KiwiSaver

#15
real tricky times

KiwiSaver Annual Market Report 2022

By David Chaplin

Introduction

There's a lot going on with 15.

In number theory 15 is variously labeled as deficient, smooth, lucky and pernicious as well as sporting other exotic mathematical properties.

It is also magic: the nine single-digit integers can be arranged in a three-by-three square where every horizontal and vertical line adds up to, hey presto... 15.

But according to the ever-reliable 'Riding The Beast' (RTB) website, the number also has a dark side with alleged links to Satan, who gets all the good numbers as well as 15 mentions in The Bible.

"Saint Paul enumerates fifteen fruits of the flesh: sexual vice, impurity, sensuality, the worship of false gods and sorcery, antagonisms and rivalry, jealousy, bad temper and quarrels, disagreements, factions and malice, drunkenness and orgies," RTB notes.

For the KiwiSaver market, however, year 15 wasn't quite so lucky.

Following a smooth ride upwards during the previous annual reporting period (the 14th since inception) that saw almost all schemes record double-digit returns, the sector caught the front-end of inflation-fueled volatility in a pernicious March 2022 quarter that subtracted over $2 billion from the December-end total of $91.3 billion.

Despite deficient markets, most KiwiSaver schemes booked positive investment results overall during the 12 months to the end of March, albeit that the only double-digit return figures came as red-coloured this season.

Year-on-year KiwiSaver funds under management (FUM) rose almost 10 per cent (or $8.1 billion) to the end of March while net membership grew more than 77,000 (2.5 per cent) – about 15,000 more than the 2021 financial year – to just under 3.2 million.

However, in after-hours news a bleak June quarter dragged the KiwiSaver market value down more than $5 billion to $83.8 billion compared to the March 31 total FUM of $89.7 billion.

Yet while the disappearing FUM may prove a temporary illusion, the government's big default trick unveiled last year has left five schemes with permanently sawn-off limbs. (Or maybe not all of them: a sleight-of-hand move by Fisher Funds on Kiwi Wealth this August should see the former restored to default status.)

The default reshuffle, mostly completed by the end of last year, has distorted many of the metrics covered in this report as about $2.3 billion and 230,000 members levitated across from the five dispossessed providers to the six chosen ones.

Nonetheless, this study shines some light through the smoke-and-mirrors to reveal much of the goings-on among the 37 schemes reporting this year (up one from the previous period with another new provider – Kernel – entering in an event after balance date), arranged as usual in three-by-five tables that add up:

- 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 the inflation-adjusted fee of $460 plus GST ($529 including GST).
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Transferable skills: good Kiwi jugglers

Pick a card, any card, and in KiwiSaver there's a strong chance it will turn up Milford.

The Auckland-headquartered manager has aced-it across multiple KiwiSaver market metrics over many years including in the net transfer category for the second year in a row.

And Milford has topped the table for the 12 months to March 31, 2022, despite a deck strongly stacked in favour of the new (and renewed) default providers.

Over the year the firm accrued more than $900 million in net new money from other providers, about $160 million ahead of the second-placed Simplicity, which was boosted by the $380 million or so government-assisted default handout.

Excluding the default money, Simplicity still managed a healthy $360 million gain in the transfer market well ahead of Booster, SuperLife and BNZ as shown in the table below.

Notably, BNZ transfer gains would have been virtually nil without the top-up while Kiwi Wealth and Westpac – the remaining two defaults – recorded respective net wins of $240 million and almost $170 million, implying negative results bar the $380 million redistribution.

Both Kiwi Wealth and Westpac reported net transfer losses last year as all bank-based schemes (apart from BNZ in 2021) suffered at the hands of competitors.

Outside the top five in 2022 the repeat-contender, Generate, also carded a respectable transfer gain of $320 million plus: the Auckland boutique has traditionally featured among the most competitive players in the KiwiSaver marketing game with uninterrupted winning hands over 2017 to 2020.

High-rollers last year, local providers, NZ Funds and the Pie Funds-owned Juno, dropped down the charts a little in 2022 but still managed to siphon off almost $100 million apiece net from other schemes – just slightly less than the much larger Fisher Funds (One) scraped in over the same period.

Pathfinder (up $60 million) and two later arrivals, InvestNow and the adviser group-run Aurora schemes (both banking about $50 million in transfer money), also appeared to be on a winning streak during the 2022 period as their respective niche strategies paid off.

