To what extent do individual superannuation schemes in New Zealand address needs for retirement income in a gender-neutral manner?

A report to the Commission for Financial Literacy and Retirement Income

Máire Dwyer
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Foreword from the Commission for Financial Literacy and Retirement Income

Women's financial wellbeing and net worth in retirement are influenced by a variety of contextual factors and by decisions women make during their life cycle. New Zealand has a legal and policy framework in place to protect against discrimination, but gender gaps remain. These gender imbalances are generated through differences in men's and women's life experiences, particularly their work histories. Throughout their lifetimes, women tend to face more constraints than men in accumulating adequate wealth for retirement and on average, women's net worth is lower than men's[1].

While New Zealand Superannuation offers a universal pension, life-long wealth accumulation impacts upon an individual or household's standard of living into retirement. Outcomes in retirement for women arise from the combined effects of their life-time income, longevity, savings behavior, asset accumulation (including housing) and, debt and its management.

Looking forward there is a risk that inequality of outcomes could be exacerbated with the increasing significance of KiwiSaver – a workplace-based savings scheme – for New Zealanders' retirement income.

Based on preliminary research, the Commission for Financial Literacy and Retirement Income has hypothesised ten factors thought most likely to carry risks of negative impact on women's financial wellbeing in retirement, and is working with the Treasury and Ministry of Women's Affairs to test these hypotheses.

This report addresses the extent to which superannuation schemes in New Zealand address needs for retirement income in a gender-neutral manner.

The other nine factors thought likely to carry risks of negative impact are to be the focus of separate research efforts and include:

1. the family, neighbourhood and community the woman was born into

2. education including subjects studied, specific training, paid work experience while studying and level of access to on-going training and professional development while in the workforce

3. visible and invisible structural factors in the workplace including pay structures and lack of flexibility that inhibit the promotion of women

4. paid work response to breaks in earning including attitudes to health conditions, timing of family formation, child bearing, elder care and other life-cycle choices

[1] Women aged 45-64 have a median net worth of $146,000, 14.5% less than the median net worth of $167,300 for men aged 45-64. 5.3% of women and 3.5% of men aged 65 and over have a net worth of less than $6010. SoFIE data cited in Heathrose (2009)

5. the ages at which women are most available to focus on paid employment and the nature of paid employment opportunities and earnings level, i.e. the ease and timing of entering and leaving the workforce (e.g. in specialist professions)

6. the nature of the household unit (e.g. solo parent households, the majority of which are headed by women) family formation, career development, support from marriage/partnership, other family, friends, whānau and the community

7. the endowment a women may have been provided with or may take away from a relationship breakup

8. level of home ownership and other asset accumulation, levels of debt and skills at debt management, net worth and retirement prospects taking into account greater average longevity for women

9. a variety of cultural and ethnic factors that may exacerbate disadvantages for women.

Key points

- This report defines gender neutral expectations of retirement savings across the domains of scheme design, contribution, and risk, returns and value of funds (table one)

- KiwiSaver schemes are gender neutral in design. In particular, the compulsory and immediate vesting of employer contributions, the portability of schemes and the inclusion of part-time and casual workers, are important features that support women's membership and their savings

- As well as attracting over 1.75 million members into KiwiSaver schemes, KiwiSaver has changed the savings landscape by incentivizing changes to other workplace superannuation schemes, and the decline in retail superannuation schemes

- older style, mostly defined benefit workplace superannuation schemes were not gender neutral and are now in decline. Payouts from these funds will largely be to those now over 40 and will influence retiree incomes for some time to come.

- lower pay, fewer hours of work and lower labour force participation will continue to limit women's savings capacity, and the value of their accumulated savings, compared with that of men on average

- there are many data gaps that limit the exploration of gender issues in savings and retirement provision. This report has supplemented published data with some data provided by superannuation schemes.

- Both stock and flow data could be improved upon using existing collections. The IRD could publish tables on the value of retirement funds held as individual accounts (all KiwiSaver, all retail and many other workplace superannuation schemes), by age and gender, from its annual tax data on individuals. The IRD could also link KiwiSaver data to LEED to create a data set of contribution flows to KiwiSaver by gender and over time. Better data is key to further analysis of key areas of gender differences and the likely impact of policy changes.

Scope and approach

Having a workplace superannuation scheme is associated with higher levels of net worth, all other things being equal[2]. Savings vehicles that are "gender neutral" - that is work as well for women as they do for men - are therefore important.

Notwithstanding income and asset sharing within households, and the important base income provided by New Zealand Superannuation, women's lower levels of assets mean they are in a more vulnerable position than men in respect to their financial wellbeing in retirement. This project focuses on individual provision and takes no account of broader sharing of couple- or family-owned assets, nor of the differences in numbers of dependants that individuals have. Issues related to the division of matrimonial property on separation, and the implications for retirement income, are addressed in a separate report.

The focus here is on registered superannuation schemes – that is, KiwiSaver and other workplace and retail superannuation schemes registered under the Superannuation Schemes Act 1989. Because there are very few new entrants into whole life plus endowment products – 118 new contracts in the quarter to 30/06/2011[3], these are not included in the scope. There are no other products of significance that lock in savings[4]. The focus is on private savings and accumulation and therefore New Zealand Superannuation and annuities are out of scope.

