



**Ministry of Business,
Innovation & Employment**

KiwiSaver Default Provider (Smartshares) Notice 2021

This notice is issued under section 132 of the KiwiSaver Act 2006 and appoints Smartshares Limited as a KiwiSaver Default Provider.

Issued at Wellington this *2nd* day of *August* 2021.

Hon Grant Robertson

Minister of Finance

Hon Dr David Clark

Minister of Commerce and Consumer Affairs

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Notice

1 Title

This notice is the KiwiSaver Default Provider (Smartshares) Notice 2021.

2 Commencement

- (1) Part 1, clause 4 and Part 10 of this notice come into force on 28 September 2021.
- (2) The rest of this notice comes into force on 1 December 2021.

Part 1 Preliminary provisions

3 Interpretation

- (1) In this notice, unless the context requires otherwise—

Act means the KiwiSaver Act 2006

action plan means the plan approved by the FMA under section 418 of the FMC Act

anti-personnel mine has the same meaning given to it by section 3 of the Anti-Personnel Mines Prohibition Act 1998

cluster munition has the same meaning given to it by section 6 of the Cluster Munitions Prohibition Act 2009

Commissioner means the Commissioner of Inland Revenue as defined in section 3(1) of the Tax Administration Act 1994

default investment product means the investment product called the SuperLife Default Fund established under the trust deed establishing the default KiwiSaver scheme

default KiwiSaver scheme means the scheme called the SuperLife KiwiSaver scheme, currently governed by a trust deed dated 2 November 2016 (amended and restated on 30 April 2021) signed by Smartshares Limited as manager and Public Trust as supervisor

default member means any member of the default KiwiSaver scheme who became a member in accordance with sections 50 to 52 of the Act or under any regulations made under section 230(1)(ba) of the Act, who has not chosen an investment product in the default KiwiSaver Scheme

default product assets means the assets held in the default investment product

default provider means the person appointed under this notice as the provider of the default KiwiSaver scheme and the default investment product

department has the same meaning given to it by section 4 of the Act

ESG policy means the Environmental, Social and Governance policy of the default provider that meets the requirements of clause 9 of this notice

FMA has the same meaning given to it by section 4 of the Act

FMC Act means the Financial Markets Conduct Act 2013

good industry practice means the standard of care specified in clause 7 of this notice

half year means a period of 6 months commencing on either 1 January or 1 July

Minister has the same meaning given to it by section 4 of the Act

new default allocations means provisional allocations of new default members to the default KiwiSaver scheme under section 50 of the Act

non-default investment product means an investment product of the default KiwiSaver scheme, other than the default investment product

nuclear explosive device has the same meaning given to it by section 2 of the New Zealand Nuclear Free Zone, Disarmament, and Arms Control Act 1987

prescribed activities means in relation to—

- (a) cluster munitions, the things described in section 10 of the Cluster Munitions Prohibition Act 2009; and
- (b) anti-personnel mines, the conduct described in section 7(1) of the Anti-Personnel Mines Prohibition Act 1998; and
- (c) nuclear explosive devices, the activities described in sections 5, 6 and 7 of the New Zealand Nuclear Free Zone, Disarmament, and Arms Control Act 1987.

proposal means the proposal dated 18 December 2020 submitted to the department by the default provider in response to the Request for Proposal (Appointment by Ministers for the Provision of Default KiwiSaver Schemes) issued by the department on 2 October 2020

records means all original and copy records, documents, books, files, reports, accounts, plans, correspondence, letters and papers of every description and other material regardless of its form or medium relating to the default KiwiSaver scheme, the default investment product or a default member

relevant member means a default member and any other member of the default KiwiSaver scheme who has invested in the default investment product

relevant requirements means —

- (a) the provisions of the Act that apply to the default KiwiSaver scheme; and
- (b) the provisions of the FMC Act that apply to the default KiwiSaver scheme; and

- (c) the provisions of any regulations made under the Act or the FMC Act that apply to the default KiwiSaver scheme; and
- (d) the terms and conditions of this notice; and
- (e) the trust deed; and
- (f) all other applicable legislation.

trust deed means the trust deed of the default KiwiSaver scheme

Supervisor means the person designated as the supervisor of the default KiwiSaver scheme in the trust deed, and any person who replaces that designated person either temporarily or permanently

working day has the meaning given to it by section 29 of the Interpretation Act 1999

- (2) The terms used in this notice and defined in the FMC Act, regulations made under the FMC Act, or the Act have the meanings defined in the FMC Act, regulations made under the FMC Act, or the Act.

Part 2 Appointment

4 Appointment of provider

Smartshares Limited (**Smartshares**) is appointed to provide the default KiwiSaver scheme and the default investment product on the terms and conditions set out in this notice.

