

KiwiSaver Annual Report



Purpose of the report

The Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) is an independent Crown entity and New Zealand’s principal conduct regulator of financial markets. We are one of several government agencies with a role in regulating KiwiSaver, which amounts to a substantial part of New Zealand’s collective wealth.

We are required to report on KiwiSaver to the relevant Minister each year. This year’s report covers the period from 1 July 2023 to 30 June 2024, and contains a summary of the statistical returns that must be lodged by KiwiSaver schemes as at 31 March 2024. This report will be presented to the House of Representatives pursuant to Section 159 of the KiwiSaver Act 2006.

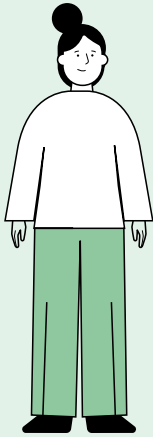
For many New Zealanders, KiwiSaver may be their first investment and a large part of their retirement savings and ultimate financial security. KiwiSaver is designed with the purpose of increasing individuals’ well-being and financial independence; reporting on the principal matters transacted is intended to serve that purpose.

Contents

Facts at a glance	2
From the Chief Economist	3
Executive summary	
Overview	4
Members and contributions	5
Withdrawals	6
Funds under management and returns	6
Funds movements	7
Fees	9
Check in with your nest egg campaign 2024	11
Money in	12
Money out	13
Focus areas	
Looking back over KiwiSaver's first 100 billion dollars	14
Default funds	16
Liquidity Risk Management	17
Appendices	18

Facts at a glance

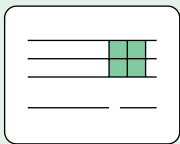
YEAR TO 31 MARCH 2024*



3,334,654

KiwiSaver members

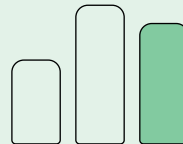
▲ UP 2.5%



\$111.8B

total funds under management

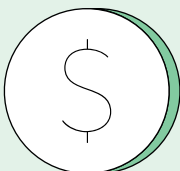
▲ UP 19.3%



\$33,514

average (mean) balance per member

▲ UP 16.5%



\$11.2B

contributed to KiwiSaver

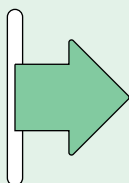
▲ UP 6.5%



\$13.1B

net investment returns

▲ UP FROM \$1.9B LOSS



\$5B

withdrawn by members**

▲ UP 18.8%



\$789.6M

paid in fees***

▲ UP 18.9%

*Throughout this report, all comparative data is year-on-year unless otherwise stated.

**This figure includes withdrawals for first home purchase deposits, mortgage diversion, end payment date, significant financial hardship, serious illness, life-shortening congenital conditions, death, permanent emigration or transfers to Australian schemes, and amounts required to be paid under other enactments.

***Fees include investment management fees, administration fees, supervisor and trustee fees, and other scheme expenses. Reports prior to 2023 only include management fees and administration fee. See page 9 for more details.

From the Chief Economist

This year saw an increase in KiwiSaver funds of 19.3% resulting in total funds under management of \$111.8 billion. There are now 3.3 million people investing in KiwiSaver, representing approximately 62% of the total population.

It's fantastic to see that investment returns which totalled \$13.1 billion are greater than total contributions of \$11.2 billion. This is a welcome change from last year, I remember describing 2023 as a year when contributions were more important than investment returns. We are taught to remember that investments can go down as well as up, but let's be honest, it's always nicer to see them go up! Overall, 2024 shows that KiwiSaver investments are working well for New Zealanders.

Fees have also increased, 18.9% - from \$664.1 million in 2023 to \$789.6 million in 2024. This is in line with increases in total funds under management suggesting that fees have not increased per dollar invested, but they have not decreased either. While we have seen a gradual decrease in fees as a percentage of funds under management over the last 10 years, this wasn't continued in the 2024 data. I encourage KiwiSavers, when looking at their annual statements, to focus on total returns, or returns minus fees. As KiwiSaver grows, I expect to see the benefits that come with economies of scale shared with KiwiSaver members.

Breaking through the \$100 billion milestone is something to celebrate; for a relatively small economy like New Zealand, it represents a coming of age of KiwiSaver. I've spoken to a number of KiwiSaver providers over the past year. Some shared their experiences with real estate investments, both listed and unlisted. I was encouraged by many of the conversations with some providers giving me detailed descriptions of their risk management strategies, their governance oversight and returns on real estate investments. Some other providers explained how the returns on real estate didn't stack up against the risk and they had invested their members savings elsewhere. I also spoke to firms about their experience of third-party providers (including investment managers),



their alternative investments and risk management. I was impressed by many of these conversations, especially the depth of understanding around risk management but some of these conversations suggested further work on risk frameworks would be beneficial. As KiwiSaver passes the \$100 billion milestone, we need the whole industry to deliver professionalism especially around risk management. In April the FMA published guidance on liquidity risk management which was intended to help lift standards across the whole industry.

Looking forward, markets have had a good year so far, internationally interest rates are threatening to come down, and in the USA there is much talk of the famous soft landing where interest rates return to their long run average without a significant jump in unemployment. The old adage, "It's about time in the markets, not timing the market" should help investors.

