



Inland Revenue
Te Tari Taake

KiwiSaver Evaluation

Six-monthly Report 1
1 July 2007 –
31 December 2007

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Executive summary

Report purpose and scope

This report is the first of a series of six-monthly reports evaluating the effectiveness of KiwiSaver, including its implementation, delivery and, in the longer-term, impact on the savings levels of New Zealanders and the development of the financial sector.

The report relates to the first six months of KiwiSaver operation, 1 July to 31 December 2007. It brings together information from Inland Revenue's administrative data and research reports produced over the last six months and focuses on the initial participation in KiwiSaver, levels of awareness and understanding, initial implementation and delivery, and some of the features that are designed to encourage participation, particularly:

- The role of KiwiSaver as a work-based initiative, including the experience of employers in implementation, the interaction between employers and employees in understanding and meeting KiwiSaver requirements, the role of communications and information initiatives intended for distribution in the workplace, and the extent to which KiwiSaver has been successfully aligned with existing workplace processes (alignment with the PAYE system was intended to assist employers in meeting their KiwiSaver obligations);
- The opt-in and automatic-enrolment options designed to encourage participation, in particular, the extent to which the automatic-enrolment processes are working as intended, and whether automatic-enrolment seems effective in this early stage at encouraging individuals to join and remain active KiwiSaver members; and
- The role of the incentives in encouraging uptake of KiwiSaver. While some incentives do not start until 1 April 2008 (e.g. compulsory employer contributions and the employer tax credit) and others do not start until 1 July 2010 (e.g. first home deposit subsidy and first home savings withdrawal) their influence on the decisions of individuals is investigated.

The report does not comment on the broader savings environment or other policy initiatives designed to impact savings behaviour.

Evaluation findings

It is still early days for KiwiSaver. This report presents a snap-shot picture of the understanding and expectations as of February 2008 and these will inevitably change over time. The future of KiwiSaver, the levels of participation and its impact cannot be extrapolated from the information presented after only six months of operation. In particular, firm conclusions should not be drawn about the differences in the socio-demographic profiles of members and non-members as analysis has not yet been undertaken to

determine whether any apparent relationships are likely to be real or simply a result of statistical chance or to inter-relationships between variables of interest (e.g. age, income and ethnicity).

It will be important that subsequent evaluation work, research and KiwiSaver operational information inform a longer-term perspective on KiwiSaver's effectiveness. An outline of the next stage of evaluation work is set out below.

KiwiSaver enrolment patterns

At 31 December 2007:

- There were 319,266 active KiwiSaver members plus another 60,145 automatically-enrolled members whose status was provisional;¹
- 187,990 individuals had been automatically-enrolled into KiwiSaver, of which 66,142 have opted-out (and 60,145 were classified as provisional);
- Enrolment levels in the first six months have been higher than originally forecast, with more members enrolling in the first six months than forecast for the full first year; and
- After an initial surge of opt-ins, numbers of people opting-in have slowed and automatic-enrolment is now the main method of enrolment.

Membership profile

The following describes the profile of KiwiSaver members. Note that this profile represents the first six months of membership and will likely change over time. It appears that, at this early stage, the overall profile of the member population is influenced by the characteristics of the large number of members who have opted-in to KiwiSaver (as opposed to those who have been automatically-enrolled).

- Membership in KiwiSaver is fairly evenly split between men and women – 48% of members are men and 52% women. For those members who have opted-in, 47% are men and 53% women;
- KiwiSaver members tend to be older than non-members, driven largely by the age profile of those members who have opted-in (the median age of opt-in members is 47 and that of automatically-enrolled members is 32). 9% of members who have opted-in are under 18; and
- KiwiSaver members appear to have higher incomes than non-members (the median income for the 2006/07 tax year of members is \$33,376 and \$24,001 for those non-members who were automatically-enrolled but opted-out), although there are KiwiSaver members at all income levels. The large number of opt-ins seems to be driving the income profile of all active members as those who have opted-in tend to be older and have higher incomes than those who have been automatically-enrolled (both those that are active members and those who have opted-out).

¹ Provisional members are those individuals who have been registered for KiwiSaver and are either within the eight week period during which time they can elect to opt-out or they have yet to be assigned a scheme provider.

Providers and schemes

There are 33 KiwiSaver providers (including six default providers) with 48 available schemes. The six default providers were selected by the government for those members who do not choose their own KiwiSaver scheme. The current default providers have been appointed for a term of seven years.

One third of current members are members of default schemes and over half (55%) have made an active choice of scheme. Those remaining are members of employer-nominated schemes. The membership figure for active scheme choice includes individuals who have proactively selected one of the default provider schemes.

- Those who have opted-in to KiwiSaver are more likely to have chosen their scheme (68% of opt-in members have chosen a scheme compared with 8% of those who were automatically-enrolled); and
- Those who were automatically-enrolled are more likely to be members of the default schemes (70%) or to join an employer-nominated scheme (22%).

Awareness of KiwiSaver

Overall levels of awareness of KiwiSaver and knowledge of its various features and incentives are high and research with individuals, providers and employers has found that Inland Revenue's communications activities were generally effective in building understanding across the population.

The most commonly cited reason for joining KiwiSaver through a survey of individuals was to secure an income in retirement (63%), although KiwiSaver's incentives and design features motivated some individuals (31%) to become members. The most commonly mentioned reasons that non-members gave for not joining KiwiSaver were affordability (24%), already having a superannuation scheme (19%) and waiting to see how KiwiSaver established itself or concerns about its sustainability (14%).

Implementation and delivery

Despite short timeframes for implementation, both employers and providers are on balance positive about the way the KiwiSaver has been implemented. The implementation of KiwiSaver has not, however, been without challenges. Issues associated with Inland Revenue systems have been identified and improvements in the timeliness and quality of processing of refunds for those who opt-out and the passing of contributions onto scheme providers are being actively worked on. Additionally, there seems to be some variation (or at least at this still early stage and with smaller employers) around the understanding and application of the automatic-enrolment process by both employers and employees.

Evaluation next steps

The next phase of the evaluation research will continue to focus on implementation with a particular emphasis on the introduction of compulsory employer contributions, member and employer tax credits, and the administration of contributions holidays and hardship applications.

Benchmark research on superannuation and financial markets will be undertaken in order to prepare the evaluation to address its longer term objectives, namely the impact that KiwiSaver has had on the savings habits and asset accumulation of New Zealanders and on the development of financial markets.