5 Provision of default KiwiSaver scheme and default investment product

The default provider must—

- (a) provide to the relevant members the default KiwiSaver scheme and the default investment product in accordance with the relevant requirements; and
- (b) offer the default investment product to all current and prospective members of the default KiwiSaver scheme as an elective investment option in accordance with the relevant requirements.

6 Acceptance of allocated members

- (1) The default provider must register as a member of the default KiwiSaver scheme each person allocated to the default KiwiSaver scheme by the Commissioner as a default member in accordance with the Act and the trust deed.
- (2) A default member's account must be credited with contributions paid to the default provider in respect of that member by the Commissioner.
- (3) A default member's account must be credited with other contributions paid to the default provider by or for the benefit of the default member in accordance with the

relevant requirements, including the amount transferred from another KiwiSaver scheme under any regulations made under section 230(1)(ba) of the Act.

7 Standard of care

When exercising any powers or performing any duties in relation to relevant members, the default investment product, or default product assets, the default provider must, –

- (a) exercise the care, diligence, and skill that a prudent person engaged in the profession of acting as the manager of a KiwiSaver scheme (other than a restricted scheme) would exercise in the same circumstances; and
- (b) act in proper, business-like, timely, and efficient manner.

**Part 3
Investment of default product assets**

8 Investment of default product assets

- (1) The default provider must establish the default investment product as a new fund without any existing members.
- (2) The default provider must, in relation to the default investment product—
 - (a) maintain a statement of investment policies and objectives that reflects good industry practice; and
 - (b) invest the default product assets in accordance with the statement.
- (3) The statement of investment policies and objectives must be consistent with good industry practice in relation to the allocation of investments for an investment product that complies with clause 10 of this notice.
- (4) Crown contributions which are received in respect of default members and are required to be credited to the default investment product must be applied in accordance with the requirements of the Act.
- (5) Default product assets must be held and otherwise dealt with in accordance with good industry practice and the relevant requirements.

9 ESG Policy

- (1) The default provider must have an ESG policy that reflects good industry practice.
- (2) The default provider must publish a description of the following information on a website maintained by or on behalf of the default provider—
 - (a) the default provider's investment practices, including any exclusions;
 - (b) the default provider's ESG policy; and

- (c) certifications held by the default provider.
- (3) The default provider must lodge the ESG policy with the Registrar of Financial Service Providers to be included on the register of managed investment schemes kept under Schedule 2 of the FMC Act, as a general scheme document.
- (4) The annual report for the registered scheme that the default provider is required to prepare under regulations made under the FMC Act must include information on actions taken over the year in relation to the ESG policy, and any changes in the ESG policy since the last annual report.
- (5) The default provider must review the ESG policy once every two years to ensure that the ESG policy continues to reflect good industry practice.

10 Default investment product asset allocation

- (1) The default provider must not, in relation to the default investment product, invest less than 45% or more than 63% of default product assets in growth assets.
- (2) However, the default provider may breach the asset allocation limits specified in subclause (1) for a period not exceeding one month, or any longer time agreed by the FMA in writing, if —
 - (a) any temporary breach of these limits is caused by sudden market volatility which is beyond the reasonable control of the default provider and does not arise directly or indirectly from its breach of any of the relevant requirements; and
 - (b) in the opinion of the default provider, buying or selling default product assets to return to the range of growth assets, specified in subclause (1), would adversely affect the interests of relevant members.

11 Investment exclusion – weapons and devices

- (1) The default provider must exclude from the default product assets companies that are involved in the prescribed activities relating to—
 - (a) cluster munitions; or
 - (b) anti-personnel mines; or
 - (c) nuclear explosive devices.
- (2) The exclusion in subclause (1) applies to all investments—
 - (a) where the shares are held directly in companies that undertake the prescribed activities;

- (b) in shares of majority owners of excluded companies (for example parent companies);
- (c) in shares of subsidiary companies of excluded companies where that subsidiary has any involvement in the prescribed activity;
- (d) in managed investment schemes that have any investments listed in (a) to (c).

12 Investment exclusion – fossil fuels

- (1) The default provider must exclude from the default product assets companies that—
 - (a) own proved or probable reserves in coal, oil, or gas, and derive at least 15% of their revenue from exploration and extraction of coal, oil or gas; or
 - (b) has its primary business activity in any of the excluded subsectors prescribed in table 1 or table 2 of Schedule 5.
- (2) The exclusion in subclause (1) applies to—
 - (a) all investments where the shares are held directly;
 - (b) investment in managed investment schemes that have any investments in the companies described in subclause (1).
- (3) For the purposes of subclause (1) oil includes tar sands, gas includes shale (as a source of gas) and metallurgical coal is not included in the term coal.