Stuart Johnson
FMA Chief Economist

Executive summary

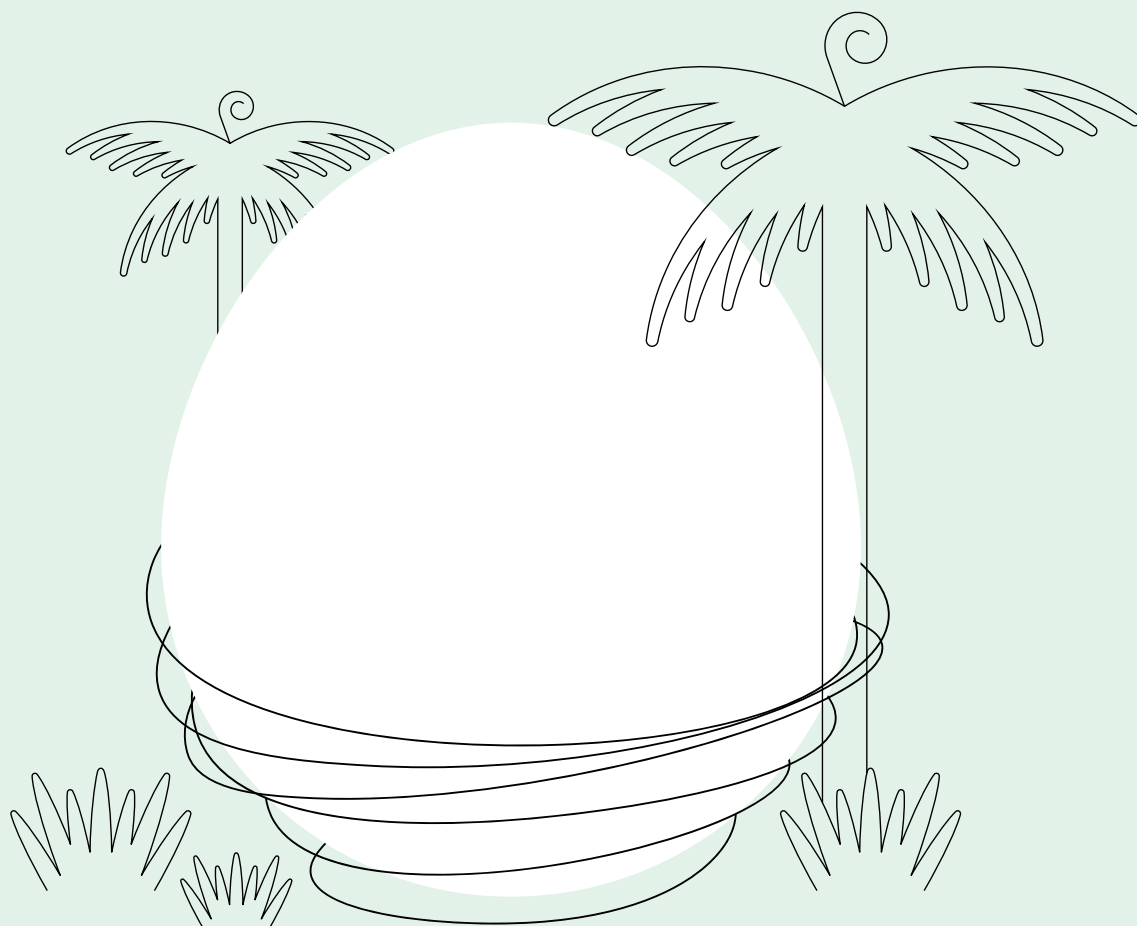
Overview

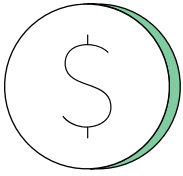
The March 2024 reporting year for KiwiSaver showed the strongest growth in total funds since 2021 and passed the significant milestone of its first \$100 billion. Total funds are now \$111.8 billion, up 19.3% from \$93.6 billion last year. The increase this year was due to inflows of almost \$24.3 billion, made up of investment returns (\$13.1 billion) and contributions (\$11.2 billion).

The value of investment returns this year (\$13.1 billion) was almost on par with the previous highest in 2021 (\$13.2 billion) and reversed the investment loss (\$1.9 billion) in 2023. There were withdrawals of \$5.0 billion, including \$3.0 billion by those over 65, \$1.2 billion for first homes and \$0.8 billion in other categories.

Total KiwiSaver funds have almost doubled since March 2019. In the last five years there were two reporting years when investment returns were negative. This helps to illustrate the effect of compound returns and the importance of regular contributions to KiwiSaver over the long term. It also shows that despite periods of volatile market performance, KiwiSaver has delivered positive outcomes.

As KiwiSaver passes the \$100 billion milestone, it continues to encourage long-term savings habits and asset accumulation for individuals' well-being and financial independence in their retirement years. Promoting a fair, efficient and transparent KiwiSaver market is a priority for the FMA. This involves ensuring that all providers comply with legal obligations and focus on the best interests of their members. This can be enabled by members who are well-informed and engaged in their own KiwiSaver.





Members and contributions

There are now 3,334,654 individual members in KiwiSaver. This is up around 2% year on year, at a similar pace to the previous four years. Since 2020, net total membership has grown over 10%, up more than 300,000 members over that time.

Of the total members, 2,993,812 members have selected their own provider and fund. The rest are default allocated scheme members, who have been automatically enrolled into one of the six default funds. New default members grew by more than 63,000, while new active choice members grew by almost 75,000.

The number of people actively selecting one of the default KiwiSaver funds continues to grow since the new default arrangements in December 2021. This year there are almost 27,000 up from almost 6,000 in 2022 when the new default schemes started reporting information for this report. Average balances among the active default members are higher at \$14,020 compared to \$9,937 for default members.

Total contributions from all sources increased by 6.5% year on year to \$11.2 billion. This is slightly less than the highest year for overall contributions in 2022. Individual contributions through salaries and wages were up to an all-time peak of \$5.9 billion this year, an increase of more than 7% year on year. Lump sum contributions were up slightly this year to \$839.1 million. However, this is an over 60% reduction from two years ago, when \$2.2 billion came into the scheme through lump sums. Another \$3.3 billion net of tax came from employers, while \$990 million came from the Crown.

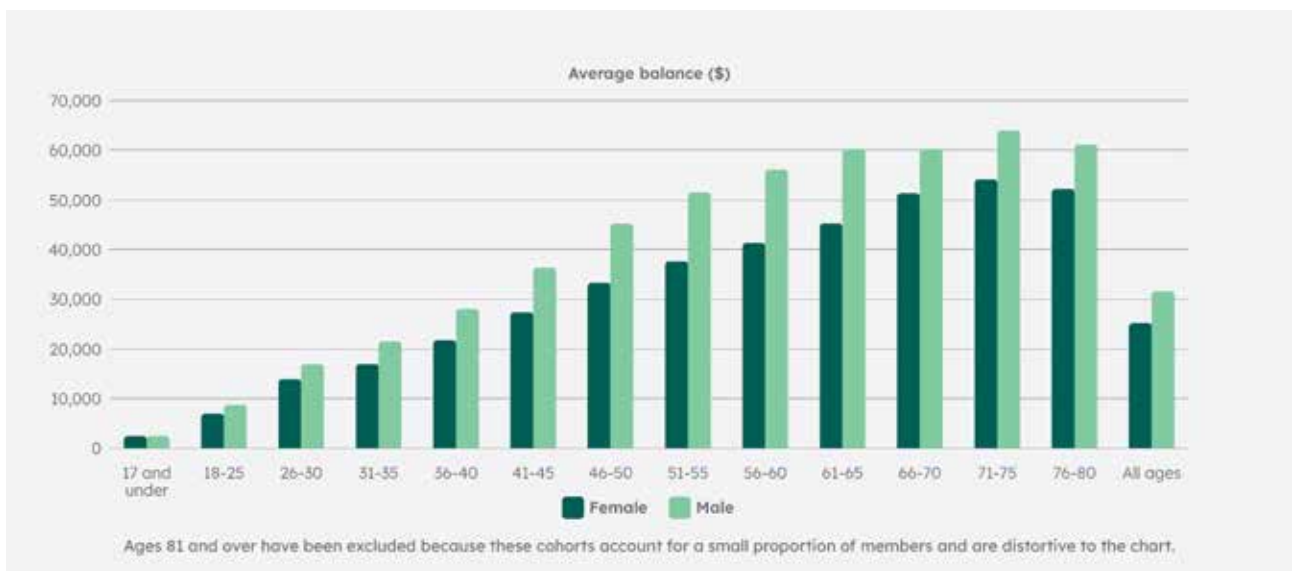
Non-contributing members

There are now 1,298,270 non-contributing members, up 3.4% year on year. This is a net increase of over 42,000 people over 12 months. As a proportion, this is 38.9% of all members, and remains lower than 44.4% of all members, ten years ago, in 2014. Included in this total are people on a section 104 savings suspension, now down 24% year on year to 92,222, and under 100,000 people for the first year since 2015. Separate to those on section 104 savings suspensions, there were 169,291 default members not contributing, up 7%, and 1,036,757 active choice members, up 6%.

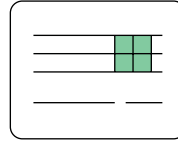
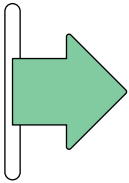
Research published by Te Ara Ahunga Ora Retirement Commission shows average balances across the age bands. Of the 1.2 million people who are non-contributors (but who are not on a section 104 savings suspension), we estimate that over 184,000 are aged over 65. This reflects the average balances below for those over 65, and the significant increase in total funds of non-contributors.

Since 2020 funds held by non-contributing members (but who are not on a section 104 savings suspension) have doubled to \$23.2 billion, and this year's total is an increase of 21% year on year, from \$19.3 billion in 2023. This shows the growing numbers of KiwiSaver members over 65 years who are leaving their money in their scheme and decumulating gradually, over time.

Those over 65 years (more than 184,000) and under 17 years (more than 195,000) could represent almost a third (31%) of those counted in the non-contributing members.



