

KiwiSaver Fee Disclosure Q&A

Q. What has happened?

- A.** The Government has recently introduced regulations requiring KiwiSaver providers to disclose total fees (fees that impact a member's balance) in dollars in members' annual statements. This is effective for March 2018 statements onwards.

Q. How is it calculated?

- A.** The total sum of the fees charged to a scheme participant for the financial year to 31 March is the sum of cents per unit amount + the participant's individual action fees + the participant's other charges - any credits or discounts provided to the participant in respect of the fees for each valuation period (i.e. each week for Lifestages KiwiSaver Scheme, each daily from 1 May 2018). The cents per unit amount is the number of units attributable to the participant in respect of the fund x (fund charges / total number of units in that fund).
Or in plain English, the cents per unit amount is the fund fees as a dollar value times the percentage of how much of the fund you own.

Q. Does this mean I am being charged more now?

- A.** No, it does not. There was always a management fee and fund expenses within the fund. Historically this was expressed only as a percentage value of the fund and not member specific. It is deducted from within the unit pricing, so previously you did not see the fee explicitly in your statement.

Q. How is it disclosed?

- A.** In your member annual statement there is an additional line after closing balance that will be a combination of the fund charges as a dollar value plus the member fee (which is also disclosed further up in the statement), minus any credits or discounts. We do not currently charge individual action fees, so that component of the calculation is zero.
Historically, the cents per unit fund charges component was only reflected within the Investment Return row. i.e. the investment return includes the gross investment return of your investment less the management fees and administration charges. Going forward it will still be in the Investment Return but also disclosed in the Total Fees.

Q. Why has this changed?

- A.** So KiwiSaver members can more clearly understand how much they are paying their provider every year. This change is a result of work by the Commission for Financial Capability (CFFC), the Ministry of Business, Innovation and Employment (MBIE) and the Financial Markets Authority (FMA), where one of the recommendations was a move to greater fee transparency.

Q. What do the fees cover?

- A.** The fees deducted cover the set-up of members to the scheme, ongoing communication costs, regulatory, legal, audit and financial costs, ongoing maintenance of the scheme and the Product Disclosure Statement, access to customer services and financial advisers for personal member

queries or financial advice, investment management costs, custody fee, unit pricing and Supervisor fee. The \$2 per month member fee covers ongoing administration and registry costs.

Q. How are the fees estimated?

A. The total estimated annual fund charges for each Fund are made up of:

- > an annual management fee; and
- > various administration charges.

The annual management fee is charged to each Fund as set out in the Scheme's PDS and is not estimated.

The administration charges include fund charges of the underlying funds that each Fund is invested in. Some of these underlying funds do not provide us with the exact fees as they are not managed by a related party of us, meaning we rely on estimates. Where estimates are used for these underlying fund charges they are calculated by multiplying the Net Asset Value holding of the underlying fund by the disclosed total fund expenses of that fund less any applicable rebates.

Our estimates are made on the basis of reasonable assumptions about the ongoing level of fees and costs charged. These assumptions take into account the actual fees and costs as a percentage of average net asset value that were charged for the most recent completed financial year as at the date of the Scheme's PDS. We do not expect any difference between our estimates and the actual underlying fund charges to be material.