**Part 4
Default provider responsibilities**

13 General responsibilities

The default provider must ensure that the default KiwiSaver scheme is administered in accordance with good industry practice and the relevant requirements.

14 Specific responsibilities

In addition to the general responsibility in clause 13 the default provider must-

- (a) provide copies of the product disclosure statement relating to the default investment product as reasonably requested by the Commissioner;
- (b) record and report on its performance against the minimum service obligations and minimum member engagement obligations; and
- (c) distinguish in its reporting between default members and non-default members in the default investment product.

15 Minimum service obligations

- (1) The default provider must meet the minimum service obligations set out in Schedule 3 unless non-compliance with these obligations is—
- (a) necessitated by an external event or circumstance which is beyond the reasonable control of the default provider (and does not arise directly or indirectly from its breach of another requirement by the default provider); or
 - (b) necessary in order to comply with another relevant requirement (and the default provider has notified the FMA in advance of the reasons for non-compliance).
- (2) The default provider must comply with the service undertakings set out in the default provider's proposal (including, without limitation, undertakings relating to member engagement initiatives).

16 Member engagement obligations

- (1) The default provider must meet the minimum member engagement obligations set out in Schedule 4 except where non-compliance is—
- (a) necessitated by an external event or circumstances which is beyond the reasonable control of the default provider (and does not arise directly or indirectly from the breach of another requirement by the default provider); or
 - (b) necessary in order to comply with another relevant requirement (and the default provider has notified the FMA in advance of the reasons for the non-compliance).

**Part 5
Reporting, audit and performance**

17 Report to the FMA

- (1) The default provider must provide a report to the FMA that contains the information specified in clause 1 of Schedule 1.
- (2) The report must be provided no later than 20 working days from the completion of the annual report for registered schemes required by regulations made under the FMC Act.
- (3) The report must be in the form specified by the FMA (if any).

18 Report by Supervisor

- (1) The default provider must ensure that the Supervisor provides the FMA with a report for each half year that contains the information specified in clause 2 of Schedule 1.
- (2) The FMA may, by notice in writing, request reports from the Supervisor at any time.

- (3) The report must be provided by the Supervisor to the FMA no later than 30 working days after the end of each half year or after the request from the FMA.
- (4) The report must be in the form specified by the FMA (if any).

19 Information request

- (1) The FMA may, by notice in writing, request information relating to the default KiwiSaver scheme or the default investment product from the default provider.
- (2) The default provider must provide the information requested by the FMA under this clause as soon as reasonably practicable after the request is made and in any case no later than 10 working days after the request is received.
- (3) The FMA may allow the requested information to be provided at a date later than 10 working days after the request is received by the default provider.

20 Access to information

- (1) The default provider must ensure that the FMA has access to, and where relevant copies of, records, premises, employees, and agents of the default KiwiSaver scheme as it may reasonably request from time to time in order to review the default provider's compliance with any of the relevant requirements.
- (2) Records that may be requested under subclause (1) include but are not limited to—
 - (a) external audit or agreed procedure reports; and
 - (b) internal audit reports; and
 - (c) external auditor's management letters.

21 Meetings

- (1) The FMA may, by notice in writing, request that the default provider meet with the FMA to discuss how the default provider is complying with the relevant requirements.
- (2) The default provider must respond to a meeting request as soon as reasonably practicable after the request is made and, in any case, no later than 10 working days after the request is received.

**Part 6
Fees**

22 Fees

- (1) No fees, costs, or other amounts in the nature of fees or costs may be charged other than the fees and costs specified in Schedule 2.

- (2) Trading expenses (as defined in the Financial Markets Conduct Regulations 2014) may be indirectly met from default product assets, and the default provider must ensure that any such expenses are no more than would usually be charged for expenses of that nature in accordance with good industry practice.
- (3) The default provider must, by notice in writing, inform the FMA if the default provider reduces any fee in accordance with Schedule 2.

Part 7 Review

23 Review of Fees

- (1) The Minister must review the fees specified in Schedule 2 within 3 months following the date—
 - (a) 3 years after the commencement date, in clause 2(2), of this notice; and
 - (b) 5 years after the commencement date, in clause 2(2), of this notice.
- (2) The default provider must provide the Minister with reasons why it considers the fees specified in Schedule 2 should be or should not be amended.