The next evaluation report will consider the full first year of KiwiSaver's operation (July 2007 – June 2008).

Part one: Introduction

KiwiSaver evaluation

This report is the first of a series of six-monthly reports evaluating the effectiveness of KiwiSaver, including its implementation, delivery and, in the longer-term, impact on the savings levels of New Zealanders and the development of the financial sector.

The KiwiSaver evaluation project began in 2007/08 and will continue until 2012/13. The objectives of the evaluation are set out below. This first report contributes to objectives a, b and c. It is too early to comment on the impact of KiwiSaver on overall levels of savings or the financial sector.

- a. Assess the early implementation and delivery of KiwiSaver as a whole and the various components, to inform the early and on-going development and service delivery of KiwiSaver;
- b. Assess which of the key features of KiwiSaver are generating the expected outcomes;
- c. Assess the response to KiwiSaver to understand the scale and pattern of take-up;
- d. Assess the impact KiwiSaver is having on the saving habits and asset accumulation of individuals who are not in a position to enjoy standards of living in retirement similar to those in pre-retirement; and
- e. Assess the impact of KiwiSaver on superannuation markets and the financial sector.

Report scope and structure

The report relates to the first six months of KiwiSaver operation, 1 July to 31 December 2007. It focuses on the initial participation in KiwiSaver, levels of awareness and understanding, and some of the features that are designed to encourage participation. It does not comment on the broader savings environment or other policy initiatives designed to impact savings behaviour.

This report brings together information from Inland Revenue's administrative data and research reports produced over the last six months.

The remainder of this report is organised into the following sections:

- **Part 2 KiwiSaver background** – provides a brief description of KiwiSaver, including its features and incentives;
- **Part 3 Enrolment and membership** – profiles KiwiSaver members and employers, explores motivation and barriers to membership, and describes patterns of enrolment to date;

- **Part 4 Awareness of KiwiSaver** – reports on the levels of awareness and knowledge of KiwiSaver amongst employers and individuals;
- **Part 5 Implementation and delivery** – reports the views of providers, employers and individuals on the implementation and delivery to date and discusses the effectiveness of certain features of KiwiSaver relevant to this early stage of its implementation;
- **Part 6 Conclusions and next steps** – draws conclusions based on evaluation findings to date and sets out the key questions for the next phase of the evaluation; and
- **Part 7 Appendices** – research inputs for this report.

Part two: KiwiSaver background

Savings policy

In the 2005 Budget, the government introduced a number of initiatives aimed at improving the financial position of New Zealanders in retirement. These policy initiatives included the following:

- A financial education package;
- Expansion of the Mortgage Insurance Scheme (now the Welcome Home Loan); and
- KiwiSaver, incorporating a home ownership assistance scheme.²

In addition, changes to the tax system were also introduced, including an exemption from Specified Superannuation Contributions Withholding Tax (SSCWT) for employers' that are contributing to employees' KiwiSaver accounts or a complying superannuation fund. The exemption is capped at the lesser of the employee's contribution or 4% of the employee's salary or wages.

The purpose of KiwiSaver as set out in the KiwiSaver Act 2006 is to:

*Encourage a long-term saving habit and asset accumulation by individuals who are not in a position to enjoy standards of living in retirement similar to those in pre-retirement. The Act aims to increase individuals' well-being and financial independence, particularly in retirement, and to provide retirement benefits.*³

KiwiSaver enhancement

Prior to its introduction (1 July 2007), a number of additions were made to the design of KiwiSaver through Budget 2007 (described further below). These included the introduction of the member tax credit, compulsory employer contributions phased in over four years, and the employer tax credit. These changes likely had a considerable impact on levels of enrolment in the first six months (discussed further in section *Membership motivations and barriers* below).

In addition, to improve KiwiSaver's affordability, employer contributions be counted towards the employee contributions level if agreed between employer and employee. Subject to conditions being met, an employer can contribute at least 2% towards the employee's minimum 4% contribution. By 2011, employees can transition to a full 4% contribution with a matching 4% from their employers.

² Ref: <http://www.treasury.govt.nz/release/securingyourfuture/polmem-6apr05-w.pdf>

³ Section 3, KiwiSaver Act 2006.

Table 1: Transitional rates for employers contributing to employee contributions

Period	Minimum employee contribution	Minimum employer contribution	Total contribution
From 1 April 2008	2%	2%	4%
From 1 April 2009	2%	2%	4%
From 1 April 2010	3%	3%	6%
From 1 April 2011 onwards	4%	4%	8%

KiwiSaver policy design features

KiwiSaver's significant features and incentives are set out in the table below. This first six-monthly report primarily focuses on those features that are asterisked. In particular, it considers:

- The role of KiwiSaver in the workplace, including the experience of employers in implementation, the interaction between employers and employees in understanding and meeting KiwiSaver requirements, the role of communications and information initiatives intended for distribution in the workplace, and the extent to which KiwiSaver has been successfully aligned with existing workplace processes (alignment with the PAYE system was intended to assist employers in meeting their KiwiSaver obligations);
- The extent of uptake by enrolment type (opt-in and automatic-enrolment), the extent to which the automatic-enrolment processes are working as intended, and whether automatic-enrolment seems effective in this early stage at encouraging individuals to join and remain active KiwiSaver members; and
- The role of the incentives in encouraging uptake of KiwiSaver. While some incentives do not start until 1 April 2008 (e.g. compulsory employer contributions and the member tax credit) and others do not start until 1 July 2010 (e.g. first home deposit subsidy and first home savings withdrawal) their influence on the decisions of individuals is investigated.

