KiwiSaver

term 16

KiwiSaver Annual Market Report 2023

By David Chaplin

Introduction

The results are in.

Following a late surge in the final quarter of Year 16, KiwiSaver emerged just ahead on the night of March 31, 2023.

As at the end of the latest financial year, KiwiSaver funds under management (FUM) reached about $93.6 billion for a year-on-year gain of $3.9 billion, or 4.3 per cent.

But it was a close-run thing after a multi-asset slump over most of 2022 saw the NZ retirement savings party in danger of finishing below the previous balance date FUM of $89.7 billion.

According to figures from research house Plan for Life, net fund flows of $1.4 billion and investment gains of $3.8 billion during the March 2023 quarter dragged KiwiSaver's sorry assets across the line.

Yet in spite of the last-gasp effort, collective investment returns of the 38 schemes covered in this report finished in the red to the tune of $1.9 billion.

Only 10 of the schemes in the race reported positive gross investment returns for the 12-month period, a field whittled down to six after tax and fees – all of the net-black providers ranging from tiny to relatively small by FUM.

If investment markets proved a drag on asset-growth, the constant chug of member, employer and government contributions kept most schemes above water over the financial year with just four – repeat offenders – sliding backwards.

Total contributions sourced from members, employers and government tipped above $10 billion for the 12 months while withdrawals (retirement, first home etc) reduced the flows to a net gain of about $6 billion.

Meanwhile, member-growth picked up again year-on-year as the KiwiSaver population increased by 86,638, or a 2.7 per cent gain, compared to 77,000 (2.5 per cent) in the previous period.

All but seven schemes managed to take advantage of the expanded electorate to boost membership during the 12 months, even if for most the gains were small in absolute terms (but proportionately large in a few cases).

The 2022/23 data offers a cleaner view of member choices compared to the default-dirtied outcomes in the prior KiwiSaver campaign year. With the default transfers now washed through, business-as-usual patterns shine brighter: a handful of NZ boutiques are capturing the hearts-and-wallets of members while the larger incumbents stagnate in the polls.

Even as two new-generation schemes, Kernel and Sharesies, officially joined the hustings during the reporting year, however, old-school providers consolidated their hold as Fisher Funds took control of both the Aon and Kiwi Wealth schemes. Post the Fisher double-coup, the top five providers now own about 67 per cent of KiwiSaver money compared to 61 per cent in the 2022 year in a winner-takes-most competition.

A full round-up of the tally follows across the standard March 31 outcomes of:

- 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 politically correct fee of $460 plus GST ($529 including GST).
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Swing voters: boutiques win the transfer ballot

The people have spoken.

Or in the case of Fisher Two, most of the people did what they were told, most of the time, after the Takapuna-based manager acquired the Aon KiwiSaver scheme late in 2021 (along with an employer super master trust it later on-sold to Lifetime) for more than $30 million.

Fisher completed the paperwork last year, gaining approval to bulk-shift Aon KiwiSaver members to its Two scheme (the ex-Tower product) in August 2022.

The Aon scheme at the time reported roughly $760 million under management and about 19,000 members, the majority of whom appear to have gone with the Fisher flow. Based on the bump in membership and assets in the Fisher Two scheme post transition, perhaps 15,000 Aon members and $600 million took the bulk bait.

At any rate, the Aon deal saw Fisher Two rise to the top of transfer statistics over the 12 months to the end of March this year with a net gain of almost $580 million from other providers.

Without the Aon boost, Fisher Two would likely have ended in net negative territory for the period despite the purchase more than making up for the $400 million transfer loss over the 2021/22 year – most of which exited after the scheme was de-defaulted in December 2021.

Discounting the Fisher Two anomaly, Milford once again won the popular vote in the latest reporting year, racking up some $563 million in net transfer gains, representing close to 10 per cent of the group’s KiwiSaver assets under management as at March 31, 2023.

Milford has blitzed the transfer market over the previous two years while finishing runner-up to Generate in the category in the 2018 and 2019 editions of this report.

Generate must settle for second (ex Fisher Two) again this year with a net transfer gain of $234 million for the period followed by Simplicity ($105 million) and NZ Funds ($83 million).