The report focuses on the following questions:

- to what extent are schemes now designed to be "gender neutral", that is, work as well for women as they do for men?
- what is the level of male and female participation in workplace and retail superannuation schemes (KiwiSaver and non-KiwiSaver)?
- what are the levels of contributions being made by individuals, and employers, to workplace and retail superannuation schemes and how do these vary by gender?
- are there differences in the earnings rate of men and women's workplace and retail superannuation schemes due to different choices being made in relation to product mix or risk?
- what is the pattern of the value of funds in, and pensions and payouts from, schemes and how does this vary by gender?

The original intention was to conduct a desk review. There is reasonably good aggregate data on KiwiSaver. However, aggregate data for individual superannuation schemes does not enable analysis by individual characteristics (gender, age etc). To

[2] Scobie, G and Trinh Le (2004) *The impact of workplace and personal superannuation schemes on net worth: evidence from the Household Savings Survey* Treasury Working Paper 04/08
[3] http://isi.org.nz/Qtrly%20Statistics/2011/Quarterly%20Statistics%20Reports-Jun2011-TR-Sum.pdf
[4] Steve Grant, Melville Jessup Weaver, personal communication

address this, some of the larger fund managers were approached directly and asked if they would provide information about their schemes.

Structure of the report

This report is structured as follows. Section One discusses the gender neutral context including changes to the design of schemes. Section Two discusses participation rates, Section Three considers contributions, Section Four considers the evidence on different knowledge and choices related to risk and return and Section Five considers value and payouts and Section Six concludes with main findings and suggestions for improving data collection and monitoring.

SECTION ONE: CONTEXT

Defining "Gender Neutrality" In Relation To Individual Superannuation Schemes

As savings levels are related to income, the gender neutral goal within superannuation schemes is that women's and men's savings are proportionate to their income, and that women's and men's savings generate returns of the same value.

Table One below sets out the factors that can lead to gender differences in women and men's savings via individual superannuation schemes by women and men.

Table One: Main factors that can result in gender differences in private superannuation		
Feature	**Gender neutral expectation**	**Factors that can lead to differences**
Scheme Design	Schemes work as well for women as they do for men	Eligibility restricted to full-time workers -women are more likely to work part-time or casually Lengthy vesting schedules, poor portability and high fees for breaks - Women are more likely than men to have breaks from employment and to change employers High contribution levels may deter low earners who are disproportionately female Defined benefits – i.e. schemes that define final payments or pensions in relation to final salaries advantage those with the highest salaries before retirement. Surviving spouse pensions are more often accessed by men's partners than women's
Contribution	No differences at same level of income and age	Firm and industry differences in employer contributions, and the required rate of employee contributions, to work-based schemes may have a gender dimension Differences in the extent to which men and women (or their employers) pay lump sums and bonuses in their superannuation schemes The extent to which the following following gender-neutral behavioural assumptions are true: - women and men have similar calls on their income - women and men perceive a similar need to save for their retirement - women and men are equally attracted to saving through superannuation schemes as opposed to other savings vehicles
Risk, return, and value of funds	No differences at the same level of income and age	Differences in women and men's financial literacy and consequent decisions, differences in appetite for risk Differences in the advice given to men and women

The Impact of Policy Settings

Pre-KiwiSaver

New Zealand's approach to provision of retirement income via a single policy of a flat rate, universal New Zealand Superannuation pension set in relation to the average weekly wage for a couple, has been described as unique in the OECD in its lack of attention to private savings and annuities[5]. For all but a very short period in 1970's, the New Zealand government has not compelled workplace or individual savings that are then locked in for retirement.

Around 40% of people aged 65 or over have virtually no other income other than New Zealand Superannuation and, for a further 20%, New Zealand Superannuation provides 85% of their income[6]. The proportion of the workers with workplace superannuation had been trending downwards prior to the introduction of KiwiSaver, from 22.6% of the labour force in 1993 to under 13% in 2007[7].

For many lower income New Zealanders, saving to pay off their mortgage prior to retirement and perhaps a little more, has been sufficient, alongside universal New Zealand Superannuation, to deliver them a similar standard of living in retirement as during their working life and has argued to be a rational choice for this group[8]. In addition, the "pay off debt first" has been widely promoted as a sensible rule of thumb to saving for retirement, including by the Financial Literacy and Retirement Commission.

Post-KiwiSaver

Since 2007, KiwiSaver has changed the savings landscape. KiwiSaver is an incentivized, voluntary savings programme which all New Zealanders under the age of 65 can join, and which has grown rapidly (the gender dimensions are discussed later in this report) since its inception in 2007. Savings in individual accounts occur via registered KiwiSaver schemes, selected by individuals, employers or to one of six default schemes. KiwiSaver includes minimum contributions by employers and employees, tax advantages, and automatic enrolment for new employees. The features of a government subsidy, the requirement for employers to contribute to the KiwiSaver schemes of their employees, portability, a gender-neutral design, and automatic enrolment of new employees, have led to just over half of all 18-65 year olds now having a KiwiSaver account. Kiwi Saver now holds assets worth more than $9.4 million, nearly half the value of assets in other superannuation funds[9] ($19.4 million)[10]. Over the last year membership grew by around 25,000 per month and now around 28% of eligible children, and 60% of eligible people 18-24 have enrolled[11].

