KiwiSaver 12

cracking a dozen

KiwiSaver Annual Market Report 2019

By David Chaplin

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Introduction

According to TrustedPsychicMediums.com, the "angel number 12 represents growth and success".

Less trustworthy Psychic Mediums are also pretty upbeat about 12. NumerologySecrets.net, for example, reveals that if "you have 12 on your side, you can be assured of a rich and fulfilling life through the ages".

But you can't always count on 12: as per previous reporting periods, KiwiSaver, in its 12th year of operation, has been six of one, half a dozen of the other.

And as the KiwiSaver market moved through this auspicious numerological alignment over the 12 months to March 31, 2019, the psychics were, probably, half-right right, on average.

All of the 31 schemes captured by this study reported growth in funds under management (FUM) and positive investment returns.

About two-thirds of the KiwiSaver population also grew net membership with the, mostly, usual collection of shrinking schemes in tow.

However, both total FUM and member growth – of 17.3 per cent and 3.4 per cent, respectively – were, in aggregate, down on the previous year's effort.

In these generally flat conditions, only a handful of schemes could claim the 2018/19 year as the outstanding success promised by the psychics.

For example, just six schemes saw double-digit member growth over the 12-month period: while that's consistent with the last couple of years, the scale of expansion, even for fast-growing schemes, eased considerably.

With members harder to come by, the two new providers to launch during 2018/19 – Nikko Asset Management and the Pie Funds-owned Juno - did not repeat the most recent debut success story.

During year one, though, it was go-slow for Nikko and so-so for Juno, which attracted a respective 60 and 1,860 members, or so. Nikko launched in April 2018 while Juno followed in August of the same year.

By comparison, the passive investment scheme, Simplicity, clocked up 4,251 members during its inaugural year over 2016/17.

The apparent incumbency advantage in a slower growth environment, however, hasn't detracted other providers from having a crack at KiwiSaver.

Post balance date, two new schemes have come to market with niche value propositions. The Pathfinder-run CareSaver scheme plans to cater to the increasingly-noisy 'ethical' investment crowd; while Kōura Wealth – part-owned by stock broking house, Hobson Wealth – is offering another index fund solution but with a robo-advice twist.

It is understood at least one other KiwiSaver scheme will enter the fray in the current reporting year.

After a torrid regulatory year for Australian-owned banks and AMP on both sides of the Tasman, competitors are, perhaps, sensing blood.

The annual KiwiSaver data in this report does show larger providers have, again, given up some ground over the 12 months to March 31. Barring AMP (which has shed a net 33.635 members and about 2 per cent market share since 2015), Australian institution-owned schemes remain entrenched at the top.

Despite its relative youth, the pre-teen KiwiSaver is also showing other signs of maturity. Aside from a rising average membership age, an increasing amount of member money is escaping schemes via various exits, including: first-home withdrawals, divorce, retirement and death.

This report introduces a new measure that illustrates the effect of these demographic and 'life event' trends on each scheme: the Retention Ratio, which plots, member withdrawals (excluding tax, fees and transfers) against contributions. Another extra metric this year, the Leak Index, adds the above data to net transfer figures to highlight how underlying member behaviour affects scheme flows.

Otherwise, this survey follows the path laid in previous reports, tracking trends across:

- Transfers between providers;
- Funds under management (FUM);
- Membership;
- Fees and expenses; and,
- Annual gross performance; and,
- Net performance (after tax and net fees).

A complete set of the data in Excel spreadsheet form, covering member and funds under management trends; fees and expenses; investment returns; scheme transfers and other metrics, is available for a still not-unreasonable fee of $300 plus GST ($345 including GST).
Please contact the author at david@investmentnews.co.nz or ph +64 21 022 575 03 for further details. (Or ask your Trusted Pychic Medium for next year's figures.)

Fortune-tellers: boutiques transference in ascendance

Quite predictably, Auckland-based boutique provider, Generate, has out-transferred all KiwiSaver rivals over the 12 months to March 31, 2019.

