



**Media release**  
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## **ASB KiwiSaver Scheme Fee Structure Overhauled**

- *A new competitively priced two-tier fee structure is being introduced*
- *The average ASB KiwiSaver Scheme Conservative Fund customer will pay 24 cents more in fees next year*
- *Direct deductions from members' accounts will make fees more transparent*

ASB Group Investments is overhauling the way it charges fees on its ASB KiwiSaver Scheme with a new two tier fee structure to be introduced from 1 April next year.

The new fee structure will better reflect the scheme's actual operating costs, and investors will be able to see exactly how much they are paying in fees.

"From 1 April 2011 all ASB KiwiSaver Scheme investors will pay an annual administration fee which is unchanged at \$30 plus an annual investment management fee ranging from 0.35 percent per annum for the Conservative Fund up to 0.70 percent per annum for the Growth Fund, based on the balance of funds in their account," says ASB Chief Executive Relationship Banking, Stewart McRobie.

"This means a customer with the average KiwiSaver balance of around \$4,800, invested in the ASB KiwiSaver Scheme's largest fund, the Conservative Fund, would pay a total of \$49.20 in fees next year, an increase of 24 cents. A customer with \$10,000 invested would pay \$70 in fees next year, which is 50 cents more."

"For the majority of investors the increased fee impact will be less than \$5, and ASB KiwiSaver Scheme's fees will continue to be amongst the lowest of the major KiwiSaver providers. For the ASB KiwiSaver Scheme Conservative Fund - which is a default KiwiSaver fund - the fees remain the lowest of all of the default providers."

"The highest increase anyone with \$10,000 invested in any fund will pay will be \$21 next year. This would be for an investor in the Growth Fund."

Mr McRobie says the fee changes are based on ASB Group Investment's three-year experience of the costs of operating the Scheme.

"The way KiwiSaver works has evolved considerably since it was first developed. Ongoing Scheme changes, such as the introduction of member tax credits and compulsory employer contributions, have major technology implications and are costly to implement. KiwiSaver has changed considerably during its history, requiring further technology development and increased communications to members."

“The new fees will better reflect the scheme’s actual operating costs, and provide ASB Group Investments with a fair return for the management services it provides. Even so, ASB Group Investments is still not expected to break even on providing the ASB KiwiSaver Scheme until 2015.”

“ASB Group Investments will also become the first of the major KiwiSaver providers to deduct fees directly from each investor’s account, rather than the common industry practice of deducting most fees from the investment fund prior to returns being credited to investors.”

“Direct deductions are more transparent and will clearly show each investor what they are personally paying in fees.”

The new two-tier fee structure means that all fees charged will be clearly visible and understood - the Trustee fees and other costs currently charged directly to the fund will be absorbed within the investment management fee.

ASB Group Investments is writing to every ASB KiwiSaver Scheme investor to explain the new fee structure, and provide a comparison of their fees in 2010 to those they would pay in 2011 based on the same KiwiSaver account balance. Investors will receive the scheme’s annual report at the same time. Information on the new fee structure can also be found in the ASB KiwiSaver Scheme Investment Statement.

ASB Group Investments is also conducting a review of the FirstChoice KiwiSaver Scheme fee structure. If any changes are made investors will be notified in writing and the Prospectus and Investment Statement would be amended.

There are more than 250,000 investors in the ASB KiwiSaver Scheme, with 150,000 of those in the Conservative Fund. Under its two KiwiSaver schemes, ASB Group Investments manages funds on behalf of around 265,000 investors.

The Government Actuary has approved the default fund fee changes and has also been advised of the changes for the other four ASB KiwiSaver Scheme funds. The Trustee, Public Trust, has also approved the changes.

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Released by ASB Corporate Communications, contact Linley Wood **021 221 2121**.

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## ASB KiwiSaver Scheme Backgrounder

The changes to the ASB KiwiSaver Scheme fees will become effective on 1 April 2011. Charges are being made to all investment funds in the ASB KiwiSaver Scheme.