Bar graph from KiwiSaver Demographic Study March 2023 by Melville Jessup Weaver pg4



Withdrawals

In total, KiwiSaver members withdrew \$5 billion during the year.

People 65 years or older continue to be responsible for a large majority of withdrawals by value, up 6.4% from last year to \$3 billion. Gradual withdrawals can extend the benefits of KiwiSaver schemes and some providers now enable regular (e.g. fortnightly) drawdowns to supplement retirement incomes.

\$1.2 billion was withdrawn by almost 35,700 people for a first home purchase. While 34% higher than last year, the amount withdrawn is 14% down from the peak seen in 2022. The average withdrawal amount for a first home in 2021 was \$29,212 compared with \$34,718 in the year ending March 2024.

The number of permanent emigration withdrawals have spiked this year, 37% higher from 1,882 to 2,586 in 2024. This number is back up after a decline from the previous peak of 2,357 permanent emigration withdrawals in 2020. The dollar numbers have also increased substantially, up 62% to \$70 million year-on-year.

Reflecting the challenging economic environment, the number of significant hardship withdrawals has grown almost 11,000 to 29,242, up 60% from 18,291 last year. The total amount withdrawn was \$264.3 million, an average of approximately \$9,000 per withdrawals. While this is a significant increase, the number of people making hardship withdrawal this year still represents less than 1 per cent of the 3.3 million KiwiSaver members.

Funds under management and returns

Total funds under management at 31 March 2024 was \$111.8 billion, a 19% rise year-on-year and almost double the \$57 billion in 2019. This year's growth is due to a combination of strong investment returns of \$13.1 billion, and the inflow of \$11.2 billion into KiwiSaver through contributions of members, their employers and the Crown.

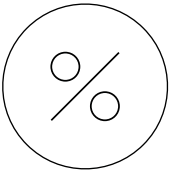
Growth funds now represent 46% of total funds under management, with \$51.4 billion invested, and a total of 1.53 million investors selecting a growth fund. This has grown rapidly over recent years, more than doubling from \$24.5 billion in 2021.

Funds under management labelled "socially responsible" in the annual report data set have increased over 30% year on year to \$1.4 billion. The number of people choosing these values-based funds has grown slightly since last year from 45,495 to 47,754.

Fewer investors are selecting conservative funds as a total proportion of funds. As at March 2024, \$19.2 billion was held in conservative funds by 766,023 investors, down from 854,098 in 2022. Total funds under management for conservative funds has risen 7% year on year, after a dip in the year to March 2023.

Balanced funds together now represent 29% of total funds under management. Total money in balanced funds, including default and non-default funds, is now \$32.3 billion, up over 15% from last year. For default members in balanced funds, funds under management increased by 25% from \$2.7 billion to \$3.4 billion.





Fund movements

Fund “switching” is where KiwiSaver members decide to change the fund they want to invest in while staying with their preferred provider. The year to March 2024 saw a further decrease in total switching activity, down to approximately 300,000, an 18% decrease from last year.

The total amount of money that moved between funds, but stayed with the same provider, was \$6.0 billion, up slightly from last year. The largest number of switches this year involved growth funds, with 130,372 totalling \$2.2 billion out, and 116,232 totalling \$2.7 billion in.

Reversing the change from 2023 in conservative funds, when there was a net decrease of 83,865 switches out of conservative funds, this year there was a net increase in switching into conservative funds of 34,548. Of note,

the 47,415 switches out of conservative funds amounted to \$1.2 billion while a higher number of switches into conservative funds, 81,963, amounted to just \$952.7 million. For each of the prior four years conservative funds have had net fund outflows whereas growth funds have had positive fund inflows for all but one year.

The fund movements themselves may indicate that investors are engaged and thinking about moving to the right fund for them. While conservative funds were the net gainer when observing the switching movements this year, the overall proportion of members choosing conservative funds has dropped. This continues a trend, where we are seeing more people in growth funds and fewer in conservative funds.

The changing proportions of fund choices and money allocated to fund types over time

	2014	2024
Total KiwiSaver members	2,297,840	3,334,654
Active choice/non-default members	1,836,486	2,993,812
Default members ¹	461,354	340,842
Multi sector fund selections by investors		
Conservative	747,914	766,023
Balanced	485,787	837,710
Growth	711,300	1,525,620
Single sector fund selections by investors	3,080,766	3,932,022
Cash	566,218	221,523
Shares	37,196	110,768
Fixed interest	29,585	62,843
Property	6,855	8,177
Socially responsible	7,151	47,754
Other funds	27,406	10,762
Total fund choices	3,080,766	3,932,022
% Conservative funds of total fund choices	39.3%	19.5%
% Growth funds of total fund choices	23.1%	38.8%
% Balanced funds of total fund choice	15.8%	30.0%

	2014	2024
Money held in funds		
Muti-sector Funds Under Management (FUM)		
Default member FUM	\$3,659,076,396	\$3,386,978,575
Conservative	\$5,504,660,192	\$19,245,486,038
Balanced	\$5,067,418,772	\$28,928,562,412
Growth	\$5,613,470,623	\$51,373,303,122
Single sector FUM \$		
Cash	\$950,817,922	\$4,323,487,917
Fixed interest	\$119,726,021	\$634,687,110
Shares	\$208,434,687	\$1,936,422,813
Property	\$30,250,775	\$81,389,297
Socially responsible	\$41,765,078	\$1,384,952,718
Other funds	\$207,489,030	\$484,913,994
Total Funds Under Management (FUM)	\$21,403,109,496	\$111,780,183,996
% Conservative FUM	42.8%	17.2%
% Growth FUM	26.2%	46.0%

1 Conservative risk profile in 2014 and balanced risk profile in 2024





Fees

Total fees deducted from all schemes this year was \$789 million, up 19% from 2023. The increase was mainly driven by investment management fees, up 13.1% to \$708 million, and a steep rise in 'other scheme expenses' up from \$15 million to \$58 million. Administration fees saw a slight increase of 3.3%, to \$17.8 million. Over the previous three years fixed administration fees have dropped significantly from \$80 million in 2021 to a low of \$17.3 million last year.

- Total Default fund fees were \$13.1 million
- Total Active fund fees were \$776.6 million

- **Default funds average annual fee per member** is now \$38, almost half the amount, (\$72 per member), prior to the transition to new arrangements and scheme providers in 2021.
- **Active funds average fee per member** is now \$259, up 16% from last year, reflecting the overall growth in funds under management from contributions and investment returns over the previous 12 months.

Fees per member

Active member fees

At 31/3	Total fees	÷	Active members	=	Average Active fees per annum
2019	\$475,840,973		2,535,979		\$188
2020	\$542,374,889		2,645,030		\$205
2021	\$657,404,966		2,734,610		\$240
2022	\$703,610,632		2,870,260		\$245
2023	\$652,868,562		2,929,647		\$223
2024	\$776,565,628		2,993,812		\$259

Default member fees

At 31/3	Total fees	÷	Default members	=	Average Default fees per annum
2019	\$31,114,573		398,289		\$78
2020	\$29,576,781		381,034		\$78
2021	\$25,739,432		356,021		\$72
2022	\$19,074,076		298,381		\$64
2023	\$11,257,363		324,689		\$35
2024	\$13,056,273		340,842		\$38