Table 2: KiwiSaver features and incentives

Features	
Work-based scheme*	KiwiSaver is designed as a work-based initiative which means that information about KiwiSaver is provided by employers, and employees' contributions are deducted directly from their pay.
Eligibility requirements	To be eligible to join KiwiSaver, individuals must be a New Zealand citizen (or entitled to live in New Zealand indefinitely), and personally present or normally personally present in New Zealand, and under the age of eligibility for New Zealand superannuation (currently 65).
Default providers	Those individuals who are automatically-enrolled will be allocated to one of six government selected default schemes. These members have three months to choose their own scheme and if they do not they will be enrolled into the default scheme to which they were allocated.
Opt-in*	Individuals can elect to join KiwiSaver directly, either through their employer or by contacting a scheme provider.
Automatic-enrolment and opt-out*	Provided they are eligible for KiwiSaver, all new employees (i.e. those starting a new job) will be automatically enrolled in KiwiSaver unless they meet one of the conditions for exemption. Individuals may choose to opt-out within eight weeks (but not within the first two weeks) of starting the new job.
Choice of scheme provider and contributions level	KiwiSaver members can choose from a range of superannuation schemes and providers. They can also elect to contribute either 4% or 8% of their gross income.
Savings locked in	Savings cannot be withdrawn until an individual member reaches the age of eligibility for New Zealand superannuation (currently 65) or until they have been a member for five years, whichever is the later.
Options for self- and non-employed	Those who are self-employed or not-employed can opt-in to KiwiSaver and can determine their level of contributions.
Employer tax credit	An employer tax credit of up to a maximum of \$20 per week for each employee to reimburse employers for their contributions to employees' accounts.
Incentives	
Kick-start payment*	Initial payment of \$1,000 to an individual's account upon joining.
Member tax credit*	Members are entitled to a tax credit of up to \$1,042.86 per year (\$20 per week) from 1 July 2007. The tax credit is paid automatically to an individual's KiwiSaver account, based on the level of contributions made.
Compulsory employer contributions*	From 1 April 2008, employers are required to match individuals' contributions up to 1% from 1 April 2008, rising 1% a year to 4% from 1 April 2011.
Contributions holiday	Members are able to take a contributions holiday of between three months and five years after contributing for an initial 12-month period. Individuals can apply for a contributions holiday within the first 12 months for reasons of financial hardship.
First home deposit subsidy	After three years of contributions, an individual can access a conditional grant towards buying a home, equal to \$1,000 per year of contribution to KiwiSaver up to a maximum of \$5,000.
First home withdrawal	After being a member for three years, individual's can withdraw all or part of their savings to contribute to a deposit on a first home.
Mortgage diversion facility	After being a member for 12 months an individual can split their contributions between their KiwiSaver account and their mortgage payments.
Fee subsidy	Members are entitled to a \$40 provider fee subsidy each year.

Part three: Enrolment and membership

This section describes the patterns of take-up in KiwiSaver's first six months. It profiles KiwiSaver members and their employers, describes patterns of enrolment and comments on some key membership motivations and disincentives.

Number of enrolments and active members

In summary, as at 31 December 2007, there were 319,266 active KiwiSaver members (i.e. those who had either opted-in or were automatically-enrolled and did not opt-out) plus another 60,145 automatically-enrolled members whose status was provisional, and 66,142 who had opted-out. In total there have been 445,553 enrolments since July (see table 3).⁴

There have been more enrolments in the early months than originally forecast. The 445,553 enrolments in the first six months exceeded the original annual forecast of 276,000. The forecasts were reviewed in November 2007 following four months' actual enrolments. Assuming the current growth would continue until the end of 2007, the revised forecast is for 494,000 enrolments (excluding complying funds) by the end of June 2008.⁵

The higher than expected uptake has been largely influenced by a lower than forecast rate of opt-outs. Enrolment forecasts following the Budget 2007 enhancements had assumed that 83% of those that were automatically-enrolled would opt-out. This however, has proved to be significantly higher than the actual rate of opt-out (which is currently approximately 50% with current provisional members excluded). Provisional members have been excluded here in calculating the rate of opt-out as they have yet to confirm their membership status.

The number of members who have opted-in, however, is significant, accounting for 57% of total enrolments in the first six months (table 4).

Table 3: Number of enrolments at 31 December 2007

Status	Number	Percentage of all enrolments
Active member	319,266	72%
Provisional	60,145	13%
Opt-out	66,142	15%
Total	445,553	100%

Base: All enrolments July to December 2007.
Source: Inland Revenue administrative data.

Trend in type of enrolment

As at 31 December 2007, 57% of the total number of enrollees had opted-in and 42% had been automatically-enrolled (table 4).

⁴ The 319,266 active member figures differs from the previously figure of 380,000 reported to Ministers, which includes provisional enrolments i.e. those who have registered for KiwiSaver, and are either within eight week period during which opting out is an option or have not yet been assigned a scheme provider.

⁵ Inland Revenue forecasts for 2007 Half-Yearly Economic and Fiscal Update (HYEFU).

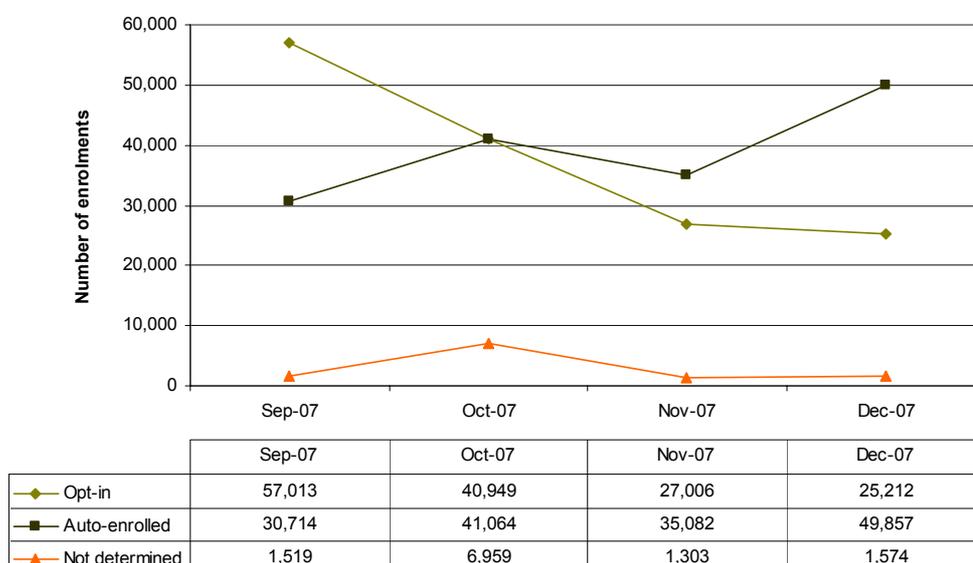
Table 4: Method of enrolment at 31 December 2007

Enrolment method	Number	Percentage of all enrolments
Automatically-enrolled	187,990	42%
Opt-in	254,327	57%
Not Determined	3,236	1%
Total	445,553	100%

Base: All enrolments July to December 2007.
Source: Inland Revenue administrative data.

