sovereign wealth funds and is a founding signatory to the PRI.

By any measure the KiwiSaver market, in contrast to the NZSF, is lagging far behind the pace when it comes to responsible investment of the kinds described above. None of the current KiwiSaver providers is a signatory to the PRI, and only a handful of investment options self-described as ‘ethical,’ ‘sustainable,’ ‘responsible,’ or ‘socially responsible’ are

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6 The “carbon bubble” analysis was first presented by the Carbon Tracker Initiative in a report, *Unburnable Carbon: Are the World’s Financial Markets Carrying a Carbon Bubble?*, published in 2012. It has since been explored in further depth and confirmed through research by several authorities including HSBC, Standard & Poor’s, and the Bank of England.

7 See the UN’s PRI website.

8 Figures based on the most recent report published by the Responsible Investment Association Australasia: *Responsible Investment Benchmark Report, 2014* here.

9 The RIAA survey relies on data provided by Morningstar for Total Assets Under Management in Australasia. It should be noted that the Morningstar data does not cover all classes of superannuation and managed fund, and so is incomplete.

10 AMP Capital is a PRI signatory, and is reportedly set to launch its own KiwiSaver products in 2015. Some AMP Capital products are already resold by Mercer Super Trust and under the AXA banner.
available to KiwiSavers. These funds currently represent a combined value of about $67 million, a mere 0.25% of the total assets under management in KiwiSaver.

2. A larger KiwiSaver role for ‘responsible investing’?

Admittedly, there are some difficulties and challenges associated with SRI. First, it requires a time-consuming ‘active’ investment strategy rather than a ‘passive’ (market-tracking) investment strategy. This makes it more costly, but not necessarily any more costly than other ‘active’ management strategies. Second, the expertise to engage in SRI well is not as widespread in New Zealand as it is in other countries. Any up-scaling of SRI in New Zealand would have to go hand in hand with up-skilling. Third, though research tools for assessing ESG performance are available through MSCI and other high-profile analytics companies, they are still relatively underdeveloped. This situation is changing, but in the meantime fund managers bear a greater burden to undertake their own research into the suitability of businesses and, in some cases, they have to make assessments based on incomplete information.

Despite these difficulties, there are several reasons to think it would be desirable if responsible investment became a more prominent feature of the KiwiSaver landscape.

(1) The most basic reason is that responsible investment helps to promote better performance on environmental, social and governance criteria by publicly listed companies. In an era of unprecedented environmental challenges, in which global economic development is rapidly depleting the carrying capacity of the planet, we urgently need solutions that make the global economy fit for purpose. Financial reforms will necessarily play a central role in this transformation, since the finance sector is a key driver of economic activity. From a real world perspective, responsible investment of a very rigorous kind will have to become the ‘new normal’ in the coming decades if we are to preserve the biosphere and its ecosystems in anything resembling their current level of health.

(2) Relatedly, from a public policy point of view, it is desirable to ensure that any legislatively mandated retirement savings programme does not facilitate large new flows of capital into socially and environmentally harmful activities. Greater uptake of responsible investment frameworks by KiwiSaver providers would help prevent this from being the case.

(3) There is evidence to suggest that the current KiwiSaver landscape is significantly out of step with consumer preferences for responsible investment. Although we have no reliable data on consumer preferences for responsible investment in New Zealand, a

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11 The Funds included in this calculation: (i) Superlife Ethica, (ii) Grosvenor SRI Balanced Fund, (iii) Grosvenor SRI Growth Fund, (iv) Mercer Super Trust’s AMP Capital Responsible Investment Leaders Balanced Fund, (v) Craigs Investment Partners Balanced SRI Fund, (vi) OneAnswer Sustainable Growth Fund, (vii) Amanah Growth Fund, (viii) Koinonia’s Income, Balanced, and Growth Funds. It is possible that other funds not labelled as ‘ethical’ or ‘responsible’ also employ negative screens on so-called ‘sin stocks’ or employ responsible investment strategies such as ESG selection weighting. The Kiwi Wealth Scheme (Gareth Morgan Investments), for instance, includes some selective negative screening, according to its Responsible Investment Policy. These are not included in the calculation I have provided here.

12 For an overview of the major threats to the biosphere posed by modern economic activity, see the research undertaken by the Stockholm Resilience Centre: http://www.stockholmresilience.org/.