Looking back over ten years of fees

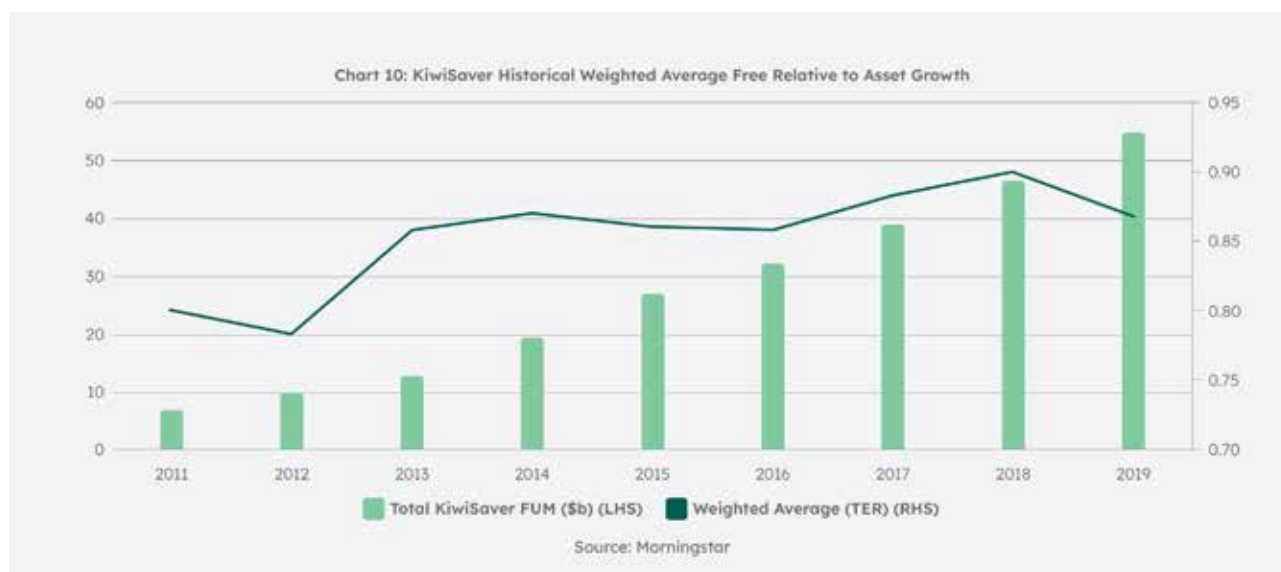
	2014	2024	Compound annual growth rate
Total funds in KiwiSaver	\$21.4 billion	\$111.8 billion	up 17.98%
Total fee expenses	\$220.1 million	\$789.6 million	up 13.59%
Fee expenses as percentage of total funds under management	1.03%	0.71%	

The law says that KiwiSaver providers must not charge fees that are unreasonable. This will depend on what value a KiwiSaver member will receive in return for the fee paid. A value assessment requires full transparency of fees charged.

In 2023 the total amount of fees decreased for the first year in KiwiSaver history. This was largely due to the removal of fixed membership fees by several providers, together with a negative return on investments impacting overall growth in funds under management, and performance fees. The 19% increase in fee revenue this

year is in line with the increase in total funds in KiwiSaver. The table above shows that over time the relationship between total fees and total funds under management has decreased from 1.03% to 0.71% as expressed as a percentage of total funds under management. Research by My Fiduciary in 2020 shows that fees as a proportion of funds under management had peaked in 2018 and started to level off, indicating at that time, that managers were starting to make changes to their management fees as a percentage of funds under management.

My Fiduciary report 2020



Together with supervisors, the FMA continues to monitor the value for money that KiwiSaver providers offer, and fees is one component of that. Of equal importance is the overall level of value and service delivered for the fees

and the transparency of both fees and value received. We have encouraged a risk-based approach to this monitoring work with the regularity and nature of value for money reviews tailored to suit the scheme.

Check in with your nest egg campaign 2024

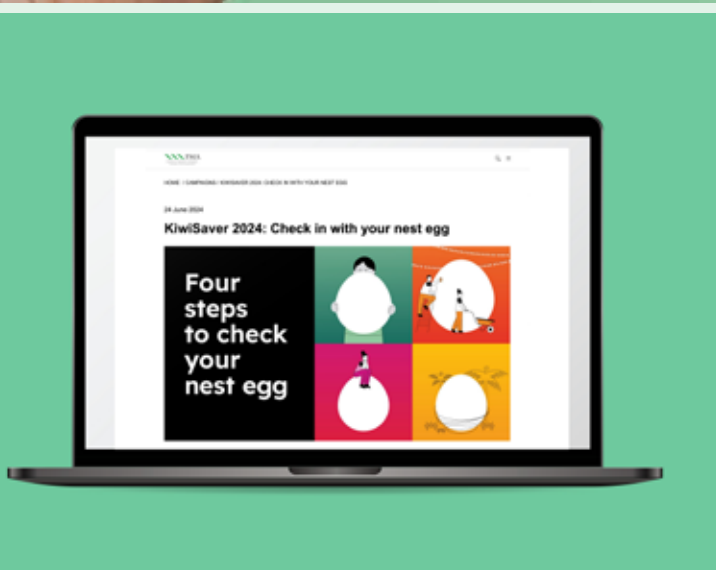


This year's annual awareness campaign "Check in with your nest egg" encouraged New Zealanders to give their KiwiSaver a health check to make sure it's working for them in the way they want it to.

Running in June and July 2024, our campaign encouraged all members to read their KiwiSaver statements, to check their understanding of how their KiwiSaver is performing for them. We wanted to share a message that would be helpful for anyone with KiwiSaver but were particularly focused on those in default funds, as they are usually the members who have not yet made an active choice about their KiwiSaver provider.

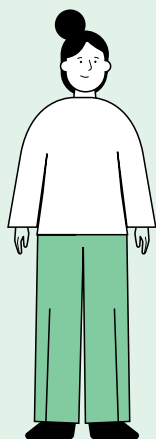
Given the heightened cost of living, the campaign also highlighted ways to maximise KiwiSaver without lifting contributions, such as by being in the right fund and checking that they are getting what they need from the fees that they are paying. To support this, we shared links to Sorted's KiwiSaver calculator on their website, as well as information on our website about the different types of funds they could be in.

The campaign used a range of ways to reach our target audience, including news coverage, an opinion editorial from our Chief Economist, social media content and advertising. Our social media content was well received through Facebook, Instagram and LinkedIn. While the focus was encouraging people to check their statements, rather than going to our website, we were still pleased to see almost two and a half thousand clicks through to our website. We were incredibly grateful to the Retirement Commission and Sorted.org.nz for also sharing our content through their channels to their almost 30,000 followers on Facebook and 5,000 followers on Instagram.



Money in

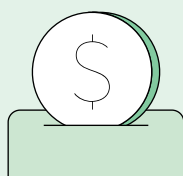
YEAR TO 31 MARCH 2024*



2,036,384

members were contributing

▲ UP 1.9%



\$11.2B

contributed

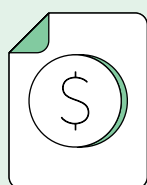
▲ UP 6.5%



\$6.9B

by members**

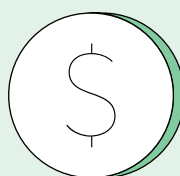
▲ UP 6%



\$3.3B

by employers

▲ UP 7.5%



\$990.1M

by the Crown

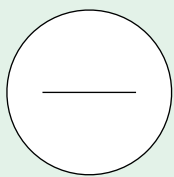
▲ UP 2.8%

* Member contributions at section 64 contribution rate, lump sums, other voluntary contributions, employer contributions, Crown contributions.