Figure 1 shows that after an initial surge of opt-ins, the number of people opting-in has slowed and automatic-enrolment is now the main form of enrolment for KiwiSaver. The number of enrolments for July and August totalled 127,301. The monthly breakdown between opt-in and automatic-enrolment has not been included here as in early months Inland Revenue’s systems were not able to report information in this form.

Figure 1: Monthly enrolments by enrolment method September – December 2007



Base: All enrolments September to December 2007, total 318,252. Excludes enrolments for July and August as data not available.
Source: Inland Revenue administrative data.

Socio-demographic characteristics

The following section provides an overview of the socio-demographic characteristics of KiwiSaver members. Where possible the profile of non-members is presented, however, in most cases the characteristics of automatic-enrollees who have elected to opt-out of KiwiSaver are discussed (a subset of non-members). The characteristics of the overall non-member population have not yet been analysed by Inland Revenue. The information in this section is drawn from:

- A survey of 715 individuals aged 18-65 that was carried out between November 2007 and January 2008⁶; and

⁶ Colmar Brunton. (2008). *Evaluation of KiwiSaver External Communications and Awareness – Individuals*. Wellington: Colmar Brunton. Note that 11 respondents were excluded from this comparison because they were ineligible to join KiwiSaver. This means that the base size for survey data is 704 individuals, unless otherwise stated.

- Inland Revenue's administrative data which describes members and allows comparisons between people who have opted-in, automatic-enrolees who have stayed in, and automatic-enrolees who have opted-out. Inland Revenue data has not been analysed for all non-members at this stage. The analyses relate to members whose status is confirmed; it does not include provisional members.

When interpreting the following, note that the information relates to the first six-months of KiwiSaver's operation only. The data are a snap-shot picture and future trends and patterns in membership and non-membership cannot be extrapolated from what is presented here. They should not be used to draw any firm conclusions about the differences in the socio-demographic profiles of members and non-members as analysis has not yet been undertaken to determine whether any apparent relationships are likely to be real or simply a result of statistical chance or to inter-relationships between variables of interest (e.g. age, income and ethnicity).

Gender

Overall, members are essentially equally split between men (48%) and women (52%).⁷ The break-down of the active population by gender and enrolment and status is given below. It shows that of the opt-in population to date, females outnumber males while in the automatically-enrolled population, the reverse is true.

Table 5: Gender and enrolment method

Enrolment method	Female	Male	Not known	Total
Active member	165,692 (52%)	151,658 (48%)	1,725 (0%)	319,075 (100%)
Opt-in	132,919 (53%)	118,039 (47%)	1,600 (1%)	252,558 (100%) ⁸
Automatically-enrolled	32,773 (49%)	33,619 (51%)	125 (0%)	66,517 (100%)
Opt-out	30,496 (50%)	30,841 (50%)	103 (0%)	61,440 (100%)

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007.
Source: Inland Revenue administrative data.

Age

Both the survey and administrative data indicate that current KiwiSaver members seem to be older than non-members. Those members who have opted-in are older than automatic-enrolees, but the age profile of those automatic-enrolees who stay in and those who opt-out is similar.⁹ Of those who opted-in, 9% are under age 18 (those under 18 are not subject to automatic-enrolment and so have to opt-in).

Table 6 presents the median ages by method of enrolment, as well as the percentage of those in each group less than 30 years old. Those opting-in had a median age of 47 years whereas those who are automatically-enrolled are younger with little difference between those staying-in and those opting-out (32 and 31 respectively). While administrative data on the non-member population has not yet been analysed, the survey of individuals found that 21% of KiwiSaver members were under age 30, as were 26% of non-members.¹⁰

⁷ Inland Revenue's database does not contain gender information per se; gender has been derived from the title of individuals.

⁸ Percentage does not add to 100 due to rounding.

⁹ Age information has been derived from the date of birth information held in the IR data base. The date is calculated as at 31 December 2007.

¹⁰ Post-survey weighting was conducted to correct for the probability of households with more than one 18-65 year old being systematically under-represented in the sample and the probability of job changers being over represented in it. The weighting was also conducted to align the sample data with Census data on age and gender variables.

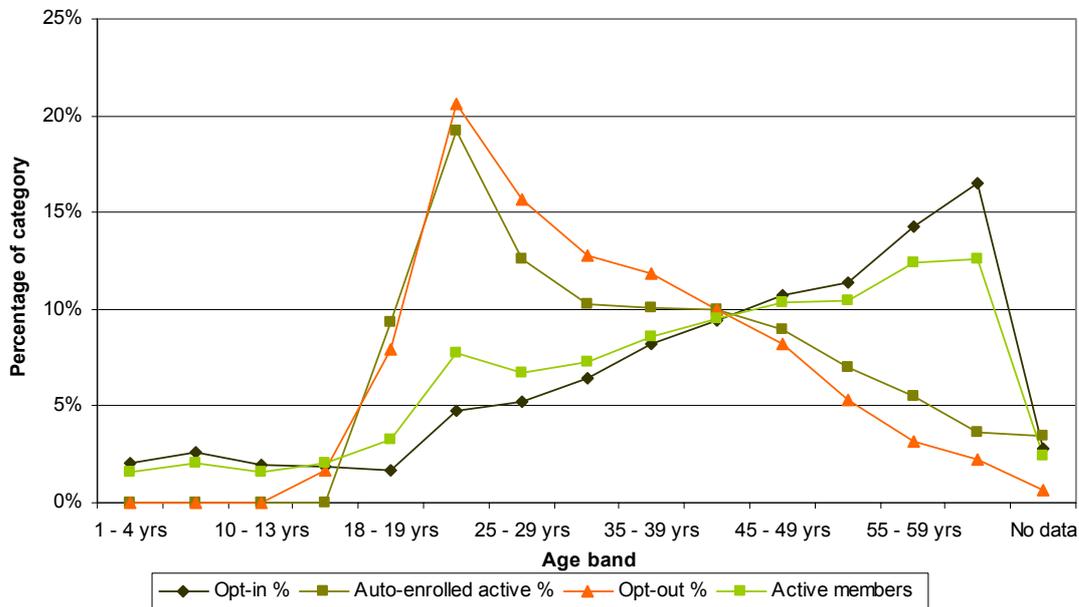
The data table to support figure 3 is contained in the appendices.

