

19 September 2017

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### **Consultation: KiwiSaver savings and income projections - designing assumptions**

The Financial Services Council of New Zealand Incorporated (**FSC**) thanks the Ministry of Business, Innovation and Employment (**MBIE**) for this opportunity to make a submission in relation to designing assumptions for KiwiSaver savings and income projections. To more fully represent the voice of the KiwiSaver community, this submission is made jointly with Workplace Savings NZ Incorporated (**WSNZ**).

We submit that the best option will balance cost and simplicity for the industry against useful information for the customer.

You have asked for our sense of preference in relation to three potential options. Due to the different business models and sizes of our members, our preference is mixed. However, general consensus is that Option Two (with a single set of assumptions) fails to provide customers with the information they need. Our preference is therefore for either Option One or Option Three.

#### **Option One: assumptions are set at an asset level**

Acknowledging the administrative complexity of this option, for those members who are able to implement processes and systems efficiently, this option provides the most detailed customer result. However, there is likely to be cost to the industry in implementing this option and it may not be appropriate for all industry participants. Further work would be needed to ensure any additional cost is balanced with customer outcomes.

#### **Option Two: a single set of assumptions**

We do not support this option on the understanding that it does not produce a good customer outcome.

#### **Option Three: three sets of assumptions to choose from**

Based on the available information, this option appears to strike an effective balance between industry complexity and good customer outcomes. Work would be needed to resolve the approach to those individuals who have split their investment across two or more funds.

Please contact me on 021 0233 5414 to discuss our submission.

Yours sincerely

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The **FSC** represents New Zealand's financial services industry having 16 member companies and 15 associate members at 31 August 2017. Companies represented in the FSC include the major insurers in life, disability, income, and trauma insurance, and some fund managers and KiwiSaver providers. Law firms, audit firms, and other providers to the financial services sector are represented among the associate members.

**WSNZ** represents the interests of employers who offer workplace retirement savings schemes, their trustees and their members, other retirement scheme managers (including KiwiSaver scheme providers) and supervisors, retirement savings industry service providers and professional advisers.