24 Review of member engagement obligations

- (1) The Minister may review the minimum member engagement obligations specified in Schedule 4 within 3 months following the date—
 - (a) 3 years after the commencement date, in clause 2(2), of this notice; and
 - (b) 5 years after the commencement date, in clause 2(2), of this notice.
- (2) The default provider must provide the Minister with any reasons why the minimum member engagement obligations specified in Schedule 4 should be or should not be amended.

25 Review of appointment

- (1) The Minister may at any time review any aspect of the appointment of the default provider under this notice.
- (2) When conducting a review under this clause, the Minister may take into account such matters as the Minister considers appropriate.
- (3) The default provider must provide information to the Minister, and access to its records, premises, employees and agents, as the Minister may request for the purpose of the review.
- (4) Following a review, the Minister may—

- (a) terminate the appointment under clause 30;
- (b) suspend new default allocations under clause 28;
- (c) vary any of the terms or conditions in this notice.

Part 8
Termination and suspension of appointment

26 Circumstances for termination or suspension

- (1) The Minister may terminate the appointment of the default provider, or require the suspension of new default allocations, in accordance with clauses 27 to 30 if any of the following occurs—
- (a) the default provider gives notice in writing to the Minister that the default provider wishes to cease acting as a default provider;
 - (b) the default KiwiSaver scheme ceases to be registered as a KiwiSaver scheme on the register of managed investment schemes kept under Schedule 2 of the FMC Act;
 - (c) the market services licence of the default provider is suspended or cancelled by the FMA under section 414 of the FMC Act;
 - (d) the Minister determines that a change of control (as defined in subclause (3)) has occurred in respect of:
 - (i) the default provider (other than by reason of the default provider coming under the control of, or under the common control with, another entity that is for the time being also a KiwiSaver default provider); or
 - (ii) any person involved in the administration, management or investment management of the default KiwiSaver scheme and default investment product.
 - (e) the FMA recommends to the Minister that the appointment of the default provider be terminated, or that new default allocations be suspended, in circumstances where the FMA has given notice requiring the default provider to prepare and provide an action plan, a direction under section 414 of the FMC Act or a direction order under Part 8 of the FMC Act and the default provider—
 - (i) has failed to provide the FMA with a corresponding action plan (or amended action plan) in accordance with sections 414 to 419 of the FMC Act; or

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- (ii) has obtained the FMA's approval of a corresponding action plan, but the default provider has failed to implement monitor, verify and report on that action plan in accordance with its terms; or
 - (iii) at any time following the scheduled date for completion of the action plan, has committed or suffered a breach of a relevant requirement, and the FMA has determined that the breach was due to an underlying cause which should have been rectified under the action plan; or
 - (iv) has failed to comply with the terms of a direction under section 414 of the FMC Act; or
 - (v) has failed to comply with the terms of a direction order under Part 8 of the FMC Act.
- (f) the Minister determines that the default provider has, in respect of the default KiwiSaver scheme, committed a material breach of the Act or the FMC Act or regulations made under the Act or the FMC Act;
- (g) the Minister determines that the default provider has committed a material breach of any terms or conditions in this notice and the breach is—
- (i) not capable of being remedied; or
 - (ii) capable of being remedied, but is not remedied within 10 working days after the default provider became aware of the breach or by the date when the action plan, direction or direction order requires the breach to be remedied; or
 - (iii) one of three or more material breaches that have occurred while this notice is in force, regardless of whether the breach has been remedied or was capable of being remedied.
- (h) a receiver, liquidator, administrator, statutory manager or similar person under the law of any jurisdiction is appointed in relation to the default provider or the supervisor;
- (i) the default provider or the supervisor makes a compromise or arrangement with its creditors;
- (j) an order is made by the court or an effective resolution is passed for the dissolution or winding up of the default provider or supervisor;
- (k) the Minister becomes aware that any material information provided to the Minister on which the Minister based their decision to appoint the default provider, or vary the appointment, was incorrect or misleading in any material respect.
- (2) The Minister may treat any breach referred to in subclause (1)(f) or (g) as material if the Minister considers that the breach, either alone or in combination with any other

event or action, is of such seriousness that it compromises the default provider's ability to provide the default KiwiSaver scheme in accordance with the relevant requirements.

(3) For the purposes of subclause 1(d) and this subclause—

(a) a 'change of control' occurs in respect of an entity if a person gains or relinquishes ultimate control of that entity;

(b) control of an entity includes having the power to—

(i) appoint, determine or control the appointment of more than half the members of its governing body (or members of its governing body who together hold more than half of the rights to vote exercisable generally at a meeting of that body); or

(ii) exercise, or control the exercise of, more than half the votes exercisable on an ordinary resolution of its members or shareholders; or

(iii) direct, determine or significantly influence all or a substantial part of the business or general management of the entity.