Table 6: Age and enrolment type

Membership and enrolment method	Percentage under 30 years	Median age
Members	26%	44
Non-members	Not yet analysed	Not yet analysed
Opt-in	20%	47
Automatically-enrolled (active)	44%	32
Opt-out	47%	31

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007.
Source: Inland Revenue administrative data.

Figure 3: Age distribution by enrolment type



Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007.
Source: Inland Revenue administrative data

Ethnicity

The survey of individuals is the only source of ethnicity data as Inland Revenue does not collect this. Survey respondents were asked which ethnic groups they identified with and could select more than one category (as a result the percentages in table 7 do not add to 100). The breakdown of the sample by ethnicity indicates that the ethnic composition of members and non-member populations is similar.

The weighted proportions are used because they are representative of members of the general public within each subgroup. The difference between subgroups are not statistically different unless stated.

Table 7: Ethnicity and enrolment status

Ethnicity	Member (n=133)	Non- member (n=571)	Opt-in (n=83)	Automatically- enrolled (active) (n=50)	Thinking of joining?	
					Y (n=196)	N (n=323)
NZ European	75%	73%	73%	83%	68%	79%
Maori	10%	17%	5%	23%	22%	14%
Chinese	3%	3%	4%	1%	4%	2%
Indian	6%	5%	7%	2%	2%	6%
Pacific	5%	9%	7%	0%	12%	6%
Other	5%	4%	5%	2%	5%	3%
Refused	0%	0%	0%	0%	0%	0%

Base: All survey respondents eligible to join KiwiSaver, n=704.
Source: Colmar Brunton survey of individuals.

Income

Income data for both KiwiSaver members (both those who have opted-in and those who have been automatically-enrolled and remained active) and non-members indicate that:

- KiwiSaver members seem to have higher incomes than non-members, including those who have opted-out (table 8 and 9);
- The average and median income for members who have opted-in to date is higher than those who have been automatically-enrolled (table 8); and
- Members who have been automatically-enrolled and have remained active appear to have lower average and median incomes than members who have been automatically-enrolled and have opted out (table 8).

Table 8: Income and enrolment method¹¹

Enrolment status	Number	Mean annual income	Median annual income
Active members	261,320	\$39,438	\$33,376
Opt-in	203,180	\$43,318	\$36,994
Automatically- enrolled (active)	58,140	\$25,878	\$20,617
Opt-out	54,012	\$28,335	\$24,001

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007 for whom income information for 2006/07 is available.
Source: Inland Revenue administrative data.

The large number of opt-ins seems to be driving the income profile of all active members as those who have opted-in tend to be older and have higher incomes than those who have been automatically-enrolled (both those who are active members and those who have opted-out). Over time, it is likely that opt-ins will decline as a proportion of the total number of members, and therefore possible that the income levels between members and non-members will converge.

¹¹ Inland Revenue's income data is more complete and more reliable than the survey data but relates to the previous tax year (2006/07), and includes members below working age. The reported income is the gross income for each member. The income has been derived from two sources. For members who are self employed and have filed an income tax return, the gross income has been taken from their income tax return (IR3). Information for 69,945 members was available. For salary or wage earners, the gross income has been taken from the Employer Monthly Schedules (EMS) filed during the 12 months between April 2006 and March 2007. Income reported in this data includes income from benefits, student allowance, pensions, ACC and Paid Parental Leave. If a member has appeared on an EMS and filed a return, the higher income has been chosen and the member has not been double counted. Information for 219,875 was available. The balance (67,820), has not filed a return, did not hold a job in the specified period or is not part of the workforce.

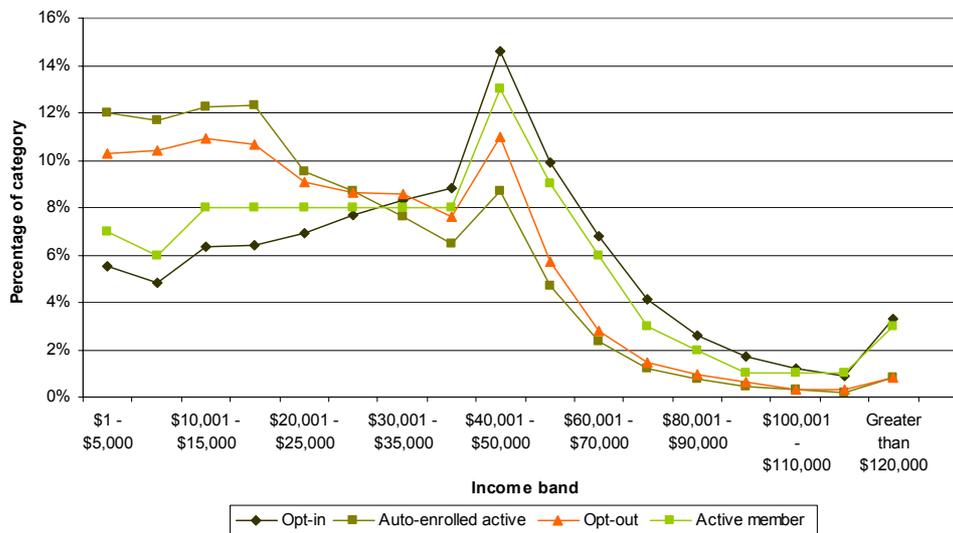
Data from the 2006 census supports the results from administrative data and shows that the median annual personal income from all sources for those aged 15 years and over was \$24,400 which is almost the same as the median annual income of those that have been automatically-enrolled and opted out and lower than those members who have opted-in. This census median figure, however, also includes those individuals over 65 years whose incomes are typically lower than those in the working age (i.e. KiwiSaver eligible) population (refer to appendices for a breakdown of median income by age bands).

The survey of individuals (refer table 9) also suggests that KiwiSaver members have higher incomes than non-members. The survey shows that 18% of members have annual household incomes below \$30,000 compared with 26% of non-members (this difference is statistically significant at the 90% confidence level). It also shows that members (28%) are more likely than non-members (16%) to have an annual income of \$30,000-\$50,000 (this difference is statistically significant at the 95% confidence level). For incomes above \$50,000 the two groups have similar distributions. The survey also provides household income information on those people considering joining KiwiSaver. Whether or not these individuals (and others who were not surveyed) realize their membership intentions will impact the overall income distribution; this highlights the care required in interpreting this data at this early stage.

Note that for the survey data, income refers to an individual's annual income where a respondent does not have a partner, however, where an individual has a partner they were asked for the household income. The income variable set out in table 9 below is a derived household income variable and therefore not directly comparable to Inland Revenue's administrative income information.