Notably, the overall net transfer increases of the top group are down on recent years: Milford, for instance, pulled in over $900 million net from other providers in the 2022 year while Simplicity added about $400 million on top of the $380 million of default money sent its way.

The relatively subdued gains might reflect growing competition from other local candidates including Aurora, InvestNow, Pathfinder and Kernel – which reported respective net positive transfers of $65 million, $63 million, $47 million and $38 million.

Top 5 KiwiSaver schemes by net transfer inflows		
Scheme	Net transfer inflow $m	% of total scheme FUM as at March 31, 2023
Fisher Two	579	16.6
Milford	563	9.9
Generate	234	6.2
Simplicity	105	3.5
NZ Funds	83	11.2

Amid growing competition for the swing member among local independents – a field set to increase further as Sharesies joins the fray proper in 2023/24 year – the 12 months to the end of March was also not quite as terrible for the major Australian-owned parties.

True, ANZ gifted a net $350 million to other players across its three KiwiSaver offerings (including $212 million from the flagship scheme) while ASB (-$175 million), Westpac (-$134 million) and AMP (-$128 million) all slumped in the polls.

However, the latest transfer results for all three Australia-domiciled institutions bettered the 2021 experience (which avoids the default distortion of last year), offering some evidence that the incumbents are fighting back.

And for AMP, which has suffered the worst in the transfer markets since 2015, the 2023 outcome ranks as a win: last year the manager saw net transfers of $1.1 billion – probably just over half in default exits – and over $300 million in 2021.

As the table below reveals, outside of the big Australians, Kiwi Wealth also struggled to fend off rivals in the most recent financial year, down about $165 million in transfers.

The Kiwi Wealth result appears to be more of a reversion to trend following its default fill-up last year, rather than a reflection of the Fisher buy-out that was announced in August 2022: the scheme was among the top transfer losers in both 2020 and 2021.

BNZ and Mercer also gave up some competitive ground over the 2022/23 period with net transfers of about $72 million and $55 million, respectively. Mercer has traditionally ranked among the transfer-negatives but BNZ is a surprise addition this year.

Similarly, the Pie Funds-owned Juno (-$20 million) joined the red team in 2023 for the first time after ranking as one of the top transfer-winners since launch in the 2018/19 year.

In total 18 schemes reported net transfer outflows during the 12-month period while 20 managed to keep in the black, or at least stave off the blues.

Top 5 KiwiSaver schemes by net transfer outflows		
Scheme	Net transfer outflow $m	% of total scheme FUM as at March 31, 2023
ANZ	212	1.5
ASB	176	1.2
Kiwi Wealth	165	2.5
Westpac	134	1.4
AMP	128	2.2

Majority rule: the re-consolidation of power

Over the course of the last decade the iron-grip on KiwiSaver assets of the top five providers has rusted away from almost 75 per cent in 2013 to just 62 per cent in the year ended March 31, 2022.

But the Fisher shopping splurge on Aon and Kiwi Wealth reversed the trend in the most recent 12-month period, burnishing the top-five FUM-figure back above 67 per cent.

In the wake of its dual-purchase, Fisher leaps to third in the KiwiSaver FUM table, effectively second equal with only $40 million or so separating the manager from long-time number two, ASB: both round up to $14.4 billion, equating to 15.4 per cent market share apiece.

Absent the Fisher asset grab, though, the top-five influence would probably have faded further over the year. ANZ, ASB and Westpac have all given up market share in the 12-month period, as has AMP, which returns to the big club in place of Kiwi Wealth (now attributed to Fisher).

ANZ recorded the largest market share damage with two of its schemes – the now closed-to-new-members default product and the adviser-distributed OneAnswer – both shedding FUM year-on-year of $15 million and $90 million, respectively.

Only AMP (down $30 million) and Nikko (-$3.5 million) also saw absolute declines in assets under management in the 2022/23 period.

The three biggest Australian bank-owned providers have lost between 1.3 per cent to 3 per cent share of the KiwiSaver pie since the 2013 year while AMP dropped from more than 15 per cent to its current 6.2 per cent over the 10-year stretch.