[5] St John, Susan (2003) Managing the risks of Ageing: the role of private pensions and annuities within a comprehensive retirement policy for New Zealand
[6] Perry, B cited in Davey, Judith (2010) Income Streams in Retirement – Managing Income and Assets
[7] Government Actuary Statistics cited by Preston, D (2008) Retirement Income in New Zealand: The Historical Context www.retirement.org.nz
[8] Scobie, Grant M., John Gibson and Trinh Le (2004) "Saving for retirement: New evidence for New Zealand." New Zealand Treasury Working Paper 04/12http://www.treasury.govt.nz/publications/research-policy/wp/2004/04-12
[9] it is not known the proportion of these funds which are locked in, nor historic (ie now-closed) funds
[10] Reserve Bank, Managed Fund data, June 2011
[11] Inland Revenue Department (2011) *KiwiSaver Evaluation Annual Report to June 30 2011*

KiwiSaver features stack up well as gender-neutral (refer Table One):

- the scheme can be joined by anyone under 65 and employers must contribute to the KiwiSaver schemes of all their employees including the disproportionately female part-time and casual workers
- there is immediate vesting of employer contributions in individual accounts
- the mandatory employee contributions are set at a low level (2%). This level may still be difficult for some working age people; nearly a third of non- KiwiSaver members report that affordability is a barrier to joining[12]
- individual accounts are payable to estates on death or at age 65; the whole scheme is designed around individual accounts and there are no cross-subsidies between members

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Many employers with existing workplace superannuation schemes have made changes to their existing schemes so that they comply with KiwiSaver, or can be exempted from automatic enrolment of new employees (418 employers had this status on June 30 2011). Some existing employment-based schemes have been reconfigured as KiwiSaver schemes and 28 have been registered as "complying" schemes (October 2011) – which lock in savings, provide for full vesting of employer contributions and provide for portability - and therefore attract the government subsidy that applies to KiwiSaver (apart from the kickstart grant) and employers' contributions to individual member funds are counted as the compulsory employer contribution to retirement savings. Ten employer schemes have bolted on a KiwiSaver section.[13]

KiwiSaver influence on registered work-based superannuation schemes

of 11 stand-alone superannuation schemes that were open to new members in 2008:
- all made some changes in response to KiwiSaver – the most common were becoming complying funds by locking in savings (3) and bolting on a KiwiSaver section (2)
- all but one scheme reported that members can divert contributions to another fund (for three this was reported as a consequence of KiwiSaver)
-where scheme membership was voluntary, no schemes allowed employees to receive cash payments in lieu of membership
ASFONZ online survey (unpublished)

Of the 78 work-based schemes with around 6000 members in one superannuation trust
80% are open to new members (these schemes have 93% of all members) and 20% are closed
all but 8 of the open schemes qualify for an "offset" facility – these schemes comply with minimum standards for vesting, portability etc for employer contributions to these schemes to count as an alternative to KiwiSaver contributions
4% of all the schemes are exempt from KiwiSaver's auto enrolment rules

Superannuation Trust (unidentified)

[12] Colmar Brunton(2010) *KiwiSaver Evaluation Survey of Individuals Final Report* The survey also found non-members were more likely to be single, have no dependent children and on lower incomes http://www.ird.govt.nz/resources/0/3/03e46600437177c5a25eb24e9c145ab7/ks-evaluation-individuals.pdf
[13] FMA (2011) *Report in respect of the KiwiSaver Act 2006 for year ended 30 June 2011* Appendix 10

How gender neutral are workplace schemes today?
In large part, the scheme design factors that are more likely to impact negatively on women (Table One) are features of the traditionally designed workplace superannuation schemes. These schemes reflect the goals of employee retention and reward for service through the use of 'defined benefits' which had long vesting periods and 'breadwinner' type provisions such as surviving spouse pensions. The distributions from these schemes favoured "elite" workers and their families; the disproportionately male long-term career employees whose salaries increase over their working life. Employed women were only 40% as likely as employed men to participate in these schemes in the late 1980's[14]. In addition, these schemes were clustered in the higher paying parts of the workforce and not available in all firms and industries.

Defined-benefit schemes have been in decline, and closing off to new members for some years, due to changes in tax treatment, concerns about fund sustainability and employers' desire to select staff from a wider pool and encourage mobility. Since 1991 (after tax changes promulgated in 1990) most employers have opted to offer their staff Defined Contribution superannuation schemes.

There are however residual memberships of Defined Benefit Schemes; for example the GSF schemes that have been closed to new entrants from 1992 have 8551 active members, with the split between males and female members being nearly 2:1 (5438 and 3113 respectively)[15].

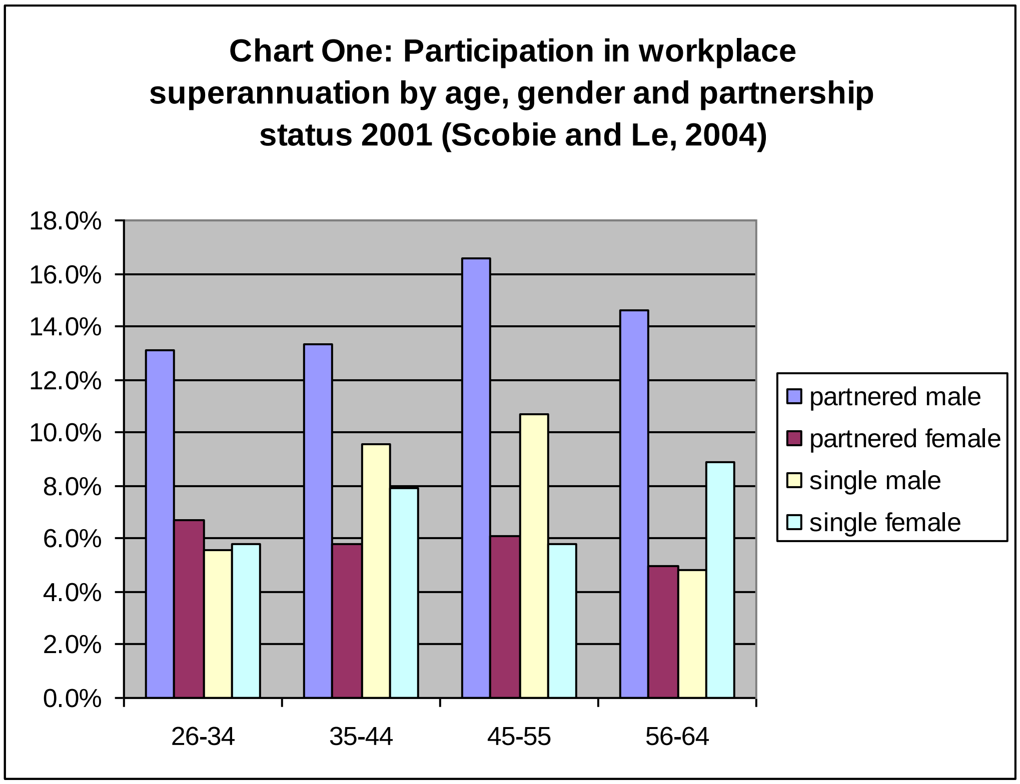
There is no source of aggregated data of membership in defined benefit schemes across workplaces but GSF schemes are reported by industry sources as being by far the largest schemes with residuals of active membership. Industry sources also indicate that the few defined benefit schemes that remain open to new members are largely in multinational firms and reflect company policies that have been set elsewhere.[16]