### The current fee structure

- Customers are charged a monthly Administration Fee, deducted from their accounts.
- They are also charged an Investment Management Fee, Trustee Fee and other recovered operational expenses, which are currently deducted directly from the Investment Funds. Per current typical industry practice, these costs are not visible to investors – although disclosed in the scheme's Investment Statement, they are not featured in individual account statements.

### The new fee structure

- Customers will be charged two fees: the Administration Fee and the Investment Management Fee.
- The monthly Administration Fee will remain the same, at \$30 per annum.
- The Investment Management Fees will be increasing.
- The Trustee Fee and other recovered operational expenses (excluding brokerage\*) will be absorbed within the Investment Management Fee.
- Both the Administration Fee and the Investment Management Fee will be deducted directly from each individual investor's account each month, and will be clearly visible.

### The Administration Fee

- The Administration Fee covers the costs of operating an account, and is similar to the fees that may be charged on a bank account.
- This fee fairly reflects the costs of maintaining customers' membership in the ASB KiwiSaver Scheme.

### The Investment Management Fee

- The Investment Management Fee covers the costs of managing the investment funds under the ASB KiwiSaver Scheme.

The following table outlines the current fees and new fees for the different Investment Funds:

ASB KiwiSaver Scheme fees	Current annual fees	New annual fees from 1 April 2011
Administration Fee	\$30	\$30
Trustee Fee	0.03% (0.025% for the Conservative fund)	0**
Recovered expenses (estimate)	0.12%	0**
Investment Management Fee:		
• NZ Bank Deposit Fund	0.20%	0.35%
• Conservative Fund (Default Fund)	0.25%	0.40%
• Moderate Fund	0.34%	0.60%
• Balanced Fund	0.34%	0.65%
• Growth Fund	0.34%	0.70%

\*Brokerage in respect of buying and selling securities is deducted from the assets of an Investment Fund.

\*\*Absorbed within the Investment Management Fee.

### ASB KiwiSaver Scheme fee change examples\*

<b>Conservative Fund (default)</b>				
<b>Balance</b>	<b>Current fee</b>	<b>New fee in 2011</b>	<b>Difference per year</b>	<b>Difference per month</b>
\$5,000	\$49.75	\$50.00	25c	2c
\$10,000	\$69.50	\$70.00	50c	4c
\$20,000	\$109.00	\$110.00	\$1.00	8c
<b>Moderate Fund</b>				
\$5,000	\$54.50	\$60.00	\$5.50	46c
\$10,000	\$79.00	\$90.00	\$11.00	92c
\$20,000	\$128.00	\$150.00	\$22.00	\$1.83
<b>Balanced Fund</b>				
\$5,000	\$54.50	\$62.50	\$8.00	67c
\$10,000	\$79.00	\$95.00	\$16.00	\$1.33
\$20,000	\$128.00	\$160.00	\$32.00	\$2.67
<b>Growth Fund</b>				
\$5,000	\$54.50	\$65.00	\$10.50	87c
\$10,000	\$79.00	\$100.00	\$21.00	\$1.75
\$20,000	\$128.00	\$170.00	\$42.00	\$3.50
<b>NZ Bank Deposit Fund**</b>				
\$5,000	\$47.50	\$47.50	\$0.00	\$0.00
\$10,000	\$65.00	\$65.00	\$0.00	\$0.00
\$20,000	\$100.00	\$100.00	\$0.00	\$0.00

\* These examples are estimates for illustrative purposes only. They assume a member has held the same balance for one year and that there have been no investment returns in that year. Fees are assumed to be calculated at the end of the period. An amount of 0.12% of the balance is assumed as the annual amount of recovered operational expenses under the calculation for the current fees.

\*\*The Trustee Fee (0.03%) and the recovered operational expenses (estimated at 0.12%) that are being absorbed into the Investment Management fee, match the amount of the fee increase (0.15% total), therefore the overall fee estimate is unchanged in 2011.

Full details of the new fees are set out in the ASB KiwiSaver Scheme Investment Statement, available by visiting [www.asb.co.nz/kiwisaver](http://www.asb.co.nz/kiwisaver), by calling 0800 272 009, or by visiting any ASB branch.

To read more about these changes visit [www.asb.co.nz/kiwisaverfees](http://www.asb.co.nz/kiwisaverfees)