In a post balance date move, Milford surged above AMP in the June quarter to claim fifth-place in the KiwiSaver FUM rankings.

Top 5 KiwiSaver providers by FUM: March 31, 2023		
Provider	**FUM $bn**	**% of Total ($93.6bn)**
ANZ (ANZ, ANZ Default, OneAnswer)	18.7	20
ASB	14.4	15.4
Fisher (One, Two and Kiwi Wealth)	14.4	15.4
Westpac	9.6	10.3
AMP	5.8	6.2
Total	**62.9**	**67.2**

Size is a natural limiting factor in the relative pace of scheme FUM-expansion: the bigger they are, the slower they grow… usually.

Milford and Generate, however, remain in the sweet spot of significant asset-size – of $5.6 billion and $3.7 billion, respectively, as at March 31 – but still roomy enough to pack on proportionate growth.

Both schemes reprise their long-running appearances in the fast-grower table (as below) this year but two new providers make the grade after passing the arbitrary 5,000-member threshold for inclusion in the stats.

The Aurora KiwiSaver, sold by 70 plus advisers in an associated group, rocketed up more than 150 per cent this year, continuing its speedy advance after launching late in 2021.

Flagged as a contender last year, the ethical specialist, Pathfinder, recorded the second-fastest annual ascent of over 41 per cent.

Fisher Two, again distorted by Aon money, fills out the final spot, knocking Simplicity (growing almost 13 per cent in the year) out of contention.

Elsewhere, Kōura and InvestNow sped up the charts during the 12 months with respective growth-rates of 112 per cent and almost 100 per cent spread among 1,970 and 3,165 members at year-end.

Kernel, one of the two new schemes to register in the reporting period, also turned in impressive opening figures – adding $42 million for the year ahead of the $34 million banked by Kōura and just under half the nominal FUM increase of InvestNow ($75 million).

However, given the zero starting amount this year, the Kernel growth-rate figure remains mathematically void. Likewise with the other new arrival, Sharesies, which only just made the 2022/23 list after launching in friends-and-family mode this February – ending March 31 with 16 members and $878,000 plus spare change in the till.

Overall, KiwiSaver FUM grew about 4.3 per cent in the year with most of the larger schemes falling under the average mark along with a few smaller providers, too, including the Forsyth Barr-owned Summer, Lifestages (an SBS Bank production), MAS (previously known as the Medical Assurance Society), Supereasy, Maritime and Nikko, which shrank 7.4 per cent mainly on the back of poor performance in the Ark investment fund.

Top 5 KiwiSaver schemes by annual FUM growth-rate		
Scheme	FUM growth year to 31/3/23 $m	FUM growth-rate, year to 31/3/23 %
Aurora	74.2	151.6
Pathfinder	67	41.1
Fisher Two	681	24.3
Milford	832	17.3
Generate	477	14.6

Support your local member (or the bank gets it)

An 18-year old who joined a scheme in 2007 would now have spent all of their working years and almost half a lifetime contributing to KiwiSaver.

Over that 16-year span the world has packed in a financial crisis, technological transformation, social upheaval, geopolitical conflict and environmental disasters. Same as it ever was.

Even as the generational profile of scheme members has shifted with the times, though, the KiwiSaver constituency is *almost* the same as it ever was.

The March 31, 2023, data displayed below shows the big four Australian bank-owned schemes represent more than 56 per cent of the total membership. At the same date in 2013 the Aussie banks in the top five table claimed about 58 per cent of KiwiSaver membership: admittedly, 10 years ago that proportion was spread among only ANZ, ASB and Westpac with the rise of BNZ over the decade making up the bank numbers in the latest report.

In fact, given the ownership association of Fisher with TSB – and a small contribution from the SBS Lifestages scheme – close to three-quarters of KiwiSaver members still belong to bank-linked schemes.

Top 5 KiwiSaver providers by members, March 2023		
Provider	**Members**	**% of Total (3.25m)**
ANZ (inc ANZ, ANZ Default, OneAnswer)	678,554	20.9
Fisher (One, Two and Kiwi Wealth)	495,481	15.2
ASB	493,305	15.2
Westpac	424,535	13
BNZ	239,032	7.3
Total	**2.3m**	**71.6**

Winning the masses comes with a downside, of course, as super-sized schemes must service large numbers of low account-balance members who may have costly administrative needs.