For these smaller providers, transfers represent the bulk, if not all, of their respective FUM-growth figures in 2022 as regular member contributions take a while to kick in.

Overall, 21 of the 37 schemes covered in this study reported net transfer gains (excluding the tiny Exclusive Brethren vehicle, BCF, which had not filed accounts as at publication time).

Top 5 KiwiSaver schemes by net transfer inflows		
Scheme	Net transfer inflow $m	% of total scheme FUM as at March 31, 2022
Milford	902	18.7
Simplicity	745	28
Booster	552	15.2
SuperLife	418	23.4
BNZ	376	8.4

Flip a coin, any coin, in KiwiSaver and odds are it will land wrong-side-up for AMP.

And for the eighth year in a row the once third-largest KiwiSaver scheme has seen the numbers fall against it after recording net transfer losses of a whopping $1.1 billion plus.

The AMP result in this category was loaded by its loss of default status but that process likely only explains just over 60 per cent of the missing billion with regular competitive pressures continuing to squeeze the group harder than most.

Following a tumultuous few years at the parent corporate level, the AMP NZ wealth business is now attempting to regain lost ground via an agreement with global mega-manager, BlackRock.

Under a deal completed last August, most AMP KiwiSaver money is now managed in passive investment strategies by BlackRock, which replaced ex-sister firm, AMP Capital NZ (now Macquarie Asset Management NZ).

Effectively a dual default provider after buying Axa in 2012, AMP probably had the most to lose but, as shown below, ASB, ANZ Default, Mercer and Fisher Two also reported substantially higher net transfer outflows this year post the government-mandated reshuffle.

On a total provider basis, the ANZ transfer figures were about on par with AMP as the bank saw roughly $1.2 billion flow to rivals across its three schemes including: $658 million from the default product (now closed to new members); $384 million from the main scheme; and, $150 million exit the adviser-supported OneAnswer offering.

Apart from the default-depleted providers, a handful of other schemes reported marginal transfer deficits during the 12-month period, led by the Aon KiwiSaver (down about $30 million), which was sold to Fisher Funds late last year for $32 million in a deal packaged up with an employer super master trust (later on-sold to Lifetime Retirement Income for $3.7 million).

Top 5 KiwiSaver schemes by net transfer outflows		
Scheme	Net transfer outflow $m	% of total scheme FUM as at March 31, 2022
AMP	1,142	19.6
ASB	882	6.3
ANZ Default	658	43.5
Mercer	497	23.8
Fisher Two	401	14.3

Hitting the smaller time: five take a dive

It’s been downhill for the big end of town for eight years on the trot with the more bureaucratic Australian-owned institutions steadily losing KiwiSaver market share to nimbler, local providers.

The trend accelerated considerably during the latest annual period, again largely on the back of the default rearrangements that cut more than 3 per cent off the top five collective market kitty while sending AMP off-table for the first time.

Default winnings pushed Kiwi Wealth above AMP into the top five in what will be a brief frolic among the ‘whales’ for the formerly government-owned provider.

After swallowing Kiwi Wealth in a $310 million takeover this August, Fisher Funds will rise to at least third in the top-five provider rankings with a good shot at claiming second from the slower-growing ASB.

Fisher may continue to operate Kiwi Wealth separately for some time but asset-wise the two providers will count as one in this report, potentially promoting AMP back into the high-five, albeit that at current growth pace Milford may spoil the return party.

The deal marks Fisher’s fourth big scheme buyout in a shopping spree that has taken in Huljich, Tower and Aon over the years as well as a couple of smaller providers (First NZ Capital and the Credit Union).

Milford reported about $4.8 billion under management on March 31 this year followed by BNZ ($4.5 billion), Booster ($3.6 billion) and Generate ($3.2 billion) in a mid-tier cluster.

As the table below reveals, the triple-schemed ANZ remains atop the FUM table, 5 per cent clear of ASB but with its market share down from a peak of 26 per cent a few years ago.

Top 5 KiwiSaver providers by FUM: March 31, 2022		
Provider	**FUM $bn**	**% of Total $89.7bn**
ANZ (ANZ, ANZ Default, OneAnswer)	18.5	20.6
ASB	14	15.6
Westpac	9.3	10.4
Fisher (One and Two)	7	7.8
Kiwi Wealth	6.6	7.4
Total	**55.4**	**61.8**

The chasing pack this year has mostly been cashed-up with default chips, Milford again the notable exception.