13 The only survey I am aware of in the New Zealand context gauging demand for responsible KiwiSaver funds was conducted by the Sustainable Business Network in 2014. Their study showed very strong consumer preference for responsible KiwiSaver products among survey respondents, but the survey had a skewed sample group (namely, the mailing list of the SBN) and so has limited validity. Source here.
recent Australian survey can serve as a proxy. In the survey of over 1,000 Australians, 54% said they would prefer to invest in a responsible super fund rather than one which only considers maximizing financial returns. We need only assume that Kiwi attitudes are broadly comparable to Australian attitudes to infer that a sizable proportion—perhaps even a majority—of New Zealanders would likely prefer to invest in a responsible KiwiSaver fund.

In recent years there has been increased scrutiny and criticism of the role played by the finance sector in facilitating illegal and socially irresponsible behaviour by individuals and corporations (tax evasion, money laundering, etc.). Banks and other financial institutions are now routinely the target of campaigns by community groups who oppose their support for what they judge to be socially or environmentally harmful activities. Greater uptake of responsible investment frameworks by KiwiSaver providers would enable these institutions to better discharge their social responsibilities, to mitigate their complicity in the most destructive aspects of the capitalist economy, and to re-establish social trust.

There is no evidence of a risk-adjusted performance penalty for responsible investors. Stock market indices show that companies with strong ESG performance relative to their peers have outperformed their peers as a class since 1990, and available data so far indicate that managed funds using ESG criteria can perform as well as, and in some cases regularly outperform, comparable mainstream funds.

### 3. The role of the ‘default effect’

Before we consider possible pathways for promoting responsible investment in the KiwiSaver market, we must first consider why there is such low uptake of SRI among KiwiSavers. After all, some SRI options are currently available. Why are they so unpopular?

Cynics say that when push comes to shove investors give up on their ethical ideals and give precedence to financial returns, and this is what explains the low uptake of SRI among KiwiSavers. SRI advocates, by contrast, argue that the public is largely unaware that SRI options are available in the KiwiSaver market, and this is what explains the situation. Still others say that the market is waiting for high quality and attractive SRI options, and when this occurs the profile of SRI in KiwiSaver market will increase.

I don’t doubt that all of these factors play a role in explaining the current situation. Some consumers will assume (with little justification) that SRI funds offer lower returns than their counterparts and will avoid them on that basis. What’s more, better information for

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14 “Responsible super fund” here refers to a super fund that “considers the environmental, social and governance issues of the companies it invests in AND maximises financial returns.” The national poll was conducted online by Lonergan Research among 1,026 Australians aged 18 years or older, between the 5th and 7th November 2013 on behalf of the Responsible Investment Association Australasia. Source here.

15 The most exhaustive recent research on the performance of responsible investment funds (focused on the US market) is the review published in March 2015 by Morgan Stanley’s Institute for Sustainable Investing here. An older international review of academic and broker research into link between ESG factors and investment performance was published by the Finance Initiative of the UN Environment Programme in 2007 here. For the most recent data relevant to the Australasian context, see n. 6. It must be noted that the available data sets for Australasian funds are short, and that thus far no detailed analysis has been carried out in the New Zealand context.
consumers and higher quality offerings can only help the cause of responsible investment in the KiwiSaver market, as I shall discuss below.

But I want to suggest that there is another factor, easily overlooked, that plays a decisive role in perpetuating the current weak position of SRI in the market. That factor is what behavioural economists call ‘the default effect.’

The concept of the default effect was introduced by Eric Johnson and Dan Goldstein in a seminal piece of research published in the leading journal Science in 2003. The two Columbia University researchers were investigating why so few Americans were registered as organ donors despite the fact that surveys showed that the vast majority of Americans approved of organ donation. They found the answer by looking to Europe.

In European countries, as in America, citizens have the choice of whether or not to be registered as an organ donor. But some European countries have an opt-in scheme, while others have an opt-out scheme. In the opt-in countries, citizens have to register to become an organ donor. In the opt-out countries, citizens are automatically registered as organ donors but have the right to opt out if they want to. As it happens, the way that the default is set has a dramatic impact on consent rates.

\[\text{Effective consent percentage}\]

<table>
<thead>
<tr>
<th>Country</th>
<th>Effective consent percentage</th>
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<tr>
<td>Denmark</td>
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<tr>
<td>Netherlands</td>
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<td>United Kingdom</td>
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<td>Germany</td>
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<td>Austria</td>
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<tr>
<td>Portugal</td>
<td>99.64</td>
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<tr>
<td>Sweden</td>
<td>85.9</td>
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In the opt-in countries, where citizens have to register as organ donors, the organ donor rates are low. Even in the Netherlands, where there was a very expensive public education campaign, still only 27.5% of people registered as organ donors. Compare this to the countries where the default is to be an organ donor. Even though citizens are free to opt out, the vast majority of people stay in. In fact, in Austria, France, Hungary, Poland and Portugal, 99.5% or more registered as organ donors.