The data table to support figure 4 is contained in the appendices.

Figure 4: Income distribution and enrolment type



Base: All active members (i.e. opt-ins, automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007 with 2006/07 income information. Source: Inland Revenue administrative data.

Table 9: Household income and membership status

Annual household income	Member (n=133)	Non-member (n=571)	Opt-in (n=83)	Automatically-enrolled (active) (n=50)	Thinking of joining?	
					Y (n=196)	N (n=323)
Up to \$30,000	18%	26%	17%	21%	27%	25%
\$30,000-\$50,000	28%	16%	27%	29%	14%	15%
\$50,000-\$80,000	18%	19%	17%	19%	17%	23%
\$80,000-\$120,000	14%	16%	13%	17%	18%	15%
Greater than \$120,000	15%	11%	17%	10%	12%	12%
Refused	4%	5%	5%	1%	2%	7%
Don't know	3%	6%	3%	3%	10%	4%
Total ¹²	100%	100%	100%	100%	100%	100%

Base: All survey respondents eligible to join KiwiSaver n=704.
Source: Colmar Brunton survey of individuals.

Geographical location

The profile of members by region (as defined by Inland Revenue district offices) reflects New Zealand's general population distribution (table 10).¹³ When compared with 2006 census figures, the proportion of all members from each region is consistent with regional share of the resident population aged over 15 years. Note that the Inland Revenue district offices have been matched in table 10 to the regional council boundaries used in the census for the purposes of comparison, but they are not direct matches. Each region's share of members who have opted-in, those who were automatically-enrolled and active, and those who have opted-out, is similar to its overall share of total members.

Table 10: Location of members

Regional council boundary	Percentage of resident population	Percentage of KiwiSaver members
Northland	4%	3%
Auckland	32%	35%
Waikato	9%	8%
Bay of Plenty	6%	7%
Gisborne	1%	1%
Hawke's Bay	4%	3%
Taranaki	3%	2%
Manawatu-Wanganui	6%	5%
Wellington	11%	12%
West Coast	1%	1%
Canterbury	13%	14%
Otago	5%	5%
Southland	2%	2%
Tasman	1%	3%
Nelson	1%	
Marlborough	1%	
Other	0%	
Total ¹⁴	100%	100%

Base: Census base is the resident population over age 15 years and KiwiSaver member base is all active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007.
Source: Statistics New Zealand (census 2006) and Inland Revenue administrative data.

¹² Percentages do not always add to 100 due to rounding.

¹³ The location of members has been derived from the location of Inland Revenue district offices and the address of individual taxpayers.

¹⁴ Percentages do not add to 100 due to rounding.

Scheme choice

Analysis of the scheme choice behaviour of members (i.e. not those who are provisional or have opted-out) shows that:

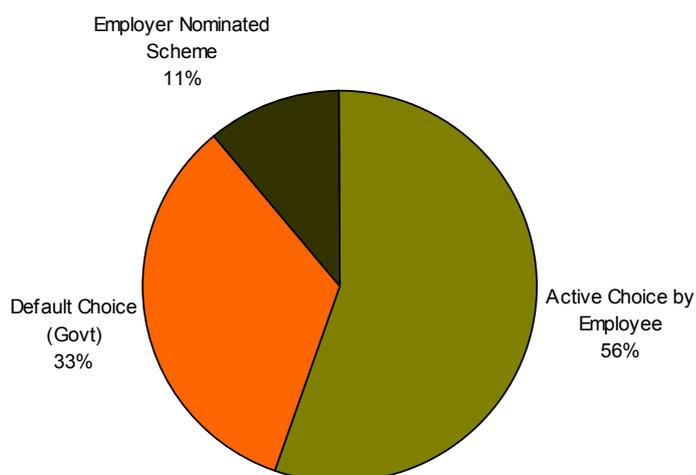
- More than half (55%) of all members have made an active choice of KiwiSaver scheme. This includes those who have proactively selected one of the default provider schemes;
- A third (33%) of all members have been allocated into one of the six default schemes; and
- The remaining 11% are members of an employer-nominated scheme.

Table 11: Scheme choice

Members	Active choice	Default scheme	Employer-nominated scheme	Total
Number	175,034	105,357	35,480	315,871
Percentage	55%	33%	11%	100% ¹⁵

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007.
Source: Inland Revenue administrative data.

Figure 6: Scheme choice



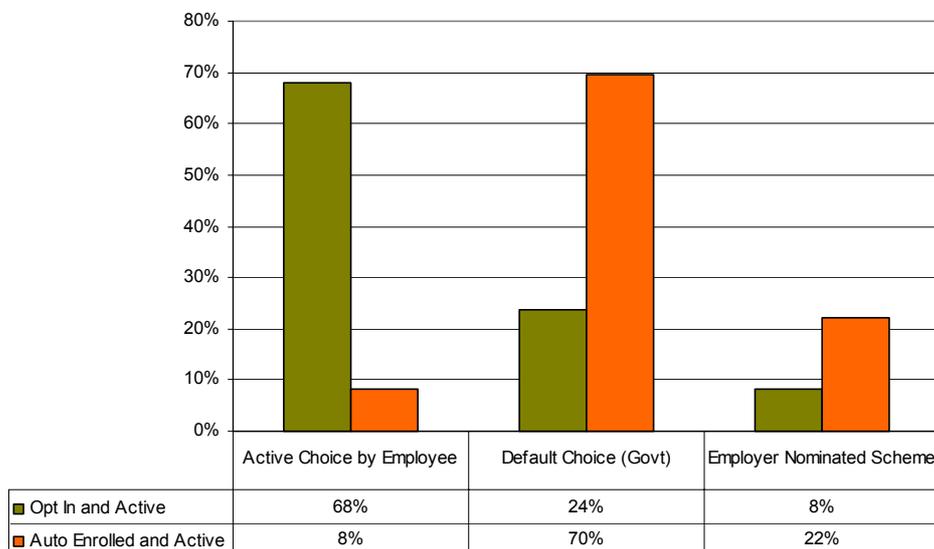
Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007.
Source: Inland Revenue administrative data.

When this information is broken down according to membership type (i.e. opt-in and automatically-enrolled members), it is evident that those members who have opted-in are more likely to have made an active choice of scheme (figure 7). Automatically-enrolled members are more likely to be allocated into default schemes (70%) or to join an employer-nominated scheme (22%) than to choose a scheme themselves (8%). This is probably at least partly due to the fact that those who are automatically-enrolled are automatically allocated to one of the default schemes, however, they may change to a scheme of their choice.