As the annual growth-rate figures below reveal, Simplicity FUM expanded by almost 60 per cent compared to 70 per cent in the 2021 period when it ranked second behind NZ Funds in this category (limited to schemes with at least 5,000 members).

Average growth-rates fell this year as relatively poor investment returns took the shine off figures but Milford's mix of outstanding net transfers, solid contributions and steady returns saw it increase FUM by almost 46 per cent, or $1.5 billion in nominal figures.

Pathfinder, which almost made the 5,000 member cut-off in 2022, reported FUM-growth just above 100 per cent and will be one to watch next year.

Top 5 KiwiSaver schemes by annual FUM growth-rate		
Scheme	FUM growth year to 31/3/22 $m	FUM growth-rate, year to 31/3/22 %
Simplicity	988	59.2
Milford	1,512	45.7
SuperLife	554	44.8
Booster	944	35
BNZ	843	23.2

Audience non-participation: a staged exit

Overall KiwiSaver member numbers climbed by 77,115 during the latest financial period, representing a year-on-year increase of almost 2.5 per cent compared to 62,000 and 2 per cent in 2021.

Inland Revenue Department (IRD) data covering the 12-month period to June 30 counts about 79,000 net new KiwiSaver members sourced from active opt-in (almost 32,000), default-allocated (29,230) and a surprisingly high 18,339 employer-selected cohort.

Reported tight labour markets and COVID-enforced border controls during part of the period under review may have boosted KiwiSaver participation rates but membership growth was not shared equally.

The default migration naturally skewed the results for affected providers with AMP (which dropped out of the top five by membership size last year) shedding almost 70,000 members by March 31. Fisher Funds, meanwhile, exited the big-five club after the 4,000-member gain for its main scheme was scrubbed out by 36,000 default loss from Fisher Two, clearing the stage for BNZ.

Collectively, the current five largest providers account for 2.08 million members, equating to a nominal drop of about 200,000 on last year and a proportional decline of almost 3 per cent.

Top 5 KiwiSaver providers by members March 2022		
Provider	**Members**	**% of Total (3.16m)**
ANZ (inc ANZ, ANZ Default, OneAnswer)	679,602	21.5
ASB	491,261	15.5
Westpac	423,111	13.4
Kiwi Wealth	259,762	8.2
BNZ	231,380	7.3
Total	**2.08m**	**65.9**

Absent the 38,000 government membership gift to the six current default providers, Milford would have won the fast-grower prize both in absolute and percentage terms this year.

The manager doubled its net member numbers compared to last year to report an annual growth-rate of more than 46 per cent.

As the table below illustrates, the default leg-up lifted SuperLife into first place by membership growth-rate with the NZX-owned provider adding perhaps 3,000 members (or about 9.6 per cent year-on-year) on top.

Ex default Simplicity and Booster would've recorded annual growth-rates of 34 per cent and 8 per cent, respectively. At that pace, NZ Funds (up approximately 23 per cent) would likely have made the top five in this category – again, ignoring default distortions - ahead of Generate, which reported member growth of 16 per cent for the 12 months to March 31.

Pathfinder more than doubled membership during the year to finish just 19 shy of the arbitrary 5,000-figure threshold for table inclusion.

Among the recent start-up schemes both Aurora and InvestNow outperformed, adding 2,150 and almost 1,200 members, respectively, during the year: the former adviser-distributed scheme completed its first year of operation in the period while the latter grew almost 200 per cent in year two. Both schemes are issued under the aegis of Implemented Investment Solutions.

Top 5 KiwiSaver schemes by member growth-rate		
Scheme	Member growth year to 31/3/22	Member growth-rate year to 31/3/22 (%)
SuperLife	41,392	133.4
Simplicity	54,110	116.4
Milford	22,040	46.1
Juno	5,120	37.2
Booster	47,934	27.9

Cheaper tricks amid value-for-money wand-waving

The Financial Markets Authority (FMA) has made a big show of squeezing KiwiSaver fees down over the last couple of years, rolling out its ‘value-for-money’ assessment model earlier in 2022.

Based on the scheme cost ratios compiled in this study, the regulator can claim some success with FUM-proportionate KiwiSaver fees (plus expenses) falling a further 0.1 per cent during the annual period following a similar relative price cut last year.

While total annual gross nominal fees and expenses rose to $717 million in the latest data from $670 million in the 2021 accounts, the cost measured against average market FUM (calculated at just over $85.6 billion) dropped to under 0.84 per cent compared 0.93 per cent in the previous period: on a net fee basis, which strips out some double-counted in-fund fees, the relative cost of KiwiSaver sank to 0.81 per cent.