(c) control of an entity includes control of all other entities that the entity controls, whether directly or indirectly;

(d) an entity is under the ultimate control of a person if that person controls the entity within the meaning of this subclause and is not under the control of any other single person;

(e) where the Minister determines that two or more persons have an agreement, arrangement or understanding to act, jointly or in concert in relation to a power or control referred to in this subclause—

(i) those persons will be regarded as one person; and

(ii) a change in the parties to that agreement, arrangement, or understanding will be regarded as one person relinquishing and another person gaining the power or control.

(f) it is immaterial whether a power or control referred to in this subclause is express or implied, direct or indirect, legally enforceable or not, or exercisable presently or in the future or alone or jointly with another person or persons (but a mere power to cast one of many votes is not, in itself, a joint power within the meaning of this subclause).

27 Process for suspension or termination of appointment

(1) If the Minister considers that any of the things specified in clause 26(1)(a) to (k) may have occurred, the Minister—

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- (a) may, by written notice to the default provider and the Commissioner, suspend new default allocations under clause 28; and
 - (b) may, in the circumstances specified in clause 26(1)(d), give one or more notices to the default provider requiring the default provider to supply information which the Minister considers relevant to determining whether the appointment of the default provider should continue notwithstanding those circumstances (and the default provider must promptly comply with each such notice).
- (2) The Minister must not terminate the appointment of the default provider unless—
- (a) written notice of the grounds that the Minister considers may justify termination of the appointment and any evidence on which the Minister bases their view has been provided to the default provider; and
 - (b) the default provider has been provided an opportunity to make submissions to the Minister within a reasonable time specified by the Minister; and
 - (c) any submissions made by the default provider have been considered by the Minister.
- (3) The Minister must not terminate the appointment of the default provider under clause 26(1)(d) if, on the basis of the submissions made by the default provider, the Minister is satisfied that the default provider will continue to—
- (a) have substantially the same resources, capability and operational priorities as those that were represented in the default provider's proposal; and
 - (b) comply with all the relevant requirements.

28 Suspension of new default allocations

- (1) A notice of suspension of new default allocations must specify the terms and conditions of the suspension, including but not limited to—
- (a) the term of the suspension; and
 - (b) what action the default provider must take for the suspension to be removed and the time within which the action is required to be taken; and
 - (c) that the appointment of the default provider will be revoked if that action is not taken in that time.
- (2) During the suspension, the Commissioner must—
- (a) not provisionally allocate any person as a default member to the default KiwiSaver scheme; and

- (b) continue the allocations to the default KiwiSaver scheme in accordance with sections 51 and 52 of the Act, of persons already provisionally allocated as default members to that scheme before the suspension took effect.
- (3) In relation to a suspension imposed on the grounds specified in clause 26(1)(d), the Minister may lift the suspension if, on the basis of the submissions made by the default provider under clause 27(2)(c), the Minister is satisfied that the default provider will continue to—
 - (a) have substantially the same resources, capability and operational priorities as those that were represented in the default providers proposal; and
 - (b) comply with all of the relevant requirements.
- (4) If the default provider comes under the control of, or comes under the common control with, another entity that is for the time being also a default provider then that change of control does—
 - (a) not by itself allow the Minister to terminate the appointment of the default provider;
 - (b) allow the Minister (by written notice to the default provider and the Commissioner) to suspend new default allocations for as long as the other default KiwiSaver scheme managed by the other entity continues receiving provisional allocations to its default investment product in accordance with section 50 of the Act.
- (5) A notice of suspension under this clause does not affect the default provider's obligations to comply with the terms and conditions specified in this notice.

29 Determination by Minister to terminate appointment

- (1) The Minister may determine that the appointment of the default provider be terminated if the—
 - (a) default provider has given notice under clause 26(1)(a); or
 - (b) default KiwiSaver scheme ceases to be registered as a KiwiSaver scheme on the register of managed investment schemes kept under Schedule 2 of the FMC Act; or
 - (c) market services licence of the default provider is suspended or cancelled by the FMA under section 414 of the FMC Act; or
 - (d) Minister—
 - (i) is satisfied that one or more of the things specified in clause 26(1)(a) to (k) has occurred; and
 - (ii) has complied with clause 27(2).

- (2) If the Minister makes a determination under subclause(1) —
- (a) the Minister may at any time give written notice to the default provider and the Commissioner revoking this notice; and
 - (b) if the Minister has already suspended new default allocations under clause 28, the Minister must extend the suspension, if necessary, until this notice is revoked; or
 - (c) if the Minister has not already suspended new default allocations, the Minister must give notice of suspension under clause 28 to remain in force until this notice is revoked.
- (3) The default provider must comply with any directions given in writing by the Minister to the default provider following a determination under subclause (1).
- (4) Directions given under this clause may include, but are not limited to—
- (a) one or more directions requiring the default provider to notify default members —
 - (i) that the Minister has determined that the appointment of the default provider is to be terminated; and
 - (ii) of any other matters relating to the termination as the Minister specifies, or as the Minister and the default provider agree.

