

The Treasury

Budget 2015 Information Release

Release Document July 2015

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.
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- [6a] 9(2)(ba)(ii) - to protect information, where the making available of the information would be likely otherwise to damage the public interest
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- [8] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8a] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting the collective and individual ministerial responsibility
- [9] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [10] 9(2)(h) - to maintain legal professional privilege
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [13] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [14] Not in scope

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [4] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: Andreas Heuser [TSY]
To: "Gary White"
Cc: "Tom Broadhead"; James Beard [TSY]; [9]
Subject: KiwiSaver - effect of average fees on balances
Date: Tuesday, 12 May 2015 5:09:00 p.m.
Attachments: [image003.jpg](#)

Hi Gary

In response to your phone query:

[9] has analysed the effect of fees assuming a lower annual return than the 6% we used in the briefing. Please note that the 6% was chosen because 6.48% is in fact the rolling 5 year net return on KiwiSaver default funds (i.e. net of tax and fees).

If we assume a 3% net of tax and fees annual return a \$200, \$500 and \$1000 balance all erode as seen in the graph below (note this is assuming 3% return in perpetuity which is lower than the long-term risk free rate in New Zealand).

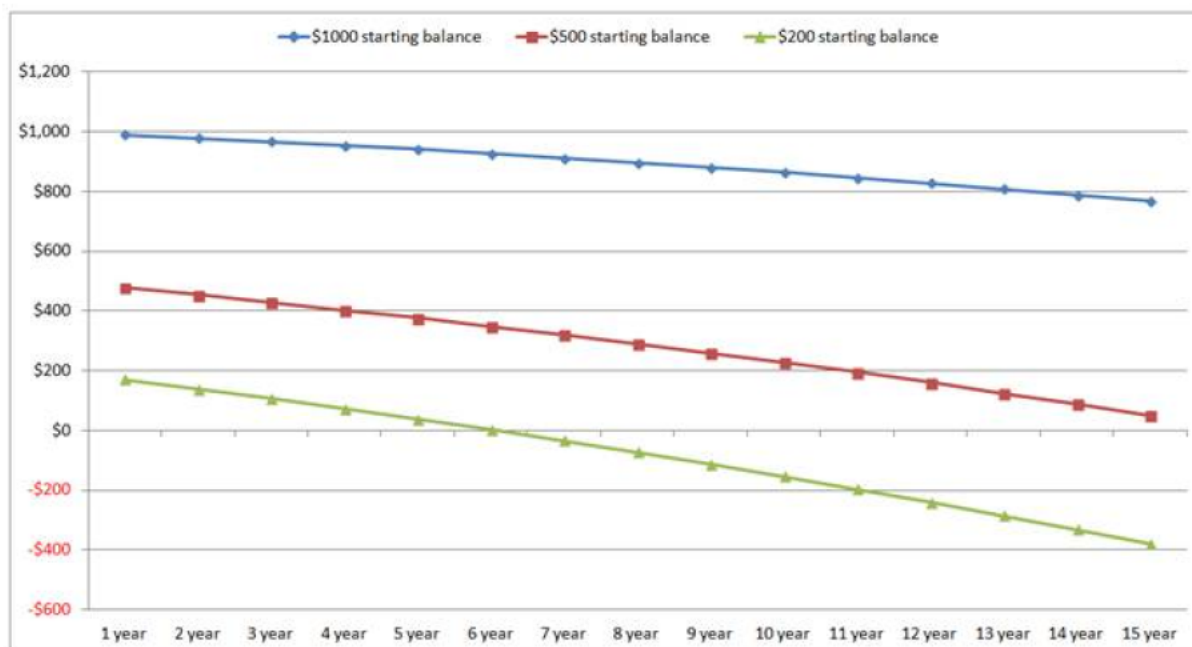
[9] also notes that a “**break even**” net return for the return on a \$1000 starting balance to cancel out the current default fees is about **3.5%**.

I think the key point is that below \$1000 the drop off in balance becomes quite stark.

Any questions, please let us know.

Regards
Andreas

Figure []: Default fund year-end balance after fees with 3% p.a expected annual return



From: Andreas Heuser [TSY]
Sent: Tuesday, 12 May 2015 4:43 p.m.
To: [9]
Subject: RE: Fees charge on 1000 KS
Importance: High

[9]

I had a call from Gary. Can you change the model to show what happens to the \$200, \$500 and \$1000 with 3% after tax return. Can you put this chart into an email for me?

Also - What is the average 5 year return for default providers after tax?

Thanks

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From: [9]
Sent: Tuesday, 12 May 2015 2:40 p.m.
To: Andreas Heuser [TSY]; [9]
Subject: Fees charge on 1000 KS

[IN-CONFIDENCE]

[Fees charge on 1000 KS \(Treasury:3183994v1\)](#) [Add to worklist](#)

Key assumptions:

Variable cost: 0.55% (2013 RFP 0.53% average)
Membership fees started at \$35 (adjusted up 1% p.)

The smaller the balance the less variable charge you pay, proportionally speaking.

Variable cost is 0.55% "proportionally fixed".

I will be in the meeting room next door.

[9]

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