** Member contributions at section 64 contribution rate, lump sums, other voluntary contributions.

Money out

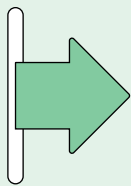
YEAR TO 31 MARCH 2024*



\$6.4B

deducted from KiwiSaver accounts

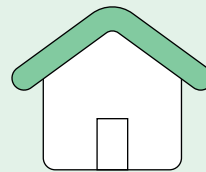
▲ UP 28%



\$3.0B

withdrawn by those aged 65+

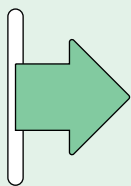
▲ UP 6.4%



\$1.2B

withdrawn for first home purchases

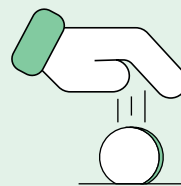
▲ UP 33.9%



\$264.3M

withdrawn due to financial hardship

▲ UP 82.4%



\$789.6M

paid in provider fees**

▲ UP 18.9%

* This figure includes withdrawals (first home purchase deposits, mortgage diversion, end payment date, significant financial hardship, serious illness, life-shortening congenital conditions, and death, as well permanent emigration or transfers to Australian schemes, and amounts required to be paid under other enactments) and fees (for investment management, administration, supervisors and trustees), as well as other scheme expenses and taxation. It excludes transfers into other KiwiSaver schemes and invalid enrolments.

** Investment management fees, administration fees, supervisor & trustee fees, other scheme expenses.



FOCUS AREA

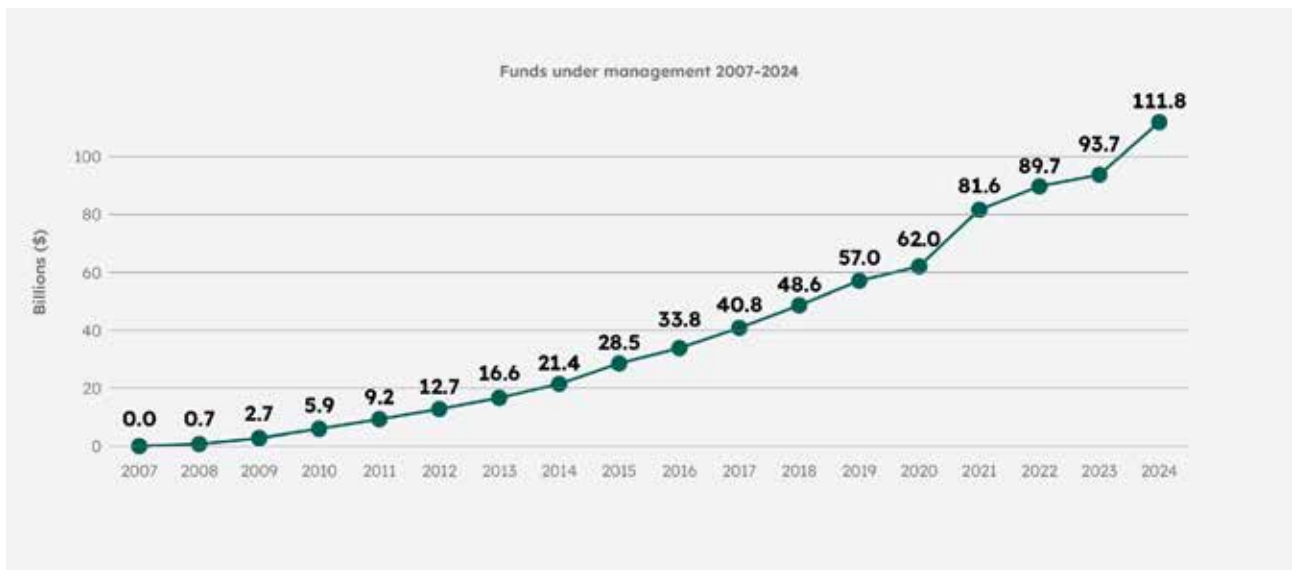
Looking back over KiwiSaver's first 100 billion dollars

On July 1, 2024, KiwiSaver celebrated its 17th birthday. As a late-stage teenager, how is the nation's workplace retirement saving scheme getting on?

Reaching the milestone of \$111 billion in funds under management, held in the accounts of 3.3 million individual New Zealanders, is a major achievement. People have contributed through salary deductions, or voluntary payments into the scheme, providers and investment managers are taking care of people's money, together with supervisors and custodians. To ensure the scheme as a whole and individual firms are working well, several Government agencies and Crown entities, also play an

important role. Inland Revenue and MBIE contribute administration, infrastructure and policy respectively. The FMA's role since 2011, has been to monitor the conduct, disclosure and governance of the firms offering KiwiSaver, and their supervisors.

The value of looking back is to see the critical factors that have contributed to a culture shift in New Zealander's approach to long-term saving and investing. Compounding interest and investment returns over time, sound nice in theory. When you talk with friends or family, it's far easier to show how total funds under management have grown exponentially over time, and then imagine your own account as one of millions contributing to this \$111 billion nest egg.



“The value of looking back is to see the critical factors that have contributed to a culture shift in New Zealander’s approach to long-term saving and investing.”

On KiwiSaver’s launch in 2007 the world of investing in New Zealand was very different, and confidence in investments was about to be hit by the Global Financial Crisis and resulting failures. The FMA was established soon after. Our first few years were largely spent dealing with the aftermath of the crisis.

Rebuilding trust and confidence in financial markets was at the heart of our early efforts. We wanted to ensure New Zealanders could be certain that fund managers and advisers were working in their best interests. Promoting informed participation in our investment markets continues to be central to the FMA’s work in 2024.

The first KiwiSaver members experienced losses on their funds early on. However, this did not dent the appeal of KiwiSaver as Government incentives encouraged take up of the scheme. Within a few years KiwiSaver experienced some of the strongest investment returns in market history, as markets rebounded from 2009 onwards for the best part of a decade.

Experiencing market cycles in real time has shown a new generation of investors that markets really do go up and down, and most importantly, that focusing on the long-term horizon to ensure you are in the right fund for your age and circumstances, will see you better-off in the long run. There was another reminder of volatile market cycles in the COVID years.

Looking back, we have used our influence, as the conduct regulator, to support better outcomes for investors. By way of example:

- We focused on transfers, and potential churn, after data from 2015/16 indicated a substantial increase in some providers targeting customers with other providers. The main concern for the FMA was ensuring that investors were transferring for the right reasons and where it was in their best interests to do so.
- We introduced licensing for Managed Investment Scheme Managers as part of the Financial Markets Conduct Act through 2014-2016.
- We encouraged default members to engage with KiwiSaver and make an active choice about their investment fund.

We also looked at the fees being charged by KiwiSaver providers and whether investors knew what fees they paid, and the services received in return. In a disclosure regime, transparency and consistency is paramount. Continued engagement with firms and policy makers in this area resulted in two main streams of work:

- Improving disclosure to ensure that investors could see all the information in their annual statement. Changes introduced from 2018-2019 included fees in dollar amounts on an annual basis, and what they were paying for in terms of investment returns and the projected forecast for total end balance. This initiative continues to help investors make informed decisions about their retirement goals and value for money.
- A focus on value for money evolved through improved disclosure and engagement with firms. Focusing on the investment return received after fees, and the levels of service, support and advice that may be offered enables investors to understand value for money. We continue to work with supervisors to monitor the value investors receive and will use our range of regulatory tools to address misleading value propositions and unreasonable fees where appropriate.

We use data and insights to support our supervisory approach and identify important trends in the market. Last year we saw that investors had become more comfortable with selecting growth funds, compared to a decade earlier. This tells us that due to compound returns and fund selection, the milestone of reaching \$200 billion in KiwiSaver will arrive a lot sooner than the first \$100 billion.

Looking forward, our strategic objectives provide an important signal about how we will focus our efforts with providers and supervisors in the years ahead. This will mean evolving our outcomes-focused and intelligence-led approaches, while ensuring that investors’ interests are at the heart of business decisions. Together, with the financial services sector, we can help build and improve KiwiSaver and grow retirement savings for the benefit of all New Zealanders.