Banks tend to have lower account balances than the average scheme with BNZ at the bottom of the pile this year with just over $20,180 per member. Of the main bank schemes, ASB claims the highest mean balance of about $29,200, not far off the total KiwiSaver average of $29,540 as at the end of March 2023.

Against trend, the ANZ OneAnswer scheme, a one-time favourite of third-party financial advisers, has one of the higher average balances while its now-closed default offering is also above par.

Default status has historically also been associated with low-balance members and the 2023 year is no different. As documented last year, the 2021 default reshuffle simultaneously lowered the average balance of winners while lifting that of the losers – a small compensation, perhaps.

Furthermore, none of the of default providers feature in the fastest member-growth-rate table as below. Based on IRD figures, each of the six December 2021 vintage defaults probably picked up an extra 5,000 or so members this year – enough to promote Simplicity to the top of the nominal growth charts, adding over 15,100 members.

Excluding the default-bump (and Fisher Two on Aon grounds), Milford, Generate and Booster would likely have finished the year ahead of Simplicity by absolute member-growth as well as by the proportionate measure shown below.

Top 5 KiwiSaver schemes by member growth-rate		
Scheme	Member growth year to 31/3/23	Member growth-rate year to 31/3/23 (%)
Aurora	3,583	166.6
Pathfinder	1,956	39.3
Fisher Two	14,531	21.3
Milford	13,424	19.2
NZ Funds	3,490	18.3

In it for you: why fees are back (down) on track

Regulators and cheapskates might reasonably claim a victory on KiwiSaver fees as the final figures rolled in from the 2022/23 accounts.

Based on the total fees and expense lines collated for this study, the gross cost of KiwiSaver fell in *nominal* terms for the first time in the historical series to about $660 million from almost $720 million in the previous year.

Spread across the average KiwiSaver FUM for the year of roughly $91.7 billion, the gross proportionate cost of the regime dropped to about 0.72 per cent from 0.84 per cent in the previous period.

The significant 12 basis points price cut follows the decision by most of the larger schemes to finally remove the fixed member annual administration fee that has bugged the FMA and consumer bodies alike for many years.

Undoubtedly, the default squeeze that introduced the lowest headline fee ever (of 0.2 per cent for the SuperLife offering in the category) along with the regulator's 'value-for-money' campaign also compressed prices across the board, prompting many schemes to adjust downwards.

ANZ, for example, saw its flagship scheme collect $10 million less in the period under review versus the previous year: bagging about $119 million this year. Overall, ANZ totted up a still-healthy $152 million in fees and costs across its three schemes during the latest reporting year compared to $168 million in the previous 12 months. ASB and AMP also took a $10 million haircut apiece in fees and expenses year-on-year – both schemes now using BlackRock to manage most assets passively – while Westpac carved off about $7 million.

Negative investment performance, and the consequent sluggish growth in FUM, played a part in restraining costs this year, too. Barring a market blow-up in the current financial year, however, the unprecedented fall in absolute fees and expenses in the period will likely prove a one-off event as FUM-linked fees reset from the new low base of March 31, 2023.

The 2022/23 cost figures come with the caveat that several of the newly-launched schemes – InvestNow, KiwiWRAP and Kernel, for example - don't report member investment fees and expenses, which are extracted out-of-sight between the scheme or individuals and the underlying fund managers, while admin fees are either low or zero.

However, the following tables offer an almost like-for-like snapshot of the highs and lows of scheme fees plus expenses for the year.