30 Termination of appointment

The appointment of the default provider is terminated by the revocation of this notice.

Part 9

Variation, renewal, expiry and revocation of Notice

31 Variation

- (1) This notice may be varied by the Minister by notice in writing.
- (2) The Minister must not vary this notice unless the Minister has consulted the default provider appointed under clause 4 of this notice.

32 Renewal

- (1) The Minister, by notice in writing, may renew this notice for a period of up to 6 months at any time before 30 May 2028.
- (2) The Minister, by notice in writing, may also renew this notice for a period specified in that written notice if the Minister has consulted the default provider appointed under clause 4 of this notice about the proposed renewal.

33 Expiry

- (1) Until the default provider is appointed for a further term under a renewal or replacement of this notice, at any time after the date that is 6 months before this notice is due to expire, the default provider must comply with any directions under this notice given in writing by the Minister to the default provider.
- (2) Directions given under this notice may include, but are not limited to—
 - (a) one or more directions requiring the default provider to notify default members of the default KiwiSaver scheme—
 - (iii) that the Minister has determined that the appointment of the default provider is to be terminated; and
 - (iv) of any other matters relating to the termination as the Minister specifies, or as the Minister and the default provider agree.
 - (b) 1 or more directions requiring the default provider to do any act or thing to facilitate or enable the subsequent transfer of default members, following the expiry of this notice, to 1 or more other default KiwiSaver schemes.

34 Revocation

Unless renewed under clause 32, or terminated under clause 30 this notice is revoked on 30 November 2028.

**Part 10
Transition**

35 Transition

- (1) The purpose of this clause is to facilitate the appointment of default providers pursuant to section 132 of the Act and enable the efficient transition of providers and default members between default KiwiSaver schemes and default investment products.
- (2) To give effect to the purpose in subclause (1) the default provider must comply with any reasonable directions given in writing by the Minister, the FMA or the Commissioner.
- (3) Without limiting subclause (2) directions under this clause may include one or more directions requiring the default provider to —
 - (a) do any act or thing to facilitate or enable the provisional allocation, allocation and transfer of default members to one or more default KiwiSaver schemes;
 - (b) do any act or thing to facilitate or enable the transfer of default members between funds;

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- (c) notify default members of the default KiwiSaver scheme any information determined by the Minister, the FMA or the Commissioner;
 - (d) provide updated product disclosure statements and information sheets about the implications for relevant members transferring between funds;
 - (e) provide information to the Commissioner, the FMA or the Ministry about the default provider's ability to comply with this notice.
- (4) For the purposes of this clause a default KiwiSaver scheme includes any scheme specified as a default KiwiSaver scheme under an instrument of appointment to which section 132 of the Act applies and a default member includes any provisionally allocated default members of such a scheme.

Schedule 1

Reporting

1 Report to FMA

The report to be provided under clause 17 must contain the following information—

- (a) a copy of the most recent audited annual financial statements of the default provider and its parent company;
- (b) the default provider's market capitalisation (if any) and credit rating (if any) as at the date of the report;
- (c) details of any material change to the financial backing or support provided by the default provider's parent company;
- (d) copies of the most recent auditors' management letters.

2 Supervisor report

The report to be provided under clause 18 must contain the following information—

- (a) a certificate from the supervisor stating whether or not in the performance of the supervisor's duties anything has come to the supervisor attention to indicate that the default provider has failed to comply with this notice during the previous half year together with a summary of actions taken and remediation plans, including any failure to comply continuously with the—
 - (i) statement of investment policies and objectives for the default investment product;
 - (ii) ESG policy;
 - (iii) legislative requirements that are required to be reported through to the supervisor under the FMC Act and regulations made under the FMC Act;
- (b) a general comment from the supervisor on the administration of the default KiwiSaver scheme during the period;
- (c) a report from the supervisor on any material event during the previous half year which the FMA could reasonably expect the supervisor to bring to its attention, including—
 - (i) failure by the provider to comply with applicable minimum service obligations (including those set out in Schedule 3) or applicable service undertakings (including those set out in the proposal);
 - (ii) key personnel changes to the default provider, any administration manager, any investment manager or the supervisor;