Fees fell across the board, too, with significant reductions at the luxury end of the market while many cheaper schemes also held nominal costs steady, paring back percentage-based measures.

In a dollar sense, two of the five most expensive schemes reported year-on-year decreases with Fisher Funds (excluding Fisher Two) accounts showing about $15 million less than in 2021 – mostly due to lower performance fees this year.

Meanwhile, AMP KiwiSaver fees and costs declined by roughly $3.3 million compared to last year as slightly lower passive management expenses and an asset base some $630 million lighter than the previous March hit home.

Unlike many other larger providers, AMP continues to charge annual fixed member fees ($23.40), which amounted to about $4.3 million of its total $55 million costs over the 2022 period.

Aside from Fisher, all of the top five KiwiSaver money-spinners now show annual FUM-based costs under 1 per cent. Fisher and Generate rank highest by this measure with cost ratios of 1.4 per cent over the current period, representing a drop of 0.8 per cent for the former and a par score for the latter scheme.

The figures displayed in the table below track single-scheme costs only: but ANZ collected about $168 million during the year across its three schemes while Fisher reported approximately $83 million in fees and expenses over its then two KiwiSaver offerings. (Technically, Fisher owned the Aon scheme – also one of the relatively expensive providers – for part of the 2022 financial year.)

SuperLife remains king of the cheap seats with a 0.2 per cent reported cost, again with the same caveat as last year that the NZX-owned manager receives some KiwiSaver-sourced fees in Smartshares balance sheets. The scheme would likely fall into the same expense range as Simplicity (0.3 per cent) including Smartshares fees but the manager can still claim the cheapest default offer that is priced at 0.2 per cent.

BNZ, Westpac and Supereasy, which filled out the same low-five spots last year, all saw FUM-based costs drop by 0.1 per cent during the 12 months.

Roughly half of all KiwiSaver schemes now feature an annual expense ratio of under 1 per cent, according to the analysis used in this study, while none spiked above 2 per cent this year (except for Aurora where inaugural year statistical quirks render the figure unreliable).

In 2013 almost all schemes cost more than 1 per cent with a median of about 1.3 per cent and a top rate of 3.4 per cent recorded by Milford (which came in at 0.9 per cent in the 2022 figures).

KiwiSaver cost reductions have come about through a mix of competitive and regulatory pressures but the FMA is pushing for some expenses to vanish under its ongoing value-for-money campaign that is targeting investment performance fees and embedded advice commissions in particular. The regulator has engineered a value-for-money tool to help providers comply with its wishes in the current financial year and beyond.

Top 5 KiwiSaver schemes by fees/expenses charged		
Scheme	Fees/expenses $m	% of average FUM 2021/2022
ANZ	128.7	0.9
ASB	90.6	0.7
Kiwi Wealth	57	0.9
Fisher Funds	55.2	1.4
AMP	55	0.9

Top 5 KiwiSaver schemes by fees/expenses per FUM		
Scheme	Fees/expenses $m	% of average FUM 2021/2022
Fisher Funds	55.2	1.4
Generate	40.6	1.4
Craigs (Select)	5.9	1.3
QuayStreet (Craigs)	3	1.2
Aon	9.1	1.2

Bottom 5 KiwiSaver schemes by fees/expenses per FUM		
Scheme	Fees/expenses $m	% of average FUM 2021/2022
SuperLife	2.6	0.2
Simplicity	7.2	0.3
BNZ	19.9	0.5
Westpac	48.4	0.5
Supereasy	2.3	0.6

Think of a number (then half it): a flat performance

Despite the bloody down-market moves over the first quarter of 2022, the majority of KiwiSaver schemes kept out of the red stuff in annual investment returns.

Only nine of the 36 schemes that had filed accounts by press-time reported negative results for the 12 months to March 31 but that group included last year's stand-out performer, NZ Funds, which plummeted to almost bottom of the pack with a gross return of just above -20 per cent as per the metric used in this study compared to plus 62 per cent in 2021.

The NZ Funds performance (the manager has volatile history) was only worsted by the much-smaller Nikko scheme that was once again hammered via its overweight exposure to the Ark Disruptive Innovation fund, which holds most of its 1,400 members' retirement savings.

