

Submission on discussion document: Enabling KiwiSaver investment in private assets

Your name and organisation

Name	Privacy of
Date	16 Dec. 24
Organisation (if applicable)	
Contact details	Privacy of natural persons

Privacy and publication of responses

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Responses to discussion document questions

Please enter your responses in the space provided below each question.

Liquidity management tools – questions for KiwiSaver providers or other industry	
1	For KiwiSaver managers: Please describe your current practice around investing in private assets, including levels of exposure you have to these types of assets, how you invest in these assets, and your management of liquidity risk.
2	Do you think that the current legislative framework for KiwiSaver effectively allows for the use of liquidity risk management tools that may impact transfer or withdrawal times (e.g. suspending redemptions or side-pocketing)?
3	For KiwiSaver managers: If you cannot use these tools, can you please explain the reasons for this and the impacts in terms of: a. your ability to increase investment in private assets b. risks associated with your current allocation of private assets.
4	Please provide any other comments on the availability of liquidity management tools.
5	Do you support the proposed approach? Why/why not?
6	If redemption gates were allowed, would you consider developing new products more focussed on private assets?
7	Will you face implementation costs if this change is made? If yes how much will they be and will they be one-off or ongoing?
8	Do you have any comments on the detailed design considerations noted above?
9	Please provide any further comments on this issue of liquidity management tools.
Liquidity management tools—questions for the public	

Do you support more investment by KiwiSaver funds into private assets? Why / why not?

NO. I don't support investment by KS into private assets for various reasons.

Future generations

This is likely the sole nest egg for upcoming generations and should not be touched. 20 years from now, Super payments may be reduced or eliminated even. With Western economies in terminal decline, KS might be the only savings future generations have.

Dubious intentions

National has record of leading country to big disasters (e.g. lowering drinking age etc). It's a dishonest party interested only in serving its cronies, but pretending to benefit the public. National have always viewed Kiwisaver with suspicion and greed, and cannot be trusted.

Competency

As a member of public, I have little confidence that this change is in the interest of the people, and little confidence in the ability of fund managers in NZ, especially given the fraud cases we see in the news, to implement and manage this change effectively. Also, the level of financial literacy required to make the most of this change is likely to be absent in many people. Indeed, it's also unfair to expect this level of financial literacy from members of the general public. We are ordinary people – not investors.

Risks

The risks outlined in Section 18 (b-f) of the discussion document are I feel much greater than any benefits that may (or may not) accrue from chasing relatively illiquid assets in the medium-longer term.

10

No need to raid Kiwisaver.

This seems to be a veiled excuse to raid Kiwisaver, the last bastion of hope for ordinary NZers who are struggling economically.

As for the supposed benefits:

“access to capital for leading New Zealand businesses” – they can get it from somewhere other than Kiwisaver. Many businesspeople boast about not using Kiwisaver, so why come here for funds?

“bridge gap for infrastructure development” – use other means to do it. Even if a 5% housing sales tax is introduced; there is support for CGT, and this is not all capital but just housing, then for 61,000 houses sold last year, our lowest ever, at \$1m average price, comes to \$3b of tax revenue. This along with other tax take, is sufficient for infra development in NZ. No need to raid Kiwisaver.

Private assets – private funds

As layperson, I see risk with relatively illiquid private assets, KS is designed, rightly, for short term. If people want to invest retirement money in private capital, or government or business want to access private capital, they can find other fund providers. No need to raid Kiwisaver.

Kiwisaver is not the government's bank account

Kiwisaver is the public's retirement fund. It's not a sovereign fund. It's the people's money and for many, their only hope. It should not be raided or invested differently or used to bolster Kiwibank or build anything else. Leave it as it is.

11	Do you support the use of liquidity management tools like 'side pockets', if they may have an impact on the availability of your KiwiSaver funds? Please explain.
12	Please provide any further comments on the proposed approach.
Private asset categories – questions for KiwiSaver providers or other industry	
13	Do you consider that the current asset classes in the Financial Markets Conduct Regulations 2014 are problematic as they relate to private assets? If yes, please explain.
14	How do think the categories should be described?
15	Please provide any other comments on the lack of private asset categories.
16	Which option do you think is best and why?
17	Will you face implementation costs if this change is made, if yes how much will they be and will they be one-off or ongoing?
18	Please provide any further comments on this issue of including private assets in asset categories.
Private asset categories—question for the public	
19	Do you think it would be useful to have better visibility over how much KiwiSaver funds are investing into private assets? Yes. Of course.

Valuation requirements – questions for KiwiSaver providers or other industry

20 For KiwiSaver managers: Do your governing document(s) include a valuation methodology which is challenging to apply to valuing private asset? If you do, can you please explain the impact in terms of:

- a. the extent to which your governing documents require amendments to allow for the inclusion and pricings of private assets within your funds.
- b. whether you have tried to amend the valuation provisions in the past or not, and why. Include examples of where the supervisor has or has not approved a valuation methodology.

21 Please provide any other comments on the valuation methodologies in governing documents.

22 Do you agree that this is an issue that needs addressing?

23 Do you have views on how it should be addressed?

24 Will you face implementation costs if this change is made, if yes how much will they be and will they be one-off or ongoing?

25 Please provide any further comments on this issue of valuation requirements.

Total Expense Ratio—questions for KiwiSaver providers or other industry

26 Do you currently outsource fund management for private assets?

27 Do you see any issues with the current TER calculation and if so, what are they?

28 Does the current TER calculation impact your decision to invest in private assets, or to utilise third-party fund management?

29 Are there any other issues you would like to draw attention to on the TER?

Total Expense Ratio—questions for the public

31

Do you look at KiwiSaver scheme fees when deciding which KiwiSaver scheme to put your money with?

32

What do you think should be included in any figure that is called “KiwiSaver scheme fees”?

33

Please share any thoughts you have around the TER (total expense ratio) and its function to inform the public of the expenses involved in KiwiSaver management.

Final comments—question for KiwiSaver providers or other industry

33.

Please provide any further comment on barriers to KiwiSaver investment in private assets that you see (including any comments in relation to issues identified in paragraph 18b-f).

Final comments—question for all respondents

34.

Please use this question to provide any further information you would like that has not been covered in the other questions.