Since launch in the 2013/14 fiscal year, Generate has successively taken share off other schemes with an aggressive boots-on-the-ground distribution strategy. The incentivised sales-driven approach has paid off for the provider, which hit the FUM ‘full bar’ (or $1 billion mark) during the latest annual period.

As the table below shows, Generate generated over $100 million more in net transfers than its nearest rival this year, Milford Asset Management. The result is also about $120 million above Generate’s chart-topping transfer performance last year.

But Milford, too, significantly increased transfers year-on-year, reporting a net gain of almost $200 million from competitors compared to just under $93 million in the 2018 report.

Milford – like Generate, another Auckland-centric boutique - has a natural fanbase, of course, but the manager has a full-on social media presence. Recently, Milford also embarked on a traditional prime-time TV marketing campaign that mostly lies outside the timeframe of this report.

Another easy-to-forecast member of the transfer winner’s circle, Simplicity, held its third place ranking again this year. Simplicity racked up a net transfer gain of $181 million, which – while still impressive – is a little off the growth pace set by its fellow Auckland boutiques. Last year Simplicity gained $145 million in the transfer game, or a 25 per cent annual increase in the 2018/19 period.

BNZ, second in last year's table, turned in another solid performance with net transfers about the same in nominal terms compared to 2018. The reappearance of ANZ in the transfer title race suggests that Australian-owned banks still hold some sway among KiwiSavers.

ANZ replaced Kiwi Wealth, which held fifth spot last year. However, the NZ government-owned scheme still managed to pull in a net $30 million for other providers during the year – about the same as start-up, Juno.

Top 5 KiwiSaver schemes by net transfer inflows		
Scheme	Net transfer inflow $m	% of total scheme FUM as at March 31, 2019
Generate	297	24.8
Milford	195	12.8
Simplicity	181	31.4
BNZ	149	6.9
ANZ	43	0.45

ANZ also features on the bottom of the transfer pile with both its Default scheme and adviser-distributed OneAnswer product suffering net losses. But they should be used to it – historically, both schemes have been outwardly-flowing.

Undoubtedly, much of the ANZ Default money makes its way across to the bank's main scheme, although the same is probably not true of OneAnswer. Treating the three blue bank schemes as one, ANZ has seen net transfer losses of about $130 million.

This year another Australian-owned bank, Westpac, pops up in the bottom five group by net transfer outflows for the first time.

Westpac has traditionally been a solid, if not spectacular, KiwiSaver competitor but last year slipped slightly with a net $22 million heading elsewhere. The slippage tripled in the 2018/19 financial year, which, worryingly for Westpac, saw the bank also go backwards in nominal member numbers.

Meanwhile, Mercer – a longstanding resident of this club – continued to bleed red in both the transfer market and membership.

Again, it wouldn't take a clairvoyant to forecast which scheme would top the bottom for net transfers this year. AMP has owned this position almost since inception of KiwiSaver.

Over the last five years alone AMP has lost a collective $1 billion plus via transfers to other providers: things didn't improve this year where net transfers hit $304 million compared to $197 million in 2018.

In fact, the serious surge of transfer losses dates back almost exactly to the 2014/15 year when AMP formally swallowed the Axa scheme it purchased in 2012.

In its August report, the ASX-listed AMP restated its plans to sell the NZ financial services arm, which includes the KiwiSaver scheme.

Top 5 KiwiSaver schemes by net transfer outflows		
Scheme	Net transfer outflow $m	% of total scheme FUM as at March 31, 2019
AMP	304	5.6
ANZ Default	112	6.4
Mercer	101	5.3
Westpac	78	1.2
OneAnswer	60	2.7

Keepers and leakers: foreshadowing the ins and outs

Possibly, there's room for more schemes as the total KiwiSaver membership approaches 3 million. Slow growth, after all, is still growth. As at the end of March 31, the Inland Revenue Department (IRD) counted just over 2.94 million KiwiSaver members, representing an annual increase of about 96,000.