Nikko opened up the Ark fund for single-use purposes near the end of 2020, attracting 1,300 or so new members to the scheme just as investment markets turned on the aggressive growth-focused style that had served the US manager so well the prior year. Ark dragged the Nikko scheme into an aggregate gross return of -30.6 per cent following a -11 per cent result last year (the only red one in 2021).

Of the 5,000-plus member schemes, only NZ Funds, Juno, BNZ and Westpac recorded below-zero gross investment performance in the 2022 period, returning -19.8, -17.7 and -0.7 per cent (for both banks), respectively.

While Nikko, Juno and NZ Funds, in particular, remained outliers, aggregate returns across all schemes fell in a narrow, low, band between 0.5 per cent for several schemes to the 6 per cent notched-up by Milford and the tiny sharia-compliant provider formerly known as Amanah (now AE, or Always Ethical) while the Christian KiwiSaver also turned in a wholly decent 5.6 per cent

Last year almost all schemes returned at least 12 per cent.

In real dollar terms, the KiwiSaver collective project still delivered more than $1.2 billion to the bottom line and, as weighed against average FUM over 2022, achieved an aggregate return of about 1.5 per cent before fees and tax and 0.5 per cent after accounting for all costs and the government take.

Post fees and taxes a further three schemes – ASB, Fisher Funds (One) and Generate – edged into negative space.

As discussed earlier, most KiwiSaver schemes dropped further into the void during the three months to June 30 with the median growth fund, for example, down -9.3 per cent for the quarter, according to the Melville Jessup Weaver (MJW) sector survey.

MJW analysis also shows all KiwiSaver funds in its universe (the survey excludes a chunk of the market) were negative for the 12 months to June 30, ranging from -7.4 per cent for the median conservative fund to -10.6 per cent for the average growth strategy.

Meanwhile back at March 31, the admittedly grainy return picture laid out below looks positively upbeat by comparison.

Disclaimer time: The performance figures presented below come with the standard warning about the limited value of short-term return data.

Furthermore, the annualised statistics cover whole-of-scheme rather the risk-adjusted fund-level results while the average FUM number used as the denominator can only approximate the impact of cash flows.

Top 5 KiwiSaver schemes by gross annual performance		
Scheme	Total return $m	Performance %
Milford	242	6
Craigs (Select)	22.4	5
QuayStreet (Craigs)	11.8	4.8
ANZ	480	3.5
ANZ Default	57.7	3.3

Bottom 5 KiwiSaver schemes by gross annual performance		
Scheme	Total return $m	Performance
NZ Funds	-132	-19.8
Juno	-72	-17.2
Westpac	-65.9	-0.7
BNZ	-27.1	-0.7
Summer	1.2	0.5

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 below.

Top 5 KiwiSaver schemes by net annual performance		
Scheme	Total net return $m	Performance %
Milford	202.9	5
QuayStreet (Craigs)	10.8	4.4
Craigs (Select)	17.3	3.9
OneAnswer (ANZ)	64	2.3
Supereasy	8.3	.1

Bottom 5 KiwiSaver schemes by net annual performance		
Scheme	Total net return $m	Performance %
NZ Funds	-139.8	-21
Juno	-81.5	-19.5
Westpac	-105.4	-1.2
BNZ	-40.5	-1
Generate	-8.4	-0.2

The default dis-illusion

In May last year the government pulled a fast one on the KiwiSaver sector in a hard-line call to sack five of the-then nine default providers.

At the end of a grueling statutory seven-yearly default reappointment process, the five providers – all from the foundational 2007 vintage – were given until the end of November 2021 to get their respective affairs in order before a mass relocation of disinterested members (and their money) to new government-approved homes among the six newly authorised schemes.

With a potential $4 billion and almost 400,000 members up for grabs the lure of default status was appealing, and probably worth a pencil-sharpened bid.

Officially, fees amounted to 60 per cent of the appointment decision but, in practice, the quoted price was the only thing that mattered with all winning bids coming in at 0.4 per cent or less.

As documented in this report, the loss of default status has put a significant dent in the market profiles of AMP, ANZ, ASB, Fisher and Mercer – the five providers that missed the fee cut.

But at the end of the day (November 30, 2021, was a Tuesday), the total amount transferred to the six successful bidders – BNZ, Booster, Kiwi Wealth, Simplicity, SuperLife and Westpac – was less than it might have been with the outgoing providers working hard to convert members during the six-month lead-in period.