Why does the default arrangement make such a difference? Johnson and Goldstein suggest a number of ways defaults can influence behaviour. The most obvious is simply that making a decision involves effort, while accepting the default is effortless. Moreover, even if one makes the effort to reach a decision, the process required to effect one’s
choice (e.g. filling out a form) requires time and effort unless one’s choice coincides with the default. Inertia stacks the deck in favour of the default.

But the default effect is even more powerful than that. Defaults send subtle clues that influence the process of preference formation itself. Johnson and Goldstein observe for instance that “decision-makers might believe that defaults are suggestions by policymakers, which imply a recommended action.”\(^{16}\) If the default is construed in this way, decision-makers might not feel comfortable with the thought of overruling what they take to be the recommended option. Risk aversion inclines the decision-maker towards opting for the default. Defaults can also provide social cues about what is normal and what is not. As with the ‘recommendation’ interpretation, a decision-maker who interprets the default as the ‘normal’ course of action may baulk at the thought of shifting to the ‘abnormal’ option. Making a positive decision to break away from the pack requires a degree of psychological conviction and confidence, whereas accepting the no-action default appears to relieve the decision-maker of such psychological burdens and social risks.

4. The ‘default effect’ in KiwiSaver

The KiwiSaver system as a whole creates a strong default effect that stacks the deck against SRI. This is how it works.

Most people become KiwiSaver members when they start a job and are automatically enrolled. Members are free to opt out, but this involves taking active steps within a specified timeframe.\(^{17}\) When they are automatically enrolled, members are placed in a KiwiSaver fund (‘investment option’): either in the default fund of one of the government-selected default schemes or in the default ‘investment option’ of a KiwiSaver scheme chosen by their employer.\(^{18}\)

These no-action defaults are supposed to serve as a holding pen until the employee has decided which KiwiSaver scheme they would like to enrol in. But automatic enrolment combined with inaction by KiwiSaver members means that a sizable portion of the overall KiwiSaver capital pool ends up in these default funds. The default funds (i.e. the conservative funds) of the government-selected default schemes alone account for about 24% of the KiwiSaver investment pool.

None of the default funds in the government-selected schemes claims to be an SRI fund,\(^{19}\) and as already mentioned above, none of the default providers is a signatory to the UN’s PRI. So, simply because of the ‘inertia’ principle discussed above, this creates a default effect in the KiwiSaver system that favours non-SRI funds.

But besides this inertia effect, the KiwiSaver system also functions to normalize the belief that responsible investment is a boutique concern and/or an unwise investment strategy. First, the government’s selection of non-SRI default funds might give the impression to KiwiSaver members that government authorities recommend non-SRI funds over SRI

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\(^{17}\) This mechanism is itself an example of how policymakers take advantage of the default effect to achieve policy outcomes, in this case to boost participation in retirement savings schemes.

\(^{18}\) It is also possible for the new member to be enrolled in the employer’s own KiwiSaver scheme.

\(^{19}\) If the recently launched Kiwi Wealth Default Fund qualifies as an SRI fund, then this would be the one exception. But, as mentioned above, the Kiwi Wealth Scheme’s Responsible Investment Policy is weak. See n. 9.
funds as (perhaps) the safer option. Second, since no PRI-governed funds and only a handful of ‘ethical’ or ‘socially responsible’ funds are available among the 140+ individual investment options in the KiwiSaver market, the impression one gets is that SRI is abnormal, a ‘boutique’ concern.

In short, the no-action defaults direct investors away from SRI options and might also give the impression that SRI funds are considered an unwise and idiosyncratic investment choice.

Although it is difficult to quantify, the default effect that results from these features of the existing system must be a significant factor explaining why SRI continues to languish in the KiwiSaver market. Not only does it require considerable effort to become a responsible investor, the arrangement of the KiwiSaver system provides cues to investors that it is perhaps best to steer clear of SRI. Just as the opt-in system for organ donation in Denmark, the Netherlands, UK and Germany ensures that organ donation is a minority activity, the KiwiSaver system is set up in such a way to effectively ensure that participation in SRI is and remains a minority activity.

The default effect in KiwiSaver thus positively disadvantages SRI at a time when, for the reasons discussed earlier, SRI arguably ought to be promoted in the KiwiSaver market. What then can be done to rectify this situation?