FOCUS AREA

Default funds

Default members are those members who have not yet made an active choice about their KiwiSaver provider, having been automatically enrolled with one when they started work.

Almost half of all new members start their KiwiSaver journey in a default fund, a trend which has been consistent over the last five years. In the year ending 31 March 2024, 63,405 people began their KiwiSaver journey in one of the six default funds, while 74,937 selected their KiwiSaver provider and investment fund option.

As at 31 March 2024, there were a total of 340,842 default members in the six default funds, a 5% increase from the previous year. That number excludes members who have selected to be in a default fund, which stood at 26,977, or 7.3% of the total number of people in default funds.

The data shows default funds are working as intended, by introducing people to KiwiSaver by default and permitting others to actively decide to invest in the default funds, promoting competition and innovation.

Total funds under management for default members was \$3.4 billion (up 24.5%) with an average (mean) balance of \$9,937 –approximately one quarter of the active KiwiSaver members' average of \$36,199.

Consistent with KiwiSaver generally during the year, default funds saw net investment gains – up \$374.1 million, compared to last year's \$51.7 million loss.

Default KiwiSaver providers are appointed by the Minister of Finance and Minister of Commerce and Consumer Affairs under an Instrument of Appointment. The FMA reviews the reporting and performance of the six default KiwiSaver providers every six months. The reporting under the Instrument of Appointment covers performance of providers in relation to the minimum service and engagement obligations, breaches of Environmental, Social and Governance policy as well as general administration of the default KiwiSaver funds. For the year to 31 March 2024, we are generally comfortable with how default providers are meeting their service obligations to default members.

A core criterion for new default providers was to improve member engagement and communications across all investors, but with a particular focus on those approaching typical retirement age, and to ensure this cohort had appropriate levels of support around their fund options.

We have also considered how default providers meet their member engagement obligations generally as well as for those approaching retirement where we see room for improvement.

There are two supervisors of the default fund providers who work collaboratively with each other and the FMA to improve member engagement across the sector.



FOCUS AREA

Liquidity Risk Management

In April 2024, we published our liquidity risk management guide. The guide focuses on managed funds but is intended to assist all Managed Investment Scheme managers, and supervisors of those schemes, to consider liquidity risk management at all stages of fund management – from fund design to day-to-day liquidity management and contingency planning – and particularly at times of heightened market uncertainty and volatility.

Managed funds (including KiwiSaver) play an important role in healthy financial markets for businesses and investors. Good management of fund liquidity is important to help ensure investors are treated equitably, and that funds operate in line with the information given to investors and their expectations. Such capability and skill play an important role in supporting orderly and stable markets, especially during volatile conditions. This in turn promotes confident participation in financial markets.

A liquidity crisis can be large or small, prolonged or brief. Regardless of characteristics, it can have a significant impact on investor confidence. While the cause of a liquidity event or crisis is typically beyond the control of any fund manager, the level of preparedness can make a significant difference to the outcome for investors.

Prior to developing the guide, Managed Investment Scheme Managers (including KiwiSaver providers) were surveyed to enable us to understand how they managed fund liquidity. The survey told us that 45% of them had not defined ‘illiquid’ assets and 49% did not use any ‘early warning’ metrics, increasing the risk they would be under-prepared for a liquidity event. Only half of the Managers surveyed

had ever used a liquidity risk management tool of any kind, including those suited to a variety of crisis situations. This, coupled with an overreliance on liquid assets as the default response to a liquidity crisis, indicated heightened risk around liquidity in the New Zealand fund management sector. Our concern was that, gone unchecked, the heightened risk would contribute to inequitable treatment of investors in the event of a future liquidity crisis.

The guidance was designed to assist managers implement, maintain and enhance effective liquidity risk management. The FMA considers it is a fundamental capability of a prudent manager and the guidance reflected an expectation that managers will review their systems and tailor their liquidity risk management approach to suit their specific funds, making improvements where appropriate.

In our view, effective liquidity risk management does not unduly inhibit investment in a diverse range of assets, including private assets. It is important that liquidity risk management plans reflect exposure to different asset classes and explores all reasonable means to mitigate the risks. Ultimately it is for managers and their boards to determine, and to deploy the competence and skill required to design and govern their funds appropriately.

The guide reflects there is no one solution to liquidity risk and it will depend on the characteristics of each fund. The guide is just that, a guide, recognising that fund managers are best placed to decide how to best apply it to their business. Where liquidity risk is not effectively planned for, or worse ignored, there will be a question around compliance with the manager’s obligation to act in the best interests of investors, treat investors equitably and exercise professional care, diligence and skill.

The FMA will continue to engage and work with supervisors and managers to find effective and efficient ways to manage liquidity risk in the best interests of investors.

Appendices

Income and expenditure summary

Membership summary

Age and gender profiles of members

Profile of new default and other members

Summary of non-contributing members

Investment fund summary

Switches out of default funds into other funds

Switches between funds

Profile of switches between funds

Profile of non-contributing members

Analysis according to size of scheme assets

Analysis by nature of scheme

Analysis of schemes according to nature and assets

Where KiwiSaver money is invested

Appendix 1: Income and expenditure summary

KiwiSaver schemes as at 31 March 2024

	Default	Active	Total
Opening balance of scheme assets at start of annual return year (01/04/23)	\$2,719,263,843	\$90,933,919,677	\$93,653,183,520
Categories of income for annual return year			
Member contributions at section 64 contribution rate	\$383,875,454	\$5,564,150,531	\$5,948,025,985
Employer contributions	\$235,990,657	\$3,029,242,970	\$3,265,233,628
Crown contributions (section 226)	\$70,241,694	\$919,873,329	\$990,115,024
Transfers of members' accumulations into scheme from other KiwiSaver schemes	\$34,053	\$3,927,523,560	\$3,927,557,613
Transfers of members' accumulations into scheme from other retirement schemes	\$792,527	\$39,215,485	\$40,008,012
Transfers of members' accumulations into scheme from Australian superannuation schemes	\$6,014,451	\$160,613,303	\$166,627,753
Lump sum contributions	\$3,133,107	\$835,979,487	\$839,112,594
Other voluntary contributions over section 64 contribution rate	\$974,471	\$151,394,664	\$152,369,135
Income from investment of scheme assets	\$374,075,165	\$12,687,873,894	\$13,061,949,059
Other income	\$3,542,786	\$93,468,347	\$97,011,132
Total income from annual return year	\$1,078,674,365	\$27,409,335,571	\$28,488,009,935
Categories of expenditure for annual return year			
First home purchase withdrawals	\$22,640,318	\$1,216,809,440	\$1,239,449,759
Mortgage instalment withdrawals	\$0	\$40,870	\$40,870
KiwiSaver end payment date withdrawals	\$29,917,244	\$3,001,248,247	\$3,031,165,491
Withdrawals on death	\$3,803,740	\$171,114,339	\$174,918,079
Serious illness withdrawals	\$2,385,053	\$92,511,853	\$94,896,905
Life-shortening congenital condition withdrawals	\$0	\$459,302	\$459,302
Withdrawals or transfers on permanent emigration	\$1,899,424	\$67,944,587	\$69,844,010
Significant financial hardship withdrawals	\$8,121,980	\$256,137,265	\$264,259,245
Transfers of members' accumulations out of scheme into other KiwiSaver schemes	\$307,159,021	\$3,641,469,564	\$3,948,628,585
Transfers of members' accumulations out of scheme into Australian superannuation schemes	\$2,850,863	\$136,512,102	\$139,362,965
Amounts required to be paid under other enactments	\$194,030	\$32,047,847	\$32,241,876
Invalid enrolment withdrawals and late opt-outs	\$2,582,680	\$4,408,928	\$6,991,608
Administration fees	(\$34,438)	\$17,889,456	\$17,855,018
Investment management fees	\$12,990,489	\$695,298,963	\$708,289,452
Supervisor fees and (in the case of a restricted scheme) trustee fees	\$85,954	\$5,484,433	\$5,570,387
Insurance premiums	\$0	\$0	\$0
Taxation	\$16,349,006	\$574,368,875	\$590,717,882
Other scheme expenses	\$14,268	\$57,892,776	\$57,907,044
Total expenditure for annual return year	\$410,959,632	\$9,971,638,846	\$10,382,598,479
Closing balance of scheme assets at end of annual return year (31/03/24)	\$3,386,978,575	\$108,371,616,401	\$111,758,594,977