The IRD figures also reveal the average KiwiSaver age is increasing, principally due to the fading proportion of under-18 members. Since the National government removed the $1,000 'kickstart' payment in 2015, under-18 membership numbers have declined markedly. Over the 12 months to June 30 this year alone, the number of under-18 KiwiSaver members dropped by about 18,000.

At the same time, an increasing number of KiwiSaver accounts are closing as members hit retirement; or death. According to the IRD, as at the end June 2019 almost 150,000 KiwiSaver accounts have been shut due to retirement, up more than 22,000 for the 12-month period. Close to 25,000 KiwiSaver members have died, leaving their estates to claim the savings.

KiwiSaver providers are being called upon to provide a growing range of social services such as releasing funds for first home purchases, financial distress, illness and divorce – as well as paying out accounts to emigrants.

The collective real-life behaviour is summed up in KiwiSaver provider accounts under 'membership activities', which typically also includes admin fees, PIE tax and transfers.

However, excluding these latter three items, it's possible to paint a picture of scheme dynamics by comparing member-driven movements against contributions (covering employer, employee and government contributions but excluding investment gains).

Produced as a simple fraction of contributions over withdrawals, the Retention Ratio – included here below for the first time – highlights the robustness of underlying member cashflows. Under the measure, higher numbers reflect better retention of core member cashflows: a score under 1 would represent withdrawals outweighing contributions.
(As per all tables in this report, schemes with less than 5,000 members are excluded.)

Scheme	**Top 5 schemes by Retention Ratio** (= contributions/withdrawals)
Simplicity	6
NZ Funds	4.6
ANZ Default	4
Generate	3.9
Milford	3.9

Scheme	**Bottom 5 schemes by Retention Ratio** (= contributions/withdrawals)
Quaystreet (Craigs)	2.4
OneAnswer	2.7
ANZ	2.8
Lifestages	2.9
Westpac	2.9

The Retention Ratio is not a measure of member loyalty but does show something of scheme demographics. Schemes with a higher proportion of older members, for example, would likely pay out more in retirement entitlements.

Similarly, bank schemes – which dominate the low Retention Ratio group – would experience more first home withdrawals than the average.

Quaystreet is probably an anomaly here: the scheme experienced a big jump in retiree payouts over the year, distorting the effect for a relatively small scheme (5,762). Indeed, two smaller restricted schemes – Maritime and Christian KiwiSaver – scored lower on this measure.

By contrast, the Leak Index combines the same member withdrawal data with net transfer figures, which in turn is weighted against contributions (again, excluding investment returns).

Unlike the Retention Ratio, however, the Leak Index is presented as a rounded percentage. The lower the percentage, the more prone schemes are to leaking funds based on member choices.

Scheme	**Top 5 schemes by Leak Index** (= withdrawals+net transfers/contributions as %)
Simplicity	263
Generate	216
Milford	137
Craigs (Select)	75
BNZ	74

Scheme	**Bottom 5 schemes by Leak Index** (= withdrawals+net transfers/contributions as %)
ANZ Default	-22
Mercer	-16
AMP	-15
Supereasy	3
Aon	4

Interestingly, ANZ Default, which has one of the highest Retention Ratio scores has the worst case of Leaky Scheme Syndrome. The difference, of course, is due to the high relative value of net transfers for the ANZ Default scheme, which overwhelm its members' otherwise low activity levels.

AMP and Mercer are neck-and-neck leakers – again, by dint of high negative transfer numbers: both have OK Retention Ratios with contributions outweighing withdrawals by between three- to four-times.

Supereasy and Aon both experienced net transfer losses this year but may also have been hit by rising retirements, especially in the case of the former.

The table of most leak-proof schemes closely matches the net transfer winners revealed previously – albeit in a different order – with the single exception of the Craigs Select scheme.