5. Improving RI’s penetration in KiwiSaver

One possible way to promote responsible investment in the KiwiSaver market would be to encourage KiwiSaver providers to offer more and better SRI options. This is no doubt an important part of the solution. But KiwiSaver providers are skeptical that demand exists for new SRI options, since existing offerings are manifestly not attracting a great deal of consumer interest. I have tried to suggest that this is more a reflection of the default effect, and of the norms that operate in the finance sector, than of consumer preference per se. Nonetheless, there is little incentive for large KiwiSaver providers to sink time and effort into developing new SRI offerings when they have uncertain potential to increase their share of the KiwiSaver market. This approach has been the focus of recent advocacy work by the Sustainable Business Network (see here).

A less direct course of action would be to promote the virtues of SRI among KiwiSaver providers in the hope that they will adopt SRI frameworks across the board. Prospects in this regard look positive. The UN’s PRI have given prominence and credibility to the responsible investment agenda over the past few years, as has the stellar performance of the NZSF. It is foreseeable that more investment houses will adopt the Principles as the hard evidence of their value mounts (assuming it does) and as the research and reporting tools needed to implement them become more widely available. Advocacy in this direction in New Zealand is spearheaded by the RIAA, and it has had some modest success.

Another possible course of action would be to launch a public education campaign in an effort to mobilize latent consumer demand and convert it into uptake of existing SRI

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20 This is not to assert that the SRI strategies employed by the NZSF are the reason for its stellar performance; but it does show that a robust commitment to SRI is perfectly compatible with impressive returns.
21 http://responsibleinvestment.org/
options. If resources could be mustered for such a campaign, it would no doubt have some effect on the market. But how much effect? Like the public education campaign in the Netherlands to promote organ donation, it would be pushing uphill against the default effect.

In light of the analysis I offered above regarding the influence of the default effect on the KiwiSaver market, I would argue that any successful effort to promote SRI in the KiwiSaver market will have to address directly the current default effect in the system which stacks the deck against SRI.

The existing default effect could be neutralized or reversed in a variety of ways. For instance, it could be required of KiwiSaver providers as a condition of eligibility to be a default provider that they be signatories to the PRI. Signatories to the UN’s PRI are obliged to incorporate ESG issues into investment analysis and decision-making processes. However, this is not enforceable and, in fact, a proportion of signatories report non-compliance or very weak compliance on this first principle.22 This lack of strong enforcement could be seen as an advantage or a disadvantage. On one hand, it could represent a minimally coercive approach to encouraging participation in and uptake of SRI in New Zealand, and may nonetheless help to effect a culture shift in the industry. On the other hand, it risks generating a commitment to SRI on paper only.

A more interventionist option would be to require by legislation that some or all of the default KiwiSaver funds (i.e. currently the regulated investment options of the default schemes) be SRI funds as defined by a set of specified criteria. Legislatively imposing a set of SRI criteria and requiring implementation in the investment decision-making process of default funds would represent a stronger intervention than simply requiring providers to be signatories to the PRI. It is thus likely to have greater efficacy in shifting practice within the industry. At the same time, by requiring higher SRI standards of the default funds only, it would leave generous scope for a variety of other investment approaches to co-exist in the KiwiSaver market.

Extrapolating from Johnson and Goldstein’s research, we have good reason to believe that requiring some commitment to responsible investment by the government-selected default schemes and/or default funds would be enough to have a significant impact on the KiwiSaver landscape as a whole, and would help to counteract the currently strong default effect against SRI. Leveraging the default effect in the opposite direction would help move SRI from its current marginal position to being a normal and respectable feature of the KiwiSaver system, as it already is in the theory and practice of the NZSF. Furthermore, applying such rules solely to the default providers and/or default funds means that other non-SRI options would remain available to KiwiSavers. Consumer choice would therefore not be constrained or reduced.

6. The arguments against regulation

Let’s consider some possible objections to this proposal.

(1) Under the proposed changes, many new KiwiSaver members would find themselves automatically enrolled in SRI funds against their preference. Is this not a violation of the consumer’s right to choose where to invest their own retirement savings?

22 See the PRI’s Report on Progress, 2014 here.
In any system that relies on automatic enrolment, some new members will find themselves enrolled in a fund that does not match their preferences, no matter how the no-action defaults are set. Mis-allocation could be avoided by rejecting automatic enrolment altogether. But if automatic enrolment is retained, the appropriate solution regardless of the default structure is to allow investors the freedom to shift their money into a different investment option if they wish to do so, as is the case in the current system.