Notes:

- The statistical returns are unaudited and may not include all transactions.
- Some providers are not able to differentiate between different types of transfers, so discrepancies can occur between transfers to and from schemes.
- Opening balances may not align with last year's reported closing balances due to filing discrepancies.
- Some providers pay all costs out of a single fee they charge their members and this is categorised on the previous page under 'Investment management fees'. Hence, totals for 'Administration fees' and 'Supervisor fees' are not a true reflection of those costs.

Appendix 2: Membership summary

KiwiSaver schemes as at 31 March 2024

	Default	Active	Total
Number of contributing members at start of annual return year (01/04/23)	160,258	1,857,387	2,017,645
Categories of entries for annual return year			
New members (other than transfers from other schemes)	63,405	74,937	138,342
Members restarting contributions at end of section 104 savings suspension	1,673	31,096	32,769
Members restarting contributions after stopping contributions for any other reason	20,531	164,251	184,782
Members transferring into scheme from other KiwiSaver schemes	1	152,696	152,697
Members transferring into scheme from Australian superannuation schemes	2	389	391
Members transferring into scheme from other retirement schemes	1	174	175
Total entries for annual return year	85,613	423,543	509,156
Categories of membership exits for annual return year			
KiwiSaver end payment date exits	1,487	35,165	36,652
Deaths	348	4,267	4,615
Permanent emigration exits	184	2,402	2,586
Transfers out of scheme into other KiwiSaver schemes	40,641	113,608	154,249
Transfers out of scheme into Australian superannuation schemes	167	3,983	4,150
Other permanent exits	204	3,451	3,655
Invalid enrolment withdrawals	3,593	1,743	5,336
Members starting section 104 savings suspensions	4,057	47,520	51,577
Members stopping contributions for other reasons	29,913	197,684	227,597
Total temporary and permanent exits for annual return year	80,594	409,823	490,417
Number of contributing members at end of annual return year (31/03/2024)	165,277	1,871,107	2,036,384

Appendix 2: Membership summary (continued)

KiwiSaver schemes as at 31 March 2024

	Default	Active	Total
Number of members on section 104 savings suspensions at start of annual return year (01/04/2023)	8,742	149,050	157,792
Categories of non-contributing members on section 104 savings suspensions			
Members starting section 104 savings suspensions	4,057	47,520	51,577
Members ending section 104 savings suspensions and restarting contributions	1,673	31,096	32,769
Members ending section 104 savings suspensions but not restarting contributions for any reason	1,938	21,946	23,884
Number of members on section 104 savings suspensions at end of annual return year	6,274	85,948	92,222
Number of non-contributing members (not on section 104 savings suspensions) at start of this annual return year	157,971	981,378	1,139,349
Categories of other non-contributing members (not on section 104 savings suspensions)			
Members stopping contributions without section 104 savings suspensions	31,851	219,630	251,481
Members restarting contributions after having stopped without section 104 savings suspensions	20,531	164,251	184,782
Number of non-contributing members (not on section 104 savings suspensions) at end of this annual return year	169,291	1,036,757	1,206,048
Total non-contributing members at end of annual return year	175,565	1,122,705	1,298,270
Total number of members at end of annual return year	340,842	2,993,812	3,334,654

Note: There are some discrepancies in transfers to and transfers from KiwiSaver schemes due to timing differences and categorisation by providers.

Appendix 3: Age and gender profiles of members

Total members				
Age at end of annual return year	Female	Male	Gender Unknown	Total
17 and under	94,587	99,495	1,069	195,151
18-25	205,081	212,127	39,733	456,941
26-30	162,459	169,530	20,753	352,742
31-35	186,778	187,977	27,805	402,560
36-40	168,257	165,740	26,092	360,089
41-45	147,932	142,274	20,329	310,535
46-50	138,438	128,512	15,933	282,883
51-55	146,748	131,077	14,247	292,072
56-60	134,024	119,585	11,073	264,682
61-65	118,607	105,136	8,814	232,557
66-70	55,003	49,239	3,905	108,147
71-75	26,815	24,298	1,641	52,754
76-80	10,720	9,816	580	21,116
81-85	819	888	45	1,752
86 and over	206	207	8	421
Unknown age	48	95	109	252
Total	1,596,522	1,545,996	192,136	3,334,654

Default members				
Age at end of annual return year	Female	Male	Gender Unknown	Total
17 and under	33	47		80
18-25	20,529	22,505	28,583	71,617
26-30	11,086	13,099	14,641	38,826
31-35	13,738	14,170	19,756	47,664
36-40	12,995	13,237	18,831	45,063
41-45	10,014	10,633	14,382	35,029
46-50	8,099	8,846	11,388	28,333
51-55	7,550	8,118	10,268	25,936
56-60	5,818	6,415	7,960	20,193
61-65	4,622	5,145	6,259	16,026
66-70	2,198	2,382	2,937	7,517
71-75	860	1,011	1,291	3,162
76-80	266	304	469	1,039
81-85	19	31	36	86
86 and over	34	55	4	93
Unknown age	28	48	102	178
Total	97,889	106,046	136,907	340,842

Appendix 3: Age and gender profiles of members (continued)

Active members				
Age at end of annual return year	Female	Male	Gender Unknown	Total
17 and under	94,554	99,448	1,069	195,071
18-25	184,552	189,622	11,150	385,324
26-30	151,373	156,431	6,112	313,916
31-35	173,040	173,807	8,049	354,896
36-40	155,262	152,503	7,261	315,026
41-45	137,918	131,641	5,947	275,506
46-50	130,339	119,666	4,545	254,550
51-55	139,198	122,959	3,979	266,136
56-60	128,206	113,170	3,113	244,489
61-65	113,985	99,991	2,555	216,531
66-70	52,805	46,857	968	100,630
71-75	25,955	23,287	350	49,592
76-80	10,454	9,512	111	20,077
81-85	800	857	9	1,666
86 and over	172	152	4	328
Unknown age	20	47	7	74
Total	1,498,633	1,439,950	55,229	2,993,812

Appendix 4: Profile of new default and other members

KiwiSaver schemes as at 31 March 2024

	Number of members	Scheme assets held for those members
Default members allocated to scheme by Commissioner under section 51 in annual return year	63,409	\$124,959,544
Other new members entering scheme in annual return year (including transfers from other schemes)	55,153	\$997,941,927

Note: Some providers have included members who have since opted out, while others have not.

Appendix 5: Summary of non-contributing members

	Default		Active	
	Number of members	Scheme assets held for those members	Number of members	Scheme assets held for those members
Number of non-contributing members (not on section 104 savings suspension) at start of this annual return year	157,971	\$787,697,584	981,378	\$18,384,244,624
Number of non-contributing members (not on section 104 savings suspension) at end of this annual return year	169,291	\$961,592,684	1,036,757	\$22,226,687,915

Note: ‘Non-contributing member’ means:

- a member for whom no contributions have been received in the previous two months, or
- where the member does not contribute via the IRD, the member has failed to meet their contracted contribution frequency

It excludes members on section 104 savings suspensions.