[14] Wyatt Company (New Zealand) *Wyatt Superannuation benefits survey 1991*
[15] Report on the Government Superannnuation Fund Actuarial Valuation as at 30 June 2011 http://www.gsfa.govt.nz/library/04b6014b-ec68-4960-82a3-eb5906d953dc.cmr
[16] Bruce Kerr, chief executive, Workplace Savings NZ, personal communication

SECTION TWO: MALE AND FEMALE PARTICIPATION IN SUPERANNUATION SCHEMES[17]

Pre-Kiwi Saver

Scobie and Le analysed the holdings by unpartnered adults and couples of workplace or retail superannuation products from 2001 Household Savings Survey data. The proportion of adults aged 25-64 year olds holding some form of product was around 10%[18]. Unpartnered women and men had similar levels of participation in these superannuation schemes. Chart One below shows significant differences in participation by age and gender for partnered and unpartnered men and women.



The data shows the higher rate of participation in workplace schemes by partnered men and possibly the impact of early retirement, and fewer employment schemes on offer for younger cohorts. Partnered women, on the other hand, show a small trend of increasing participation at younger ages, but at low levels. Single men's participation is a similar patternas that of partnered men, but at a much lower rate. This may reflect both the tendency for unpartnered men to have lower incomes on average than partnered men and, possibly, the surrendering of superannuation schemes during separation. The participation of single women is higher than that of partnered women for the 35-44 and 56-64 age groups, but very similar for the 45-55 age group.

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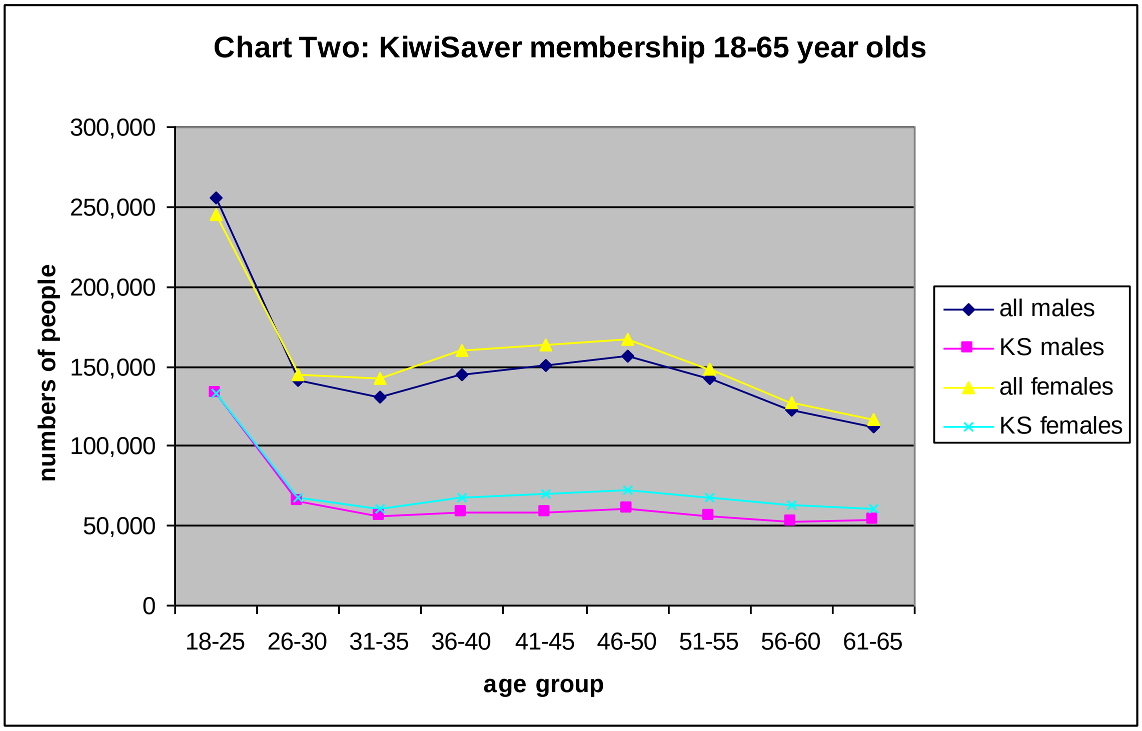
[17] defined in this report as superannuation schemes registered under the Superannuation Schemes Act 1989 and KiwiSaver

[18] Scobie, G and Trinh Le (2004) op cit

KiwiSaver and 2007 onwards
Kiwi Saver membership now exceeds 1.75 million and over the last year membership grew by over 25,000 per month on average[19].