If it turns out to be true that a majority of Kiwis would prefer to be in responsible funds, then it is the case that SRI defaults would bring the KiwiSaver system into better alignment with consumer preferences. That is to say, with SRI defaults the system would be set up to make it easier for most members to invest the way they want to invest, just as opt-out schemes make it easier for the majority of people to be registered as organ donors as they prefer to be. But even if it turns out that a minority of KiwiSavers express a preference for SRI, switching to SRI defaults would still be desirable because of the other reasons discussed above.

(2) Under the proposed changes, many new KiwiSaver members would find themselves automatically enrolled in SRI funds against their preference. Is this not an imposition of moral values on investors? Is it appropriate for the government to influence the investment behaviour of KiwiSavers towards SRI in order to achieve public policy objectives?

First, it must be reiterated that any default system will influence investment behaviour of KiwiSavers because of the default effect. That is to say, government policy is already influencing investment behaviour; in fact, I have argued that the current system influences investors away from SRI. The question is whether the way the system currently influences investment behaviour is desirable. I have suggested that, with respect to the issue of responsible investment, it is not.

Second, there is no reason in principle why policymakers should refrain in all cases from influencing investor behaviour. We already accept that public policy can legitimately ‘nudge’ consumers away from, say, using tobacco products (through taxes, public health campaigns, etc.) in order to achieve better health outcomes for individuals and for the population as a whole. Why then would it not also be acceptable, for instance, to ‘nudge’ investors away from investing in tobacco stocks if this also promised significant benefits for the population as a whole?

But the proposals under discussion here are even more modest. There is no suggestion that the government should decide which investments are to be restricted or off limits. On this proposal, a RI framework would be tied to objective measures of ESG performance, not subject to the changing winds of government policy. The SRI standards would also be administered by an independently authority not under the direction of government.

(3) If KiwiSaver funds are to be held to some independent standard of ‘responsible’ investment, who decides what is ‘responsible’ and who will certify that funds meet the standard?

23 For instance, the current default arrangement channels new KiwiSavers into conservative (rather than moderate or growth) funds. It is a legitimate matter of debate whether this is desirable.

24 From a public policy perspective, it is entirely consistent to assert the legal right of, say, tobacco companies to do business and to raise capital, to assert the legal right of individuals to invest in these companies, and at the same time to ‘nudge’ investment away from these companies.
The PRI has set an internationally recognized framework for responsible investment. Analysis and reporting on the ESG performance of companies worldwide is available, as mentioned above. Efforts are currently underway to establish an independent certification system for managed funds that would rate their SRI credentials. All of these tools could be incorporated into a periodic review of the government-selected default providers and/or default funds. However, further research would be required (i) to develop a suitably robust SRI framework tailored to the New Zealand context that could be used to assess KiwiSaver funds, and (ii) to recommend an appropriate process for regular review of the KiwiSaver funds by an independent authority. I have not worked out the details of such an arrangement; in this paper, I have simply aimed to show why the weakness of SRI in KiwiSaver is a cause for concern and to introduce the idea of SRI defaults as a means to steer the KiwiSaver market in a better direction.

7. Conclusion
Since KiwiSaver was introduced in 2007, multiple changes of varying magnitude have been made. The changes proposed here, requiring introduction of SRI to the default provider options, are novel insofar as they aim for the first time to bring the KiwiSaver system into better alignment with imperatives of economic, social, and environmental sustainability.

The KiwiSaver system is intended to ensure a prosperous future for New Zealand workers for many decades to come. It makes sense, therefore, that sustainable and responsible investment should be the norm in KiwiSaver. Requiring default providers to sign on to the PRI and/or requiring default funds to incorporate principles of responsible investment would be a lighthanded and constructive means for promoting this worthy goal. This would constitute a first step in the right direction, with much deeper reforms to KiwiSaver and other sectors of the finance industry likely to be required in the years ahead.

For comments on this PensionCommentary and for further information please contact:
Matheson Russell
Faculty of Arts
University of Auckland
Private Bag 92 019
Auckland 1142
New Zealand

E M.Russell@auckland.ac.nz
http://www.rprc.auckland.ac.nz

25 http://www.unpri.org/
26 http://www.msci.com/products/esg/about_msci_esg_research.html
27 The government has recently selected nine KiwiSaver default providers for a seven year term starting 1st July 2014. This is likely to be a barrier to the implementation of my proposed reform.