Appendix 6: Investment fund summary

KiwiSaver schemes as at 31 March 2024

	Number of members in each investment fund	Amount of each investment fund
Default investment product under instrument of appointment in respect of default members	340,842	\$3,386,978,575
Total	340,842	\$3,386,978,575
Multi sector funds		
Active Default	26,977	\$378,213,679
Conservative	766,023	\$19,245,486,038
Balanced	810,733	\$28,550,348,733
Growth	1,525,620	\$51,373,303,122
Single sector funds		
Cash	221,523	\$4,323,487,917
Fixed Interest	62,843	\$634,687,110
Property	8,177	\$81,389,297
Shares	110,768	\$1,936,422,813
Socially responsible funds	47,754	\$1,384,952,718
Other	10,762	\$484,913,994
Total	3,591,180	\$108,393,205,421

Notes:

- The statistical returns are unaudited and may not include all transactions.
- Some members will be invested in more than one investment fund.
- “Other” refers, in the main, to life stages products.

Appendix 7a: Switches out of default funds into other funds

KiwiSaver schemes as at 31 March 2024

	Number of member exits from default fund	Value of exits from default fund
	Members	\$ Amount
Switches out of default investment product under instrument of appointment	11,736	\$58,790,341
	Number of member transfers into other funds in Scheme	\$ value of transfers into other funds in Scheme
	Members	\$ Amount
Multi sector funds		
Active Default	3,173	\$7,274,768
Conservative	765	\$5,978,662
Balanced	1,815	\$10,081,287
Growth	3,769	\$25,900,579
Single sector funds		
Cash	924	\$4,950,268
Fixed Interest	686	\$1,257,989
Property	2	\$3,864
Shares	297	\$1,054,444
Socially responsible funds	1,114	\$2,288,480
Total	12,545	\$58,790,341

Notes:

- The statistical returns are unaudited and may not include all transactions.
- Some members will be invested in more than one investment fund.

Appendix 7b: Switches between funds

KiwiSaver schemes as at 31 March 2024

	Number of member switches into this fund	Value of switches into this fund	Number of member switches out of this fund	Value of switches out of this fund	Net change in amounts
Multi sector funds					
Active Default	2,085	\$36,010,552	3,489	\$37,579,057	(\$1,568,505)
Conservative	81,963	\$952,705,045	47,415	\$1,249,683,683	(\$296,978,638)
Balanced	44,971	\$1,320,834,070	58,692	\$1,735,111,280	(\$414,277,210)
Growth	116,232	\$2,701,948,383	130,372	\$2,165,619,827	\$536,328,556
Single sector funds					
Cash	20,208	\$662,417,021	20,328	\$500,449,987	\$161,967,034
Fixed Interest	7,635	\$38,445,670	4,974	\$35,499,365	\$2,946,304
Shares	27,384	\$203,423,055	24,932	\$142,780,457	\$60,642,598
Property	2,348	\$7,581,167	987	\$9,303,415	(\$1,722,249)
Socially responsible funds	5,564	\$58,543,078	9,529	\$103,734,827	(\$45,191,749)
Other	98	\$2,142,711	227	\$4,288,853	(\$2,146,142)
Total	308,488	\$5,984,050,751	300,945	\$5,984,050,751	\$0

Appendix 8a: Profile of switches between funds

KiwiSaver schemes as at 31 March 2024

	Default	Active
1 switch	11,736	190,453
2 switches	0	25,342
3 switches	0	3,443
4 switches	0	835
5 switches or more	0	2,205

Appendix 8b: Profile of non-contributing members

KiwiSaver schemes as at 31 March 2024

Last contribution made (calculated from end of annual return year)	Default		Active	
	Members	Assets	Members	Assets
1 year or less	30,860	\$239,400,780	302,368	\$8,994,538,986
2 years or less, but more than 1 year	43,062	\$245,049,748	152,636	\$4,156,854,571
3 years or less, but more than 2 years	82,138	\$447,502,125	99,508	\$3,154,892,053
5 years or less, but more than 3 years	5,433	\$14,855,449	112,616	\$2,762,294,473
More than 5 years	7,798	\$14,784,583	369,629	\$3,158,107,832
Total	169,291	\$961,592,684	1,036,757	\$22,226,687,915

Note: Excludes members on section 104 savings suspensions.

Appendix 9: Analysis according to size of scheme assets

KiwiSaver schemes as at 31 March 2024

Asset Grouping	Number of schemes	Total assets \$m	Total membership
\$10m to under \$100m	7	\$352	8,124
\$100m to under \$500m	10	\$2,715	63,231
\$500m to under \$1,000m	4	\$2,744	68,486
\$1,000m to under \$5,000m	8	\$23,503	640,187
\$5,000m and over	9	\$82,444	2,554,626
Total	38	\$111,759	3,334,654

Note: Some totals may not be exact, due to rounding.

Appendix 10: Analysis by nature of scheme

KiwiSaver schemes as at 31 March 2024

Nature of Scheme	Number of schemes	Total assets \$m	Total membership
Default schemes	6	\$3,387	340,842
Retail (active choice)	34	\$107,758	2,981,168
Restricted schemes	4	\$614	12,644
Total	38	\$111,759	3,334,654

Notes:

- Default scheme statistics are only in respect of default members and default member assets in the default investment fund options.
- Retail (active choice) total assets and total membership figures includes that portion of the default schemes where members have actively chosen to participate.
- Some totals may not be exact due to rounding.

Appendix 11: Analysis of schemes according to nature and assets

Number of Schemes				
Asset Grouping	Retail	Restricted	Total	
\$10m to under \$100m	4	3	7	
\$100m to under \$500m	9	1	10	
\$500m to under \$1,000m	4		4	
\$1,000m to under \$5,000m	8		8	
\$5,000m and over	9		9	
Total	34	4	38	

Assets within Schemes				
Asset Grouping	Default (\$m)	Retail (\$m)	Restricted (\$m)	Total (\$m)
\$10m to under \$100m		219	133	352
\$100m to under \$500m		2,234	481	2,715
\$500m to under \$1,000m		2,744		2,744
\$1,000m to under \$5,000m	1,519	21,984		23,503
\$5,000m and over	1,868	80,577		82,444
Total	3,387	107,758	614	111,759

Membership of schemes				
Asset Grouping	Default	Retail	Restricted	Total
\$10m to under \$100m		5,005	3,119	8,124
\$100m to under \$500m		53,706	9,525	63,231
\$500m to under \$1,000m		68,486		68,486
\$1,000m to under \$5,000m	152,798	487,389		640,187
\$5,000m and over	188,044	2,366,582		2,554,626
Total	340,842	2,981,168	12,644	3,334,654

Appendix 12: Where KiwiSaver money is invested

KiwiSaver schemes as at 31 March 2024

Cash	Commodities	Australasian Equities	International Equities	International fixed interest	NZ fixed interest	Listed Property	Unlisted Property	Other
10.0%	0.5%	15.7%	39.4%	17.3%	12.5%	2.7%	0.5%	1.5%

Note: This data is based on the quarterly fund updates that are lodged on the Disclose Register as at 31 March 2024.

Auckland

Level 5
Ernst & Young Building
2 Takutai Square
Britomart

PO Box 106 672
Auckland 1143
+64 9 300 0400

Wellington

Level 2
1 Grey Street

PO Box 1179
Wellington 6140
+64 4 472 9830

ISSN No.23-24-5522 (print)
ISSN No. 2324-5530 (electronic)