

14 December 2020

Financial Markets Authority
PO Box 1179
Wellington 6140

By email: consultation@fma.govt.nz

**Submission on "Proposed guidance on KiwiSaver fees and value for money"
Consultation Paper**

1. Introduction

Thank you for the opportunity to make a submission on the "Proposed guidance on KiwiSaver fees and value for money" consultation paper. This submission is from Consumer NZ, an independent, non-profit organisation dedicated to advocating on behalf of New Zealand consumers. Consumer NZ has a reputation for being fair, impartial, and providing comprehensive consumer information and advice.

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2. General comments

Consumer NZ supports measures aimed at ensuring providers' fees are reasonable, and we therefore welcome the introduction of guidance for managers and supervisors of KiwiSaver schemes.

We're concerned KiwiSaver fees have not decreased as the total value of funds under management has increased. We're also concerned fees for some passive funds are well above the market average.

Our annual satisfaction surveys show consumers lack good information about both KiwiSaver fees and fund performance. Our 2020 survey found just 24 percent knew what they paid in annual fees and two-thirds were unsure how their fund performed relative to the rest of the market.¹

Overall, only 54 percent were happy with the service they were getting from their provider.

¹ Our survey was a nationally representative survey of 2114 New Zealanders aged 18 and over, carried out in February and March 2020.

3. Answers to questions

Our answers to specific questions in the consultation paper are set out in the feedback form below.

Thank you for the opportunity to make a submission. If you require any further information, please do not hesitate to contact me.

Yours sincerely

Aneleise Gawn
Consumer Advocate

Feedback form — Consultation paper: Proposed guidance on KiwiSaver fees and value for money

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Proposed guidance on KiwiSaver fees and value for money: [your organisation's name]' in the subject line. Thank you. **Submissions close on Monday 14 December 2020.**

Date: 14 December 2020 Number of pages: 4

Name of submitter: Aneleise Gawn

Company or entity: Consumer NZ

Organisation type: Consumer advocacy

Contact name (if different):

Contact email and phone: aneleise@consumer.org.nz 04 801 0418

Question number	Response
1. Do you agree with the factors we have identified as being relevant to an assessment of whether KiwiSaver fees are unreasonable? If not, please outline your reasons.	In general, we agree with the factors identified. As noted in our covering letter, our 2020 survey found only 24 percent of KiwiSavers knew what they paid in annual fees so we're pleased to see fee disclosure included in the list of matters that should be considered.
2. Are there any other factors you consider relevant to an assessment of whether KiwiSaver fees are unreasonable, or inconsistent with the related overarching statutory duties?	We consider the FMA should publish fee "benchmarks" to make it easier for consumers to gauge whether the amount they're paying is reasonable.
3. Do you agree with the examples we have identified of when KiwiSaver fees may be unreasonable, or inconsistent with the related overarching statutory duties? If so, please provide details.	In general, we agree with the examples of when fees may be unreasonable or inconsistent with statutory duties. In our view, consumers should be benefitting from the drop in fees charged by offshore fund managers but this hasn't happened. Consumers should also be benefitting from economies of scale, given the significant growth of funds being managed. We would also expect consumers in passive funds to be paying significantly lower fees.
4. Are you aware of any other example of when KiwiSaver fees may be unreasonable, or inconsistent with the related overarching statutory duties? If so, please provide details.	We're concerned about the fees being charged by some funds that are promoted as "responsible" or "ethical". Consumers may sign up to these funds believing higher fees are justified on the basis of the fund's responsible investment strategies. However, in practice, the level of investment in responsible funds may be minimal.
5. Do you think this guidance will help managers and supervisors to understand their ongoing obligation not to charge unreasonable fees and their statutory duties that relate to fees and value for money? Please outline the reasons for your answer.	We consider the guidance is likely to help managers and supervisors understand their obligations. However, we consider monitoring and enforcement is crucial to ensure managers and supervisors are meeting their obligations not to charge unreasonable fees. Without market monitoring, we're concerned providers will continue to charge unreasonable fees.
6. Do you have any examples of any costs or fee	See comments above in question 4 about ethical funds.

<p><i>levels that you think are unreasonable/reasonable? If so, please provide details.</i></p>	
<p><i>7. Are there any additional matters that you think the guidance should address? If so, please provide details.</i></p>	
<p>Feedback summary – see covering letter</p>	
<p>Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.</p>	
<p>Thank you for your feedback – we appreciate your time and input.</p>	