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- (iii) changes to any default provider or other person named in clause 4 of this notice in relation to the default KiwiSaver Scheme and default investment product;
- (d) a report from the supervisor on all actions taken by or on behalf of the default provider during the previous half year in relation to the member engagement obligations set out in Schedule 4 of this notice, including how the default provider has complied with the obligation metrics;
- (e) a report from the supervisor on all member complaints received in the previous half year, detailing—
 - (i) the number of complaints received;
 - (ii) the nature of the complaints;
 - (iii) information as to how the complaints have been resolved;
- (f) a report from the supervisor about compliance with the ESG policy, including
 - (i) any actions taken over the previous half year;
 - (ii) any changes made to the policy since the last annual report;
 - (iii) progress towards any commitments and targets;
- (g) a copy of every certificate given by the default provider to the supervisor in relation to the default KiwiSaver scheme including—
 - (i) certification as to whether or not the minimum service obligations set out in Schedule 3, and the service undertakings set out in the proposal, have been complied with;
 - (ii) for each provider service set out in Schedule 3, in the manner and form required by FMA (if any), information on—
 - (A) the volume of transactions (including dollar amounts in the case of contributions, transfers in and withdrawals);
 - (B) the number of transactions completed within (respectively) 1,2, 3, 4, 5 to 10 and more than 10 working days;
 - (C) the percentage of transactions which complied with the relevant service obligation (and an explanatory note where not all transactions complied);
- (h) a copy of every certificate or statement given by the auditor of the default KiwiSaver scheme to the supervisor in relation to the default KiwiSaver scheme as a whole;
- (i) copies of the minutes of the supervisor and manager meetings in relation to the default KiwiSaver Scheme as a whole;
- (j) such other information as the FMA may reasonably require by written notice.

Schedule 2

Fees

Fee type	Fee
Single percentage fee	0.20%

Schedule 3

Minimum service obligations

Default Provider service	Description	Service Obligation (working days)
Processing new default member applications	Member record and account created and welcome letter sent.	Within 3 days of receiving data from the Commissioner.
Processing initial contributions in respect of default members	All initial payroll-sourced and Government contributions received from central administrator are credited to member accounts and invested, and an initial opening statement is issued.	Within 3 days of transfer of those initial contributions from the Commissioner.
Processing ongoing contributions in respect of relevant members	Ongoing contributions received from IR are reconciled and credited to member accounts and invested.	Within 2 days of transfer of regular contributions from the Commissioner.
Making online account access available to relevant members	Online account access is available to members and members are provided with the option of receiving information electronically or by hardcopy.	Within 5 days of receiving initial contributions from the Commissioner or former provider.
Maintaining relevant member's account	Updating member account as required (change of address, change of name, change of investment election).	Within 2 days of receiving application from member (or within 5 days in the case of address changes necessitated following a large mail-out).
Maintaining relevant members' contact details	All members contact details are kept up to date.	Gone no address (GNA) statistics remain below 10% on average each year (ended 31 March) for each of the following sent to members: email; mail; and SMS.
Processing relevant member's full payment after KiwiSaver end payment date	Processed and confirmation letter sent.	Within 5 days of receiving application from member, and final payment from the Commissioner.
Processing relevant member's partial withdrawals after KiwiSaver end payment date	Processed and confirmation letter sent.	Within 5 days of receiving application from member.
Processing relevant members' hardship and life shortening congenital condition withdrawals	Processed and confirmation letter sent.	Within 10 days of receiving application.

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Default Provider service	Description	Service Obligation (working days)
Processing relevant members' other permitted withdrawals	Processed and confirmation letter sent.	Within 3 days of receiving application and supervisor approval where required.
Relevant member switches	Processed and confirmation letter sent.	Within 3 days of receipt of application.
Default member transfers in	Processed and confirmation letter sent.	Within 3 days of receiving full data from former provider.
Non-default member transfers in	Processed and confirmation letter sent.	Within 3 days of receiving full data from former provider.
Relevant member transfers out	Processed and confirmation letter sent.	Within 10 days of the new provider confirming acceptance of the transfer.
Trans-Tasman portability –transfers in	Processed, money credited to relevant member accounts and invested and confirmation letter sent.	Within 3 days of receiving full transfer value and complete documentation from former provider.
Member reporting	Maintain a clear, concise and effective product disclosure statement relating to default investment product.	Available to relevant members and potential members on request.
Relevant member enquiries of general nature	Respond to verbal or written queries - as appropriate.	Within 2 days from receipt of a simple request, and within 5 days from receipt of a complex request (such as one which requires detailed calculations).
Complaints handling	Acknowledgment of receipt provided to relevant member.	Within 2 days of receipt.
Complaints handling	Complaint resolved in a timely manner and response provided as soon as practicable to relevant member.	Within 10 days of receipt.