Net transfers clearly exert the major influence over scheme leakability. However, demographics and underlying member financial needs also have a part to play that may well increase over time.

For example, if substantially more members choose to remain in KiwiSaver post retirement (or more over 65s join following the recent law change), any effect should show up in these gauges.

Provider predictions: the future is smaller

The top five KiwiSaver providers by market share slid back slightly once more during the year ending March 31, 2019, as competitors – both large and small – snapped at their heels.

Exactly in line with the 2018 report, only ASB managed to retain its proportional FUM levels, clinging on to 17.5 per cent of all KiwiSaver money.

All other big-FUMmed providers gave back at least a point to outsiders while AMP dropped 1 per cent (after losing 0.8 per cent last year).

In total, the five largest providers now control just over 70 per cent of KiwiSaver money, compared to almost 72 per cent as at March 31, 2018 and over 73 per cent in 2016.

Despite gradually losing market share over the last few years, the big bank-owned schemes (which could include Fisher given the TSB family entity is its majority shareholder) remain comfortably in front.

Admittedly, the removal of banks sales incentives – as requested following the Reserve Bank of NZ (RBNZ) and Financial Markets Authority (FMA) 'culture and conduct' review late last year – might take the edge off the institutional KiwiSaver growth potential.

The government plans to enshrine the bank sales incentive ban in law this year while granting the FMA greater powers to oversee bank (and insurer) practices, with an emphasis on producing 'good customer outcomes' over the long term.

But bank distribution will remain the dominant force in KiwiSaver for a while yet. Even if they wanted to, Australian banks (which are rapidly offloading 'noncore' financial services businesses at home) might struggle to sell their NZ subsidiary KiwiSaver assets en masse.

Regardless, the in-play AMP is odds-on to be the first major KiwiSaver scheme to change hands, leaving the way clear for an existing provider to fast-track into the top five or a new deep-pocketed entrant to front-up.

Outside big five group, only Kiwi Wealth looms close with about $4.3 billion under management at the 2019 balance date. But there are a growing number of schemes with at least $1 billion under management, currently comprising: BNZ; Booster; Generate; Mercer; and, Milford.

At current growth rates, SuperLife and Simplicity – two passive-style investment schemes – might join the $1 billion circle in this financial year.

Top 5 KiwiSaver providers by FUM: March 31, 2019		
Provider	**FUM $bn**	**% of Total ($57bn)**
ANZ (ANZ, ANZ Default, OneAnswer)	13.5	23.7
ASB	10	17.5
Westpac	6.4	11.2
AMP	5.4	9.5
Fisher (One and Two)	4.7	8.2
Total	**40**	**70.2**

As described earlier, the overall KiwiSaver FUM growth-rate slowed a little in the 2018/19 fiscal year as fewer new members signed on and more leaked through the gaps.

Of course, the declining growth-rate is largely a function of increasing size. During the 12-month period, total KiwiSaver

FUM was up in nominal terms but about $830 million, compared to an almost $800 million growth over the previous year.

Regular inflows plus solid investment returns lifted all boats up in the 12 months to March 31: some rode the wave higher than others.

The list of five fastest-growing schemes this year closely matches the 2018 result with only NZ Funds the odd-one-in (at the expense of Kiwi Wealth).

Simplicity and Generate again fill out the one-two positions while Milford leapfrogs BNZ from fourth last year to third in the latest rankings. Notably, all schemes in this table – excluding Milford – recorded slower growth-rates than in 2018. (Milford, though, was just 0.2 per cent higher by this measure compared to the previous report.)

For instance, Simplicity grew at about half the rate of 2018 while Generate is off the pace by only 10 per cent year-on-year.

As usual, all the fast-growing schemes fall in the small-to-mid tier range.