¹⁵ Percentages do not add to 100 due to rounding.

It is possible that the decision on the part of opt-in members to actively choose a scheme provider is influenced by the characteristics of these members, namely that they tend to be older, with higher-incomes and therefore perhaps more consciously thinking about retirement or active in their financial management.

Figure 7: Scheme choice by membership type



Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007.
Source: Inland Revenue administrative data.

The survey of individuals supports these patterns. It shows that the following individuals were more likely to have chosen a scheme provider:

- Those who had opted-in to KiwiSaver (64% of those who had opted-in had chosen a scheme compared with 27% of those who were automatically-enrolled);
- Those who were older (72% of those over 40 had chosen a provider compared with 53% of those under 40);
- Those with higher incomes (77% of those with a household income over \$50,000 compared with 51% of those with an income of up to \$50,000); and
- Those who felt they had been provided with enough information to make a decision about KiwiSaver were more likely to have chosen a scheme provider (70% of those who felt they had been provided with sufficient information on KiwiSaver compared with 30% of those who considered they did not have enough information).

It is again important to note that this is a picture of the first six-months of operation, influenced by a unique set of start-up circumstances. Over time individuals will likely move their accounts between providers and the picture of scheme choice will change as a result.

Interviews with an employer panel identified that slightly less than a third (10 of the 34 employers interviewed) had a nominated a KiwiSaver scheme that their employees could elect to join if they did not wish to choose their own. Those employers who had chosen to nominate a scheme had selected a

provider that they trusted and believed to be secure. Those who had decided not to nominate a scheme were wary that, if they chosen one, they might be seen as having provided financial advice to staff.¹⁶

Employment Status¹⁷

Employer Monthly Schedule (EMS) data indicates that 83% of KiwiSaver members are salary and wage earners. Salary and wage earners are those individuals who appeared on an EMS for at least one month between July and November. The remaining members are self-employed or are not working.

Tables 12, 13, 15 and 16 are based on a snap-shot view of salary and wage earners in November; some salary and wage earners who are members will therefore be included in the 83% figure above but not in the tables below.

The service sector accounts for the greatest proportion of KiwiSaver members (although there are a large number of businesses for which industry classification is unknown) and primary produce sector the smallest (table 12).

Note, however, that the primary produce sector is the one of the largest users of casual employees who are not required to be automatically-enrolled for KiwiSaver. Note too that within the service industry are included education, health and community services, and government administration and defence and that employees in this sub-industry group account for approximately two-thirds (67%) of the total number of service industry KiwiSaver members.

Table 12: Employees (KiwiSaver members) by industry, November 2007¹⁸

Industry (ANZSIC Group)	Number of members	Percentage of all members
Business and finance	31,410	14%
Distribution	36,591	16%
Industrial	27,547	12%
Service	61,655	27%
Primary produce	6,077	3%
Not known	62,506	28%
Total	225,786	100%

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) at November 2007.
Source: Inland Revenue administrative data.

By size, employees of very large businesses (greater than 500 employees) account for the greatest proportion of members (table 13), followed by employees of businesses with 6 to 19 employees. Table 13 also shows that the proportion of KiwiSaver members by business size is similar to the overall distribution of all New Zealand employees by business size.

¹⁶ Inland Revenue. (2007). KiwiSaver Evaluation of Implementation in the Workplace Research Report 2.1, Wellington: Inland Revenue.

¹⁷ Data is for the months of July to November 2007. This is the latest complete information available covering up to 96% of processed EMS. The data is limited to only active KiwiSaver members and so does not include provisional members.

¹⁸ Comparisons with the overall New Zealand industry classification have not been provided given the large number of businesses for which Inland Revenue does not have ANZSIC data.

Table 13: Employees (KiwiSaver members) by size of employer, November 2007

Size of employer	KiwiSaver members who are employees		Percentage of all New Zealand employees
	Number	Percentage of all members	
1 - 5 employees	22,409	10%	11%
6 - 19 employees	44,363	20%	20%
20 - 49 employees	35,037	16%	14%
50 - 99 employees	22,321	10%	9%
100 - 249 employees	24,882	11%	46%
250 - 499 employees	17,036	8%	
500 + employees	59,725	26%	
Total ¹⁹	225,773	100%	100%

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) at November 2007.
Source: Inland Revenue administrative data.

Take-up of KiwiSaver by employer

This section describes the employers who have employees who are KiwiSaver members. It includes exempt employers. Table 14 shows a steady increase in the numbers of employers with KiwiSaver members from July to November 2007 (this table is cumulative).

Employer contributions to employees' KiwiSaver accounts are currently voluntary until compulsory employer contributions begin on 1 April 2008. Table 14 indicates that there are a small number of employers already contributing to their employees' KiwiSaver accounts. This number has increased from 3,000 in July to almost 6000 in September, though the percentage of employers contributing has remained steady. Over and above this are employers who contribute to non-KiwiSaver superannuation schemes.

Table 14: Employers with active KiwiSaver members July - November 2007

Employers	July	August	September	October	November
Number with KiwiSaver members	27,782	32,964	41,410	47,450	47,423
Number contributing to KiwiSaver accounts	3,076	4,106	4,926	5,655	5,856
Contributing employers as percentage of employers with KiwiSaver members	11%	12%	12%	12%	12%

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) to November 2007.
Source: Inland Revenue administrative data.

Table 15 indicates that employers in the primary produce sector account for the smallest percentage of employers with at least one active KiwiSaver member, again likely because they rely on a large casual labour force that is not required to be automatically-enrolled.

Table 15: Employers with KiwiSaver members by industry, November 2007

ANZSIC Group	Number of employers	Percentage of employers with members
Business and finance	7,463	16%
Distribution	8,362	18%
Industrial	7,076	15%
Service	10,040	21%
Primary produce	2,672	6%
Not known	11,810	25%
Total	47,423	100% ²⁰

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) to November 2007.
Source: Inland Revenue administrative data.

¹⁹ Employee data is missing for 13 members and percentages do not add to 100 due to rounding.

²⁰ Percentages do not add to 100 due to rounding.

Comparison of employers by size of business shows that SMEs (i.e. those businesses with 19 or fewer employees) account for approximately three-quarters of the total number of employers with at least one active KiwiSaver member (table 16).