Chart Two shows that women's and men's patterns of KiwiSaver membership are broadly similar. The proportion of the population who are members increases at older ages, and this is more the case for women than men. Overall, 52% of KiwiSaver members are women. It is likely that this overrepresentation of women is explained by men being more likely to hold other private or work-based superannuation.



Data sources: Treasury fiscal model and KiwiSaver membership numbers as at 31 October 2011 (provided by IRD)

At the same time, slightly more women (124723) than men (123 866) had opted out of KiwiSaver at 30 June 2011 (IRD administrative data). This difference is not significant given that women are 52% of KiwiSaver members.

Participation in other workplace and retail superannuation schemes
KiwiSaver's incentivized design has led to some substitution by KiwiSaver of other savings products. A Colmar Brunton survey found KiwiSaver members considered around one third of their KiwiSaver savings were "additional" to what they would have saved anyway.[20]

Since KiwiSaver's introduction, the contraction of other registered superannuation schemes has continued. The Financial Market Authority's report on Superannuation Schemes for the year ended June 2011 noted that the proportion of the workforce in non-KiwiSaver workplace schemes continued to fall (to 10.88% for 2010 representing a

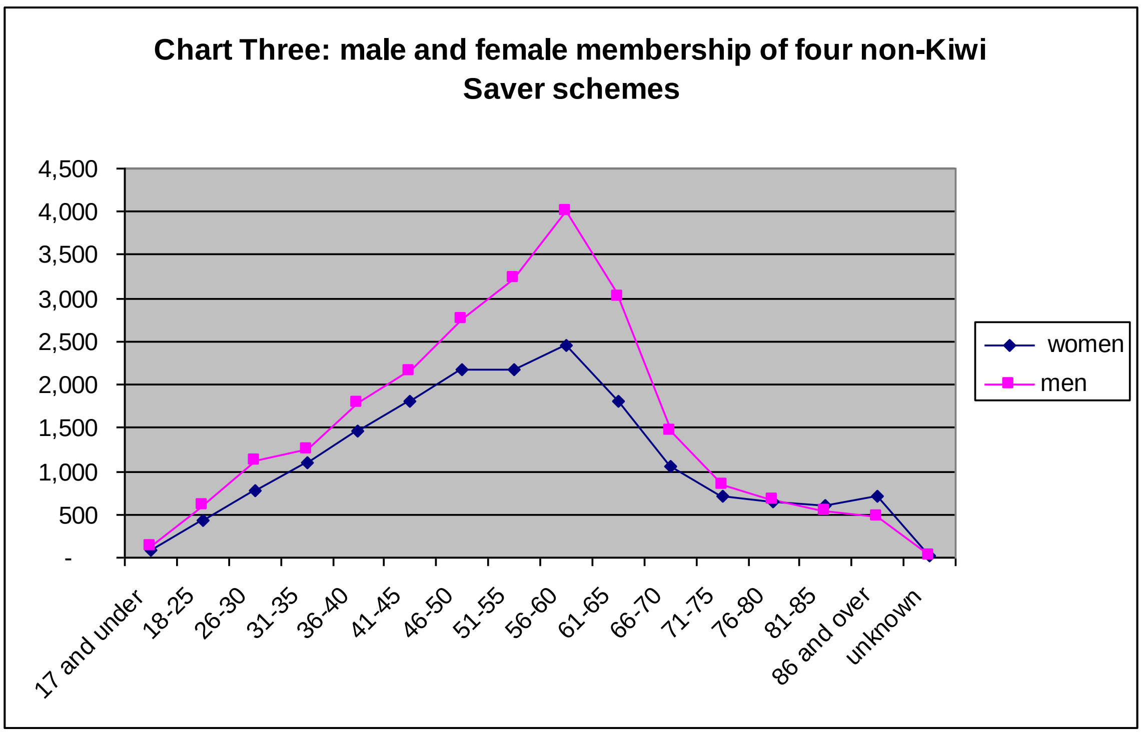
[19] Inland Revenue (forthcoming) KiwiSaver Evaluation, Annual Report July 2010 to June 2011
[20] Colmar Brunton (2010) op cit

loss of around 18,000 members between 2009 and 2010). Of the 103 registered employer defined-benefit schemes, 66% had no new members join in 2009/10. Of the 35 schemes that did have new members join, only 14 schemes had 20 or more members join.

Over 2009/10, defined-contribution schemes, which set up individual accounts and are therefore more similar in design to KiwiSaver, also experienced a decline with 45% of the 95 currently registered employer defined-contribution schemes not having new members joining, and only 31 had 20 or more new members joining.

The net active membership of retail schemes decreased by 27,956 members between 2009 and 2010 and contributions fell by $124.8 million over the 2009/10 year[21].

There is no aggregate source of the gender and age breakdown of the membership of non-KiwiSaver registered schemes. The chart below is an aggregate of data supplied for four private superannuation schemes. Across the four schemes, there were 42, 050 members and women were 43% of the scheme members.