Schedule 4

Minimum member engagement obligations

Default Provider service	Description	Service obligation
On boarding	All new default members receive access to an on-boarding advice process covering fund choice, contribution rate and checking contact details.	<p>Within 3 months of being allocated to the provider at least:</p> <ul style="list-style-type: none"> (a) 50% of members engage with the on boarding process. For example, opening emails, updating contact details, downloading a provider app. (b) 20% of members complete on boarding via an advice conversation or through engaging with digital tools (for example completion of a fund profile tool, using a savings calculator).
First home withdrawal check-up	Relevant members who withdraw funds for a first home receive a check-up to discuss the value of continuing contributions and to check fund choice.	<p>Within 3 months of withdrawing funds for a first home at least:</p> <ul style="list-style-type: none"> (a) 50% of members engage with the first home withdrawal check-up (for example, opening emails, contacting the provider for personal advice). (b) 20% of members complete the check-up via an advice conversation or through engaging with digital tools (for example completion of a fund profile tool, using a savings calculator).
Pre-retirement check-up – 10 years out	Relevant members turning 55 receive a 10-year out check-up covering contribution rate, fund choice, and an introduction to the options available when they reach eligibility age.	<p>Within 3 months of a member turning 55 at least:</p> <ul style="list-style-type: none"> (a) 50% of members engage with the 10-year out check-up, for example opening emails, contacting the provider for personal advice. (b) 20% of members complete the check-up via an advice conversation or through engaging with digital tools (for example completion of a fund profile tool, using a savings calculator, use of an options tool).

Schedule 4

Minimum member engagement obligations

Default Provider service	Description	Service obligation
Pre-retirement check-up – one year out	Relevant members turning 64 receive a one-year out check-up covering contribution rate, fund choice, and an introduction to the options available when they reach eligibility age.	<p>Within 3 months of turning age 64 at least:</p> <p>(a) 50% of members engage with the 1-year out check-up for example, opening emails, contacting the provider for personal advice.</p> <p>(b) 20% of members complete the check-up via an advice conversation or through engaging with digital tools (for example completion of a fund profile tool, use of an options tool).</p>
65-plus support	Delivery of a 65-plus support programme for relevant members covering fund choice and options available to them including decumulation.	Results of activities are measured and reported to the FMA.

Schedule 4

Minimum member engagement obligations

Default Provider service	Description	Service obligation
Engagement prompts at key milestones	<p>A planned series of engagement campaigns and activities at the following key milestones for relevant members:</p> <ul style="list-style-type: none"> (a) Annual member statement (b) government contribution payments (c) during significant market volatility (d) as the member nears the end of a savings suspension (e) as the member approaches eligibility for a first home withdrawal (f) when a non-contributing member without an approved savings suspension has not made a contribution within the last 18 months (g) when a member reaches eligibility age. 	Results of activities are measured and reported to the FMA.

Schedule 5**Investment exclusion – fossil fuels****Table 1**

Industry Classification Benchmark	
<i>Subsector</i>	<i>Definition</i>
Integrated Oil and Gas 60101000	Companies that engage in all three fields of petroleum production: Extraction (upstream), Transportation (midstream), and Refining and Marketing (downstream).
Oil: Crude Producers 60101010	Companies engaged in the exploration for and drilling, production, and supply of crude oil on land.
Offshore Drilling and Other Services 60101015	Companies that primarily explore and drill for oil and gas in offshore areas.
Oil Equipment and Services 60101030	Suppliers of equipment and services to oil fields and offshore platforms, such as drilling, exploration, seismic-information services and platform construction.
Coal 60101040	Companies that mine, process and market coal.

Schedule 5**Investment exclusion – fossil fuels****Table 2**

Global Industry Classification Standard	
<i>Sub-industry</i>	<i>Definition</i>
Oil & Gas Drilling 10101010	Drilling contractors or owners of drilling rigs that contract their services for drilling wells.
Oil & Gas Equipment & Services 10101020	Manufacturers of equipment, including drilling rigs and equipment, and providers of supplies and services to companies involved in the drilling, evaluation and completion of oil and gas wells.
Integrated Oil & Gas 10102010	Integrated oil companies engaged in the exploration and production of oil and gas, as well as at least one other significant activity in either refining, marketing and transportation, or chemicals.
Oil & Gas Exploration & Production 10102020	Companies engaged in the exploration and production of oil and gas not classified elsewhere.
Coal & Consumable Fuels 10102050	Companies primarily involved in the production and mining of coal, related products and other consumable fuels related to the generation of energy. Excludes companies primarily producing gases classified in the Industrial Gases sub-industry.