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## **KIWISAVER SAFE FOR INVESTORS**

For many New Zealanders KiwiSaver will be the first, low cost, easily accessible, work based savings opportunity that they have experienced. As a result the security of KiwiSaver investment, efficiency of management and performance, must be paramount. KiwiSaver has been designed to provide maximum investor safety.

It is unfortunate that some media comment led by Gareth Morgan has galvanised public and media interest in so called “naughty behaviour” and “hidden fees” of approved KiwiSaver providers.

Claims that KiwiSaver schemes might engage in naughty behaviour are simply not true and require a response. Dr Morgan’s comments cannot be trivialised but they do need to be considered in the context that he is a salesman for the Gareth Morgan KiwiSaver Fund which competes with all other approved providers. His independence is compromised as a result.

Consumers can take comfort that KiwiSaver schemes will be subject to strict regulation, a formal approval process, effective Securities law and rigorous monitoring.”

All KiwiSaver schemes are reviewed by the Government Actuary before approval and registration, particularly to ensure all fees and charges are both fully disclosed and are not unreasonable. It is only following this review that KiwiSaver schemes can be offered to the public.

The six default providers (AMP, AXA, ASB, ING, Mercers and TOWER) were reviewed by an independent Government-approved panel, each provider was carefully selected prior to appointment as a default provider.

All KiwiSaver schemes will be managed in accordance with a Trust Deed. Each scheme must have a “Professional Independent Trustee” who will ensure the scheme is being operated in accordance with the Trust Deed and the law (including the KiwiSaver Act, Securities Act and Securities Regulations Act and others).

As an example, the Securities Act requires full disclosure of all fees and charges and that all information supplied must not be misleading.

All KiwiSaver schemes will be required to report regularly to investors, the Government Actuary and Inland Revenue Department, so performance, management and compliance will be able to be regularly assessed by investors and Officials.

These are stringent requirements which rightly provide serious protection for investors. Within these requirements investors can be confident hidden fees and charges simply cannot occur.

Dr Morgan incorrectly claims that fund managers will be able to channel KiwiSaver funds into “Reserve Accounts”. With KiwiSaver, protection for investors extends to the requirement that all compulsory employer contributions must vest in the member immediately – they simply cannot be credited to a reserve fund.

However, reserves can arise in very specific circumstances involving unvested employer contributions in schemes where employees and employers contribute, and then only in accordance with the Trust Deed under the control of the scheme “Trustees” – Fund Managers are not able to influence or control as has been mischievously alleged.

Criticism has been directed at ‘unit pricing and pooling of funds’, possibly reflecting a lack of understanding of what is globally recognised as best practice.

Both unit pricing and pooling are accepted worldwide practices. Pooling allows cost efficiencies (ie each transaction costs less) together with asset/security diversification, which greatly benefit investors.

The accounts of managed funds will be subject to independent audit and Professional Independent Trustee review/monitoring, so errors (if they do occur) will be found and corrected.

KiwiSaver investors can be confident that their KiwiSaver scheme will operate under the most stringent regulation and approval process and with the protection of independent professional trustees. KiwiSaver funds will be managed by an industry that has achieved an outstanding record of compliance, global best practice, transparency in all dealings and performance in the interests of investors. In short, KiwiSaver will be very safe for investors.

KiwiSaver is flexible and allows investors to switch providers if they choose.

The launch of KiwiSaver from 1 July has created huge public interest, particularly following the Budget announcement of up to \$20 per week taxation credits and phased in compulsory employer contributions from 1 April 2008.

It is certain that KiwiSaver will as a result of these initiatives be a great success. Evidence can be seen in the recent surge of enquiries from individuals and employers and the amount of media comment.

For further information contact:  
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