[21] Report of the Financial Markets Authority on Registered Superannuation Schemes to June 2011

SECTION THREE: CONTRIBUTIONS TO SCHEMES

There is a large difference in the average incomes of women and men - on a weekly basis, men earn an average of $854 from wages and salaries compared with an average of $657 for women[22]. The gap in employment income across the whole working age population is larger than this as more women than men are out of the workforce.

Gender neutrality in contributions would mean that, on average, women and men would have the same contribution rate – that is make the same proportionate level of contributions to their superannuation schemes and employers, similarly, would contribute at the same rate to women and men.

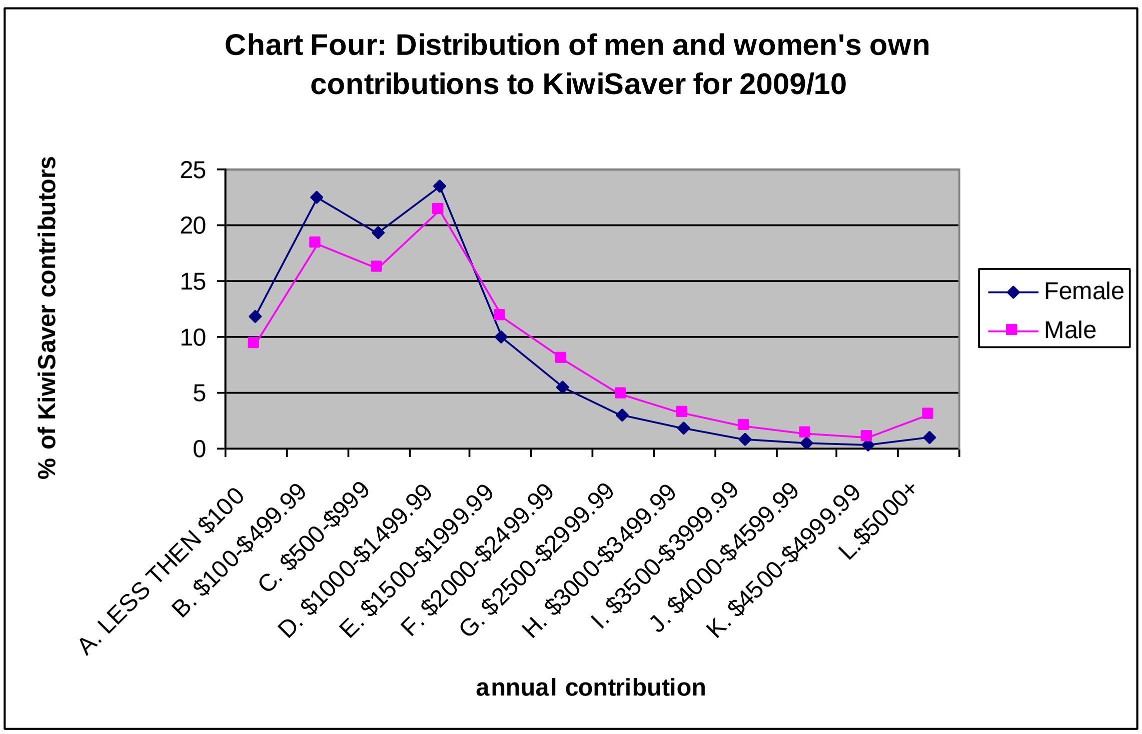
Member Contributions to KiwiSaver

Table Two below shows that, whilst more women are KiwiSaver members, a majority of women are contributing at levels too low to receive the full tax credit (note these figures include new entrants and others without a full year's contributions). Chart Four shows the greater concentration of women than men as contributors of low bands of annual contributions to KiwiSaver.

Table Two: KiwiSaver members claiming full and partial member tax credit 2009/10

	Women	Men
Full tax credit	195038	219988
Partial tax credit	292556	221754

Source: IRD administrative data



Source: IRD administrative data for 2009/10. The contributions are from individuals and do not include employer contributions and member tax credits

[22] NZ Income Survey, June 2011, Statistics NZ

Data from one KiwiSaver scheme with around 148,000 members (51.8% of the members are male) showed lower average balances in women's and men's accounts for the years 2007 to 2011. Given the large proportions of members for whom gender was not available, and changes in composition, this cannot be used as trend data. It is also not known the extent to which the drop in the value of average balances in 2011 was due to changes in composition of savers in the scheme, or the loss in value of funds.

Table Three: Male and Female average KiwiSaver balances 2007-2011 in one scheme

	% of membership for whom gender identified	Av balance female	Av balance male	female balance as % male
2007	39%	$1,175	$1,331	88.3%
2008	33%	$2,987	$4,339	68.8%
2009	34.1%	$5,180	$7,914	65.5%
2010	40%	$7629	$11,337	67.3%
2011	99.9%	$6,689	$9,135	73.2%

KiwiSaver contribution rates by members and employers

The Colmar Brunton 2010 survey found that more men (46%) reported a contribution rate of 4% to KiwiSaver than women (40%) with 6% of men and 5% of women reporting contributions at 8% and 33% of both groups reporting contributions as being at 2%. These figures from a sample are not well aligned with the annual KiwiSaver evaluation report (2011) which recorded 53% contributing at 2%, 43% at 4% and 4% at 8% (no gender breakdown). The evaluation report also records 91% of employers contributing at 2%, but with no gender breakdown of beneficiaries. In the Colmar Brunton 2010 survey, 74% of men in KiwiSaver and 76% of women in KiwiSaver reported their employer was contributing at 2% and around 15% of each group did not know what the employer contribution was.