Ex post, the six winning default schemes (including two new to the game, Simplicity and SuperLife) received about 38,000 members and $380 million apiece to be allocated to new mandated balanced fund options, cleansed of fossil fuel stocks: previously, default fund members were sent to conservative funds with no carbon restrictions.

Undoubtedly, the ex defaults would have preferred to retain the auto-enrolled members (and their money) but the loss hasn't been all bad news while the winners have a few downsides to contend with.

Often painted as a 'lucrative' gig, default status comes with even more obligations on providers this time around (including quasi-advice requirements) to serve a low-value, disengaged client base.

And as the tables below reveal, the default member exchange has simultaneously lowered the quality of incoming provider books and increased it for the departees as measured by two key statistics: average member balance; and, the percentage of non-contributing members. The quality-reducing impact is especially noticeable for the two new default schemes, Simplicity and SuperLife.

Post Default Quality Status				
	Average member balance $		Noncontributing member ratio % of scheme	
Scheme	**2021**	**2022**	**2021**	**2022**
BNZ	19,449	19,335	31.6	37.2
Booster	21,748	21,173	45.8	43
Kiwi Wealth	26,289	25,559	37.8	42.2
Simplicity	36,976	26,424	23.9	39.6
SuperLife	39,845	24,718	27.9	40.6
Westpac	22,216	22,099	26.5	26.8

Ex Default Quality Check Status				
	Average member balance $		Noncontributing member ratio % of scheme	
Scheme	**2021**	**2022**	**2021**	**2022**
AMP	29,858	39,805	40.5	34.1
ANZ Def.	37,798	21,173	44.5	31.7
ASB	25,364	28,527	39.2	38.9
Fisher Two	28,115	40,996	43.4	34.2
Mercer	25,318	40,534	42.7	32.9

Conclusion

The era of central banks pulling financial rabbits out of hats is over.

After entertaining sold-out audiences for more than 10 years, the monetary magic show closed abruptly in 2022 due to the unexpected return of reality.

Sharply rising global inflation tore apart the curtain to reveal monetary authorities rushing about backstage to reverse the spells conjured up over the previous decade by traditional tricks like near-zero interest rates and new gambits such as quantitative easing.

Now central bankers are desperately scrambling to not only round up the bloated bunnies but to find a hat big enough to stuff them back into. Investors long dependent on the monetary show of support have moved alternately between shock and denial at the end of the easy-money performances.

KiwiSaver schemes felt the impact of rising interest rates and volatility that has rumbled through markets since central banks turned seriously to inflation-fighting mode near the end of last year.

But most scheme members ended in the black after the 12 months to March 31 this year. As this study shows, only a handful of schemes reported aggregate negative returns over the latest annual period (although individual member experience would, of course, vary according to fund and time in the market).

Investment returns will always be a focus for KiwiSaver members but the 2021/22 year covered in this reported was dominated more by the government-enforced shake-up of the default provider system. The transfer of some 230,000 members and $2.3 billion from the five outgoing schemes to the six newly appointed (or reconfirmed) defaults has muddied the statistics this year without completely obscuring long-term trends.

In line with recent editions, the latest KiwiSaver market report reveals the waning influence of the big Australian financial institution-owned schemes at the expense of local players, ranging from innovative start-ups such as InvestNow, Aurora and Pathfinder to more-established operations including Milford, Booster, Simplicity and Generate.

The impending merger of Fisher Funds with Kiwi Wealth will also create a mostly NZ-owned KiwiSaver provider at the scale of the two Australian-backed market leaders, ANZ and ASB.

Notwithstanding the competitive energy of youthful (and slightly more mature) NZ schemes, the larger bank-owned providers probably aren't going anywhere in a hurry even if their Australian parents might prefer that outcome.

Meanwhile, KiwiSaver fees continue to fall under the weight of regulatory pressure (notably, the FMA value-for-money program due to get real this year) and competition.

The increasing public sensitivity to the cost of KiwiSaver was showcased in an extraordinary post balance date political act as Revenue Minister David Parker attempted to smuggle through a GST on fund fees via a tax law ruse.

In fact, the issue of GST on funds management fees has long vexed both industry and the IRD in on-again-off-again discussions dating back at least 10 years that ultimately ended up in the too-hard bin.

Despite having some technical support for his GST position, Parker's furtive approach – that ended in a humiliating government retreat – illustrated an enduring KiwiSaver reality: change requires a magic touch not cack-handed politics.

The findings in this report are based on figures collected from the annual reports of 36 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 the inflation-adjusted fee of $460 plus GST ($529 including GST).
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