Top 5 KiwiSaver schemes by annual FUM growth-rate		
Scheme	FUM growth year to 31/3/19 $m	FUM Growth-rate April 1, 2017-March 31, 2019 - %
Simplicity	277	92
Generate	488	68.8
Milford	414	37.5
BNZ	518	31.6
NZ Funds	41	20.3

As forecast: membership slump for cast of 5

The year ended almost exactly as it began for the big five KiwiSaver membership count: collectively, the group reported about 2.1 million members as at March 31, 2019, the same as March 31, 2018.

Proportionately, the top five membership figure fell from 74.5 per cent last year to 72.7 per cent 12 months later. The damage was done by just two schemes: AMP, which lost almost 5,600 members; and Westpac, where membership fell by a net 1,457.

Among the other three dominant providers, member growth remained at the lower end of the scale, although, in nominal terms both ANZ and ASB were in the list of top five fastest-growing schemes.

Top 5 KiwiSaver providers by members March 2019		
Provider	**Members**	**% of Total (2.93m)**
ANZ (inc ANZ, ANZ Default, OneAnswer)	746,108	25.4
ASB	525,344	17.9
Westpac	394,723	13.5
Fisher Funds (One and Two)	240,836	8.2
AMP	225,405	7.7
Total	**2.1m**	**72.7**

While much has been made about the power of default status as a free pass to membership growth, the three fastest-growing schemes, in fact, managed the feat without a leg-up from the government.

The table, as below, is almost a replica of the 2018 model with only Milford and BNZ interchanging places, reflecting the stellar year the former reported in both FUM, transfer and member growth terms.

Simplicity takes out the top spot again this year but – as per other metrics – the member growth-rate is almost half the level of its 2018 performance. By contrast, Generate stacked on almost 20,000 new members in the 2019 reporting period at a clip only just under the previous year's rate (45.4 per cent).

Milford, which has about half the number of members as Generate, was the only scheme in this category to accelerate growth year-on-year. BNZ and Kiwi Wealth flagged slightly during the 12 months but the latter did at least see an increase in nominal membership growth over the period.

Top 5 KiwiSaver schemes by member growth-rate		
Scheme	Member growth year to 31/3/19	Member growth-rate year to 31/3/19 %
Simplicity	8,602	76.1
Generate	19,624	42.6
Milford	7,830	28.5
BNZ	21,043	15.6
Kiwi Wealth	15,843	8.1

The 'non-contributing' (non-con) gauge is a rough measure of member engagement across KiwiSaver schemes. In general, the proportion of non-contributors has been dropping over the last couple of years as providers – particularly default schemes – face government pressure to 'educate' members deemed as financially illiterate.

However, as the FMA outlined in its 2018 KiwiSaver review, the educational effort has produced marginal improvements at best.

Fisher Funds, which has topped this table since its inception, shifted about 1,500 members from non-con to contributing status over the year, seeing the proportional measure drop below 50 per cent for the first time.

Meanwhile, Booster, which the FMA notes has achieved the best ‘engagement’ results, continued to ratchet down its non-contributing member numbers – although the figure is still high.

Like Booster, both ANZ Default and Mercer are default providers, which naturally tend to have a higher weighting of disengaged members. Against that trend, the Fisher default scheme (Fisher Two) has a lower non-con score than its flagship offering.

Quaystreet replaces Fisher Two in this year’s rankings.

The median non-contributing rate is about 35 per cent this year, roughly the same as 2018, across a range of 8.4 per cent (NZ Defence Force) to 49.8 per cent (Amanah).

Top 5 KiwiSaver schemes by ‘non contributing’ member %		
Scheme	Non contributing members as at March 31, 2019	Non contributing % of total scheme membership
Fisher Funds	68,072	49.4
Booster	49,806	45.7
ANZ Default	39,817	45.2
Mercer	39,505	42.4
Quaystreet (Craigs)	2,390	41.5

A fee reading: there will be cuts

In the 2018/19 year, total KiwiSaver fees and expenses as a proportion of average FUM dropped below 1 per cent for the first time.