Breaks from contributions

Some KiwiSaver members (notably children and non-wage and salary earners) are not obliged to contribute regularly. Data on contribution holidays is only recorded for people on wages and salaries. Breaks from contributions are likely to be an important factor that influences gender differences in savings and warrants full exploration, possibly by incorporating KiwiSaver data with the Linked Employer Employee Data (LEED) set[23].

Contributions to other workplace and retail superannuation schemes

There is no aggregated data on the characteristics (age, gender etc) of the 461,279 members of non-KiwiSaver work-based and retail superannuation schemes nor of the distribution of contributions. A complete set of this flow data may not be easy to obtain because:

- some workplace non-KiwiSaver schemes do not involve salary deductions
- contributions to retail superannuation schemes can be lumpy and are not necessarily regular.

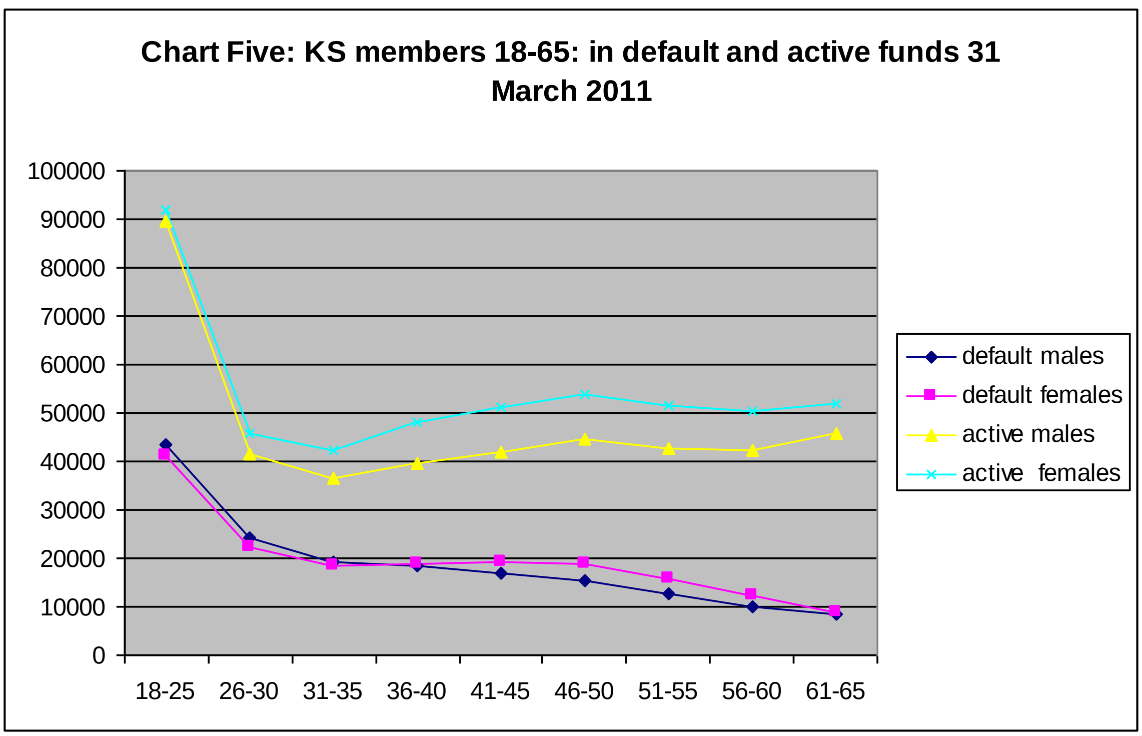
[23] Members may still make voluntary contributions while on a contribution holiday and thus receive a Member Tax Credit. However IR data shows that since 2007, 76% of members making contributions while on contributions holidays did so at levels insufficient to maximise their MTC

SECTION FOUR: FINANCIAL KNOWLEDGE AND RISK

As noted in the Commission's Financial Literacy strategy, the need for higher levels of financial knowledge in the population is growing as financial products proliferate. The 2005 ANZ-Retirement Commission financial knowledge survey classified 25% of men, but 40% of women, as having a low level of financial knowledge. Maori and Pacific peoples, those with low household incomes, no qualifications and aged 18-24 also had significantly large proportions of the group in the low knowledge category. Colmar Brunton's 2010 survey for the KiwiSaver evaluation found that women were lower on the KS knowledge index than men with 46% of men and 54% of women being categorized as having a poor knowledge of KiwiSaver.

Financial knowledge is important for a number of reasons. Of relevance to the individual superannuation issue, is the confidence to make active and appropriate judgments about choosing an appropriate investment option.

KiwiSaver data in Chart Five below shows that women and men have a similar tendency to be active or passive in relation to choosing a KiwiSaver fund. Unfortunately, there is no published data at the fund level to illuminate the choices of fund (Growth, balanced, conservative) that are being made. Colmar Brunton's 2010 survey did ask the 474 KiwiSaver members surveyed what type of investment fund they were in. A large proportion (40% - 37% of men and 40% of women) did not know which makes it difficult to draw conclusions from the other answers given. In the same survey, men were more likely than women to see themselves as risk takers.



The data from three non-Kiwi-saver funds shows some differences in patterns of investment by women and men across the three funds. Some show little difference, but one shows some marked differences in investments. These funds have relatively small numbers of members and no conclusions are being drawn based on the limited data. However a study by Matthews (2012) has found a significant gender difference with females less willing to accept higher levels of risk.