Top 5 KiwiSaver schemes by fees/expenses charged		
Scheme	Fees/expenses $m	% of average FUM 2022/2023
ANZ (main scheme)	119	0.8
ASB	80.5	0.6
Kiwi Wealth	55.2	0.8
Booster	46.8	1.2
AMP	45.1	0.8

Top 5 KiwiSaver schemes by fees/expenses per FUM		
Scheme	Fees/expenses $m	% of average FUM 2022/2023
Craigs (Select)	67.9	1.4
Pathfinder	2.5	1.3
Generate	44.1	1.3
Booster	46.8	1.2
QuayStreet	3.1	1.2

Bottom 5 KiwiSaver schemes by fees/expenses per FUM		
Scheme	Fees/expenses $m	% of average FUM 2022/2023
Summer	0.18	0.1
SuperLife	2.9	0.2
Simplicity	8.1	0.3
BNZ	19.3	0.4
Westpac	41.4	0.4

The returns are still coming in…

It could have been worse.

Following a historic shares-bond rout that spilled over most of 2022, KiwiSaver funds were headed for another investment drubbing in the financial year.

Instead, a recovery in global equity markets sparked late in the year before firing up in the first quarter of 2023 to save most schemes from filing crash reports on March 31.

By the end of the NZ financial year, the collective KiwiSaver annual investment return amounted to about -$1.9 billion, or a performance of approximately -2 per cent when gauged against average FUM for the 12 months (of close to $91.7 billion).

Given global share and bond indices were down at one point about 20 per cent 13 per cent, respectively, most KiwiSaver schemes would be happy with the final result.

As it happened, 10 of the 38 schemes reported positive gross returns for the year for disparate reasons. With just part-year exposure to markets, Kernel and Sharesies (which had no real money, anyway) should be ignored, leaving eight schemes with plus performance numbers and of those only three meet the 5,000-member criteria for table-inclusion as below.

QuayStreet, which joined the NZX stable this February, ended the year clearly on top in a performance that likely influenced the outcome for the scheme managed by its former owner – and third-placed – Craigs. The Craigs Select scheme allows members to invest in direct securities but a reasonable chunk also flows into QuayStreet funds.

Aside from QuayStreet/Craigs, the top five is rounded out (in descending order) by Milford, Pathfinder and BNZ, the latter reporting slightly negative performance.

By the same member-size filter, the highly volatile NZ Funds returns to the bottom of the pack again in 2023 for the second year in succession: the Auckland-based manager was the best-performer in the 2021 report.

As per usual, the investment performance figures used in this report come with a warning that they are for illustrative purposes only, based on annual averaged scheme total returns rather than fund-specific, risk-weighted, long-term performance.

Nonetheless, the yearly spectrum of returns is useful for identifying scheme outliers and performance clusters. For instance, the 2023 returns across all 38 schemes ranged between 9.8 per cent for the small, niche Sharia-compliant Always Ethical (AE, formerly known as Amanah) and -20.6 per cent for Nikko.

AE hit the winner due to its religious-constrained portfolio that only invests in certain unhedged US stocks; Nikko, meanwhile, struck bottom for the second year in a row after its Ark Invest fund (which accounts for most of its 1,400 members) foundered again.

Top 5 KiwiSaver schemes by gross annual performance		
Scheme	Total return $m	Performance %
QuayStreet	5.5	2.1
Milford	8.6	0.2
Craigs (Select)	0.7	0.1
Pathfinder	0.2	0.1
BNZ	-0.06	0

Bottom 5 KiwiSaver schemes by gross annual performance		
Scheme	Total return $m	Performance
NZ Funds	-103	-14.4
NZDF	-9	-4.1
SuperLife	-68.5	-3.7
Supereasy	-14.5	-3.5
AMP	-181	-3.1

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 alters the arrangement of winners and losers in the tables below.

Most notably, two ANZ products – the main bank-run scheme and OneAnswer – enter the bottom ranks along with Juno, replacing the spots held by NZ Defence Force, SuperLife and AMP schemes in the gross returns table.

Top 5 KiwiSaver schemes by net annual performance		
Scheme	Total net return $m	Performance %
QuayStreet	4.2	1.6
Milford	-28.6	-0.5
Craigs	-6.1	-1.2
Pathfinder	-2.6	-1.3
Aurora	-1.2	-1.4

Bottom 5 KiwiSaver schemes by net annual performance		
Scheme	Total net return $m	Performance
NZ Funds	-90.3	-12.7
OneAnswer	-112.4	-4
Juno	-18.5	-3.9
ANZ	-536	-3.7
Supereasy	-15.4	-3.7

Minor parties (where the fun is at): an update

While the main game in KiwiSaver continues to play out at the big end of town, the last five years has seen a flurry of new, local-born candidates make some noise in the streets.