All up, KiwiSaver schemes collected some $505 million in investment management and administration fees as well as various other recoupable costs. The 2019 figure is up $55 million on the previous result but, per average FUM over the period (about $5.3 billion), KiwiSaver cost Kiwis about 0.96 per cent compared to just above 1 per cent last year.

Competitive and regulatory pressures appear to be squeezing some costs out of the system. Last year nominal KiwiSaver costs, as measured in this report, rose by $80 million.

Several providers have responded to the successful entrance of no-frills operators such as Simplicity, and regulatory moaning about KiwiSaver costs, by cutting both variable management and fixed admin fees. New entrants Juno and Nikko both played the fee card at launch: the former with a novel tiered, fixed fee model, and the latter with a first-year-free offer.

But the big cost-cutting exercises have also come at the expense of structural investment changes in some schemes. Most notably, BNZ moved to a largely passive investment approach this year after slashing fees by almost half in most options.

Indexing is also the standard model for all default funds, which are set to come under further fee pressure this year as the government lines up the statutory seven-year review of the auto-enrolment regime.

The Ministry of Business, Innovation and Employment (MBIE) published a default review discussion paper this August, including a range of radical measures to lower fees, reset the (currently conservative) mandatory asset allocation and shake-up the number of providers on the carousel.

As shown below, the most- and least-expensive schemes remain largely similar to 2018 with a few exceptions. Milford, for instance, is absent this year from the high-cost table after a large drop in performance fees over the period.

Top 5 KiwiSaver schemes by fees/expenses charged		
Scheme	Fees/expenses $m	% of average FUM 2018/2019
ANZ	96.8	1.1
ASB	62.8	0.7
AMP	51.2	1
Westpac	51	0.9
Kiwi Wealth	41.6	1

Top 5 KiwiSaver schemes by fees/expenses per FUM		
Scheme	Fees/expenses $m	% of average FUM 2018/2019
NZ Funds	3.3	1.5
Generate	14	1.5
Fisher Funds	33.5	1.4
Booster	20.8	1.4
Craigs (Select)	2.9	1.4

Bottom 5 KiwiSaver schemes by fees/expenses per FUM		
Scheme	Fees/expenses $m	% of average FUM 2018/2019
Simplicity	1.7	0.4
SuperLife	4.1	0.5
ASB	62.8	0.7
Supereasy	1.9	0.7
ANZ Default	11.6	0.8

God returns: how the past performed in 2019

The 12 months to March 31, 2019, included the first serious bout of volatility in investment markets for some time. During the December 2018 quarter equity markets fell hard, only to recover to new highs within three months.

Consequently, all KiwiSaver providers turned in positive gross performance numbers for the period in a spectrum ranging from 12.8 per cent for the Islamic Shariah-compliant (but tiny) Amanah to 3.6 per cent for the (even tinier) Exclusive Brethren-run BCF scheme.

The median scheme returned about 6.5 per cent with some movement among the best- and worst-performers for the year (excluding schemes with under 5,000 members).

Just two schemes – Generate and Fisher Funds – reprise their top five gross performance feats of last year. Generate retains second place this time around with a 9.7 per cent return (11.3 per cent last year) while Fisher jumps up one spot with exactly the same performance figures as 2018.

The high-performing group is a curious mixture of cheap and/or index-style (Supereasy and Simplicity) and active proponents Generate and Fisher: Booster mixes the two approaches.

Missing from the top five this year for the first time since 2015, Milford still managed an above-average 7.2 per cent return.

Mercer, which is heavily-skewed to the mandatory default conservative asset allocation, recorded the lowest returns over the year among an eclectic group of schemes.

As per usual warnings, the performance figures presented below measure only total scheme returns without accounting for asset allocation/risk profile or other distinguishing features.