SECTION FIVE: THE VALUE OF SUPERANNUATION PENSIONS AND FUNDS

There is very little data on the value of superannuation funds, payouts and pensions for different groups in the population. Moreover, New Zealand's long history of a "hands-off" policy on private superannuation savings and pensions has meant not only has superannuation been one of many vehicles to save for retirement, but that work-based schemes don't always last until retirement. Cashing up work-based schemes when leaving a job, getting a cash payment on retirement, and commuting all or part of a pension, have been common occurrences.

GSF Pensions

GSF pension data provides some insight into the differences in male and female pension take up and the level of pension that result from a defined benefit scheme in a time when women's labour force participation and earners were much lower than now. Table Four shows that, of the retired cohort, women pensioners make up just under 20% of the retired members with pensions but are 96% of the spouses receiving pensions.

Table Four: Numbers of GSF pensions aged 50 plus by age and gender[24]

	Men		**Women**	
Age group	**Own pension**	**As spouse**	**Own pension**	**As spouse**
50-59	1200	28	496	432
60-69	9181	63	2332	1897
70-79	9704	143	1925	3972
80 plus	6696	286	1474	6803
Total	**26,781**	**520**	**6227**	**13,104**

Table Five shows the much higher value of pensions paid to male members compared with female members (on average, women's pensions are 68.5% of men's). Spouse payments are considerable lower on average.

Table Five: Average annual $ value of GSF pensions by age and gender

	Men		**Women**	
Age group	**Own pension**	**As spouse**	**Own pension**	**As spouse**
50-59	17,945	4679	13,611	7456
60-69	21,417	5313	14,701	1897
70-79	21,801	7760	14,961	3972
80 plus	21,443	12,405	14,603	6803
Total	**21,389**	**9,191**	**14,654**	**13,104**

The extremes of gender difference from defined benefit schemes, however, affect a small proportion of the retired population. The overall picture of gender differences in retirement incomes is not this stark.

[24] There are less than 200 GSF pensioners aged under 50. 5465 men and 410 women also have deferred pensions

Value of holdings in individual funds

Scobie and Le (2004) analysed the value of holdings in superannuation schemes from the 2004 Household Savings Survey (pre KiwiSaver). For unpartnered individuals, they found similar levels of schemes for men and women: around 8% of both women and men had personal (retail) schemes and 4.3% had workplace schemes. The average value of holdings in a workplace superannuation scheme was $78,336 for men, more than double the $31,065 average for women, whereas the average holdings in personal schemes were higher for women $55,079 compared with $40,395. This may indicate that women have taken steps to self-provide retirement savings when they are out of the workforce, or when workplace schemes were not available when they were in the workforce (no longer the case with the advent of KiwiSaver).

There is little available to show the contemporary picture of savings balances. Chart Seven below tracks by age the balances in an older retail scheme with around 25,000 members.

Women members under 65 year old are somewhat more concentrated amongst the younger age groups. The average value of women's accounts was $12,999, 85.2% of the average value of men's accounts ($15,262). The difference is largest for the 61-65 age group, where men's average balance is $20,873, around 1.3 times women's average balance of $16,267. For those aged71 -85, however, women's balances are higher than men's on average. The Fund suggested this may reflect the investment of inheritances in funds.

For four other non-KiwiSaver funds for which data has been supplied, the average value of women's holdings compared with men's varies considerably; 49.6%, 85.6%, 91% and 106%. These funds are smaller than the one illustrated in Chart Seven above, with just under 50,000 members across all four funds.

SECTION SIX: CONCLUSIONS

This paper discussed gender neutrality in retirement savings across the domains of scheme design, contributions and risk, return and the value of funds.

The problems of bias in scheme design are now largely historic and largely impact on the population over 40, and so the associated residual impacts on pensions in retirement will continue for some years. KiwiSaver has significantly changed the superannuation landscape towards one that is gender neutral. This has occurred through KiwiSaver schemes and the policy influence on other workplace superannuation to open up membership to part-time and casual staff, and to enable employer contributions to these schemes to be offset against the mandatory contribution to KiwiSaver and to gain taxation advantages.

At least for younger age groups, the new landscape is producing gender balance in participation in retirement saving and contributions across the board. Women's lower average earnings and lower labour force participation will influence their overall capacity to save, and the growth of their funds, and will mean that women on average will have lower levels of savings when they retire.

It is unclear from the limited data available whether men are more likely than women to contribute at higher levels, and/or receive higher employer contributions, to KiwiSaver and other workplace superannuation schemes. Information on contribution breaks and gender differences in fund choice, and the implication, is limited.

Data on savings in superannuation schemes and changes in the value of individual funds could be improved. There is an opportunity to make better use of the IRD data on the flows into funds by incorporating this into the Linked Employer-Employee Data (LEED) produced by Statistics New Zealand. IRD also could produce annual data sets from the annual data on the value of individual retirement funds produced for IRD at the end of the tax year. This data would cover all KiwiSaver, all individual retail superannuation and most other workplace superannuation schemes. Countries New Zealand compares itself to (eg Australia and the US) produce rich data by gender on individual retirement funds and flows into them. This would be an important aid to both identifying the gender gap in savings for retirement, the costs of breaks to contributions, and in exploring the likely impacts of changes in policy.

The forthcoming analysis of the Survey on Family Income and Expenditure (SoFIE) data is likely to produce useful information on people who are not contributing to KiwiSaver or other saving schemes. It will not, however, provide good disaggregated data on savers.

There is some evidence that women are both more risk averse and less knowledgeable when it comes to making decisions on investments. The requirement on individuals to decide on their KiwiSaver provider, and make choices in relation to other individual superannuation products, could be supported by lifting financial literacy as well as the moves already underway to ensure advisers and schemes adhere to ethical practices.

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