In an update to the, potential, rising star list, the 2023 table now extends to 10 including Kernel and Sharesies, which both registered for business in 2022.

Kernel, another low-cost passive provider to rival Smartshares and Simplicity, established a scheme in April but only started taking money months later. And Sharesies, of a similar demographic to Kernel, has yet to release its full KiwiSaver platform.

As the table below reveals, results to date have been mixed. Collectively, however, almost 40,000 members have joined the schemes below as at March 31 this year, suggesting the protest vote is worth going after.

New KiwiSaver schemes launched since March 2018			
Scheme	Date launched	Member numbers as at 31/3/23	FUM as at 31/3/23 $m
Nikko	3/4/18	1,404	44.5
Juno	23/7/18	18,527	478
Pathfinder (born as CareSaver)	26/6/19	6,937	230
Kōura	21/8/19	1,970	65.4
InvestNow	20/9/20	3,165	145
Select	16/11/20	205	9.8
KiwiWRAP	16/12/20	277	36
Aurora	21/7/21	5,733	123
Kernel	4/4/22	1,372	42
Sharesies	14/12/22	18	.9

Conclusion

16 terms and what do you get?

Another year older and almost $100 billion out of debt, if the KiwiSaver FUM as at March 31, 2023 represents real net savings.

And while there are truck-sized holes in that argument, the nominal growth of the semi-mandatory NZ retirement savings regime since 2007 has been a fast, mostly smooth, ride through the billions.

Reserve Bank of NZ figures published in August show the KiwiSaver market did indeed exceed the $100 billion limit by June 30, triggering psychological significance meters in the public consciousness. Inevitably in an election year, the increasingly heavy load of the savings system has attracted the eye of politicians, too, such as the National Party commerce spokesperson, Andrew Bayly.

Bayly has released two kerbside KiwiSaver policies in the run-up to the October 14 poll: one that would see tenants able to access their accounts to cover rental bonds; another allowing members to split their savings between schemes (details available on election).

Neither of the National policies gathered much traction either among voters or the financial services industry – unsurprisingly, given the marginal consequences and administrative complications involved.

Labour, meanwhile, has passed on KiwiSaver as an election ploy, preferring to hitch a ride on the status quo and its record as the regime creator.

During its current term in office, the Chris Hipkins administration did pass one tweak to scheme rules by introducing a limited-time 3 per cent government co-contribution for members on parental leave.

This Labour government also ushered in new default rules in 2021 that saw five incumbents – all original 2007 appointees – dumped, mostly for fee quotes priced above the six eventual winners by a few basis points here or there. But the change hardly counts as policy given it was part of a statutory review process rather than a systemwide probe: holding just $3 billion between them at the end of March this year – or about 3 per cent of total FUM - the default funds are anyway more provider play-things than game-changers.

Mostly, all parties have been content to leave KiwiSaver on idle over the last eight years with the last major overhaul at the hand of the-then National Finance Minister, Bill English, who stripped the incentives down to the chassis.

Amid the political indifference, the Retirement Commissioner and industry body, the Financial Services Council, among others, have started lobbying for a more substantive review of KiwiSaver to tackle entrenched issues such as low contribution rates, gender inequity and potential flaws in 'total remuneration' agreements.

Regardless of background policy noise, KiwiSaver providers continue to adapt to market conditions with innovative products, acquisitions, effective distribution alliances or more efficient operations (note the recent AMP and ASB arrangements with BlackRock, which is also 'in talks' with ANZ).

As this report has detailed, KiwiSaver can be a tough business with dozens of schemes popping in and out of existence over the last 16 years due to corporate action or lack of support from the people.

With $100 billion in play, and mandated money flows ahead, however, more than 30 providers are still willing to get on the road, aware of the danger that in politics, if the right one don't get you, then the left one will.

The findings in this report are based on figures collected from the annual reports of 38 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 democratised fee of $460 plus GST ($529 including GST).
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