Top 5 KiwiSaver schemes by gross annual performance		
Scheme	Total return $m	Performance
Supereasy	27.3	10.6
Generate	92.3	9.7
Fisher Funds	221.7	9.5
Simplicity	37.5	8.6
Booster	123.5	8.2

Bottom 5 KiwiSaver schemes by gross annual performance		
Scheme	Total return $m	Performance
Mercer	94.9	5.2
Quaystreet	8.2	5.3
NZ Funds	12.4	5.6
BNZ	108.4	5.7
Kiwi Wealth	230.4	5.8

The gross performance figures shown above can skew the results somewhat against a few providers who report related party fund fees that are deducted off investment returns.

After a ‘net fees’ adjustment – which takes into account the discrepancies – the scheme performance rankings do change a little. The net performance figures reported below are also after tax, which again slightly alters the arrangement of winners and losers in the tables overleaf.

Top 5 KiwiSaver schemes by net annual performance		
Scheme	Total net return $m	Performance
Supereasy	24	9.3
Generate	73.4	7.7
Fisher Funds	177	7.6
Simplicity	31.8	7.2
SuperLife	53.9	6.7

Bottom 5 KiwiSaver schemes by net annual performance		
Scheme	Total net return $m	Performance
NZ Funds	8.5	3.8
Kiwi Wealth	166.6	4.2
Mercer	77.5	4.3
BNZ	81	4.3
Lifestages (SBS)	14.7	4.5

Including the under 5,000-member schemes, the Islamic-friendly Amanah (which can't invest in debt instruments) and the Brethren-exclusive BCF (that holds all funds in term deposits) again top-and-tail the net performance tables.

Another religious-themed scheme, the Anglican-run Christian KiwiSaver, also booked good returns for the year, making the top 10 on both gross and net figures.

As an aside, the number 12 is used 189 times in the Bible, but only seven times in the Koran, according to RidingTheBeast.com – a website which offers no investment advice other than the standard warning that "all that glitters is not in fact gold".

Conclusion

No-one saw it coming.

When Prime Minister Jacinda Ardern pulled the plug on a much-heralded capital gains tax (CGT) proposal this April, most observers were surprised at her complete surrender.

As proposed by the Sir Michael Cullen-led Tax Working Group (TWG), the mooted full-scale CGT would've imposed complexities and costs on the KiwiSaver system. Some of KiwiSaver tweaks floated by the TWG – such as introducing specific PIE tax incentives for lower-income earners – could surface again after being submerged into the IRD work program.

No-one is holding their breath.

KiwiSaver providers are already absorbing a wide range of legislative changes introduced over the last couple of years such as new dollar-fee reporting standards, an expanded range of contribution rates and opening up to the over-65s.

As of next year, KiwiSaver schemes will also have to report retirement income projections to members.

Most recently, the government has tabled an upfront default scheme review plan that heralds a revamp of the existing conservative asset allocation settings and further fee discounting.

The MBIE document also hints at a massive reorganisation of the current scheme arrangements with a provision to redistribute auto-enrolled members from providers if they lose default status following the formal review process next year.

Default scheme numbers could go up, down or sideways, the MBIE discussion document says.

The review, which will have spin-off effects across all KiwiSaver schemes, suggests default providers could face further environmental, social and governance (ESG) investment restrictions as well as a requirement to support local start-up firms.

And following years of consolidation, the KiwiSaver market is fragmenting again as boutique players sense an opportunity – perhaps the only opportunity – to grow retail FUM in a mandated savings space. The experience of this year's models – Juno and Nikko – offers just a slither of encouragement to post March 31 babies, CareSaver and Kōura.

At the same time, investment markets have experienced some second-half wobbles. Recession talk has bubbled into the mainstream as economists bearing inverted yield curves preach doom.

What do they know? Maybe as much as Trusted Pychic Mediums.

The findings in this report are based on figures collected from the annual reports of 31 KiwiSaver schemes.
A complete set of the data in Excel spreadsheet form, covering member and funds under management trends; fees and expenses; investment returns; scheme transfers and other metrics, is available for a not-unreasonable fee of $300 plus GST ($345 including GST).
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