This proportion is lower than the SME share of the total number of employers (91%) suggesting that SMEs may be lagging behind in the uptake of KiwiSaver. This result, however, may also be explained by a potentially lower level of employee turnover amongst small businesses leading to a lower number of employees being automatically-enrolled. Although when the SME category is broken down it is evident that the overall result is being influenced by the result for the very small employers (1 to 5 employees):

- Businesses with 6 to 19 employees account for 40% of employers with at least one KiwiSaver member, but only 27% of all New Zealand employers; and
- Very small employers (1 to 5 employees) account for third of all employers with KiwiSaver members but almost two-thirds of all employers in New Zealand.

Table 16: Employers with KiwiSaver members by size of employer, November 2007

Size of employer	Employers with KiwiSaver members		Percentage of all New Zealand employers
	Number	Percentage	
1 - 5 employees	15,810	33%	64%
6 - 19 employees	18,968	40%	27%
20 - 49 employees	7,960	17%	7%
50 - 99 employees	2,551	5%	2%
100 - 249 employees	1,396	3%	
250 - 499 employees	406	1%	1%
500 + employees	329	1%	
Total ²¹	47,420 ²²	100%	100%

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) to November 2007.
Source: Inland Revenue administrative data.

Membership motivations and barriers

Saving for retirement was the main reason that the 133 surveyed individuals who were members of KiwiSaver gave for joining (63%). It was also the most common reason that the 196 non-members, who were thinking about joining KiwiSaver, gave for doing so (60%). Note that respondents were able to provide more than one motivation for joining so percentages will not add to 100.

The survey indicated that a number of KiwiSaver's incentives and design features motivated approximately a third (31%) to join KiwiSaver. Specific features mentioned were:

- Member tax credit/government contribution (22%);
- \$1,000 kick-start payment (15%);
- Savings for a family home (10%);

²¹ Employee data is missing for 13 members.

²² Information on the number of employees was not available for three employers.

- Compulsory employer contributions (5%); and
- Money going out of wages (4%).

Respondents who had not yet joined KiwiSaver, but thought they might in the future were asked to list reasons that they might join. In total 31% mentioned contributions from the government or employer:

- \$1,000 kick-start payment (22%);
- Saving for a family home (16%);
- Member tax credit (12%); and
- Compulsory employer contributions (5%).

The most commonly mentioned reasons that non-members gave for not joining KiwiSaver were affordability (24%) and already having a superannuation scheme (19%). Concern about the long-term future of KiwiSaver was raised as a concern by 14% of individuals (and also by employers and employees as part of the evaluation's qualitative panel research). In some cases, the possibility that future governments may alter KiwiSaver has discouraged some existing employees from joining, or at least postponing membership until they believed it was running smoothly. Here too, survey respondents could provide more than one reason why they were not members and so percentages do not add to 100.

The employee contribution transition arrangement, whereby an employer can contribute towards an employees minimum contribution, opens up a greater range of contributions options to members which should improve the affordability (and perceptions of affordability) of KiwiSaver, assuming that employers are prepared to take-up this option given that the additional 1% contribution in the first year will not be offset by the employer tax credit. Reliable data is not yet available on the numbers of individuals who have taken up this option so it is not yet possible to comment on its effectiveness.

Specific design features that had deterred a small number of respondents from joining were:

- Contributions are locked in until age 65 (8%); and
- KiwiSaver is not government-guaranteed (4%).

Part four: Awareness of KiwiSaver

KiwiSaver communications play a central role in raising awareness and understanding. This section covers the effectiveness of Inland Revenue's KiwiSaver communications campaign.

The information in this section comes from a survey and individual interviews with employers, and a survey of individual members of the general public:

- The survey of employers was undertaken in September 2007 – 500 respondents took part²³;
- The individual interviews were held with 34 employers, and 63 employees from 25 of these organisations, during September and October 2007;²⁴
- The survey of 715 individuals aged 18-65 years old, 704 of whom are eligible to join KiwiSaver, was undertaken between November 2007 and January 2008.²⁵

Communications campaign

The communications campaign is being undertaken in phases. The information in this section relates to phase one which ran from May to November 2007. It consisted of:

- Advertising on television, radio, on-line and in print;
- KiwiSaver website and information on Inland Revenue's website;
- Guide for employers and information pack for employees; and
- Briefings, seminars and tradeshow presentations for employers and other professionals.

Awareness of KiwiSaver

The general level of awareness of KiwiSaver amongst employers and individuals was high. All of the employers surveyed were aware of KiwiSaver and 96% of the individuals had heard about it. Awareness amongst individuals was slightly lower, although still high, among Pacific peoples (89%), those not employed (92%) and people earning under \$50,000 per annum (94%).

There are also high levels of awareness around most of Inland Revenue's KiwiSaver communications materials. While no overall benchmarks exist for Inland Revenue's KiwiSaver communications campaign, the actual target audience rating points were higher than planned for all three of Inland Revenue's KiwiSaver television advertisements.²⁶

²³ Colmar Brunton. (2008). *KiwiSaver Communications and Awareness Evaluation Research Report 1.2: Employer Survey Results*. Wellington: Colmar Brunton.

²⁴ Inland Revenue. (2007). *KiwiSaver Evaluation of Implementation in the Workplace Research Report 2.1*. Wellington: Inland Revenue.

²⁵ Colmar Brunton. (2008). *Evaluation of KiwiSaver External Communications and Awareness – Individuals*. Wellington: Colmar Brunton.

²⁶ Starcom MediaVest Group Inc. (2007). Unpublished TV post analysis presentations to Inland Revenue.

- 80% of the surveyed employers were spontaneously aware of at least one aspect of the Inland Revenue campaign targeted specifically at employers. Levels of awareness were lowest amongst employers with fewer than 20 employees (79%), owner-operators (76%) and employers in the industrial sector (68%); and
- 95% of the surveyed individuals were aware of at least one element of Inland Revenue's KiwiSaver communication campaign. The lowest levels of awareness, although still high, were among people aged 50-65 years old (92%) and those not employed (89%).

Perceptions of KiwiSaver

Overall, employers and individuals are either positive or have mixed feelings about KiwiSaver. Those who are positive see it as a good way to save for retirement. This is the reason many members gave for joining. Those with mixed feelings are concerned about whether KiwiSaver will remain intact over the long-term and the perceived insecurity of investing with private scheme providers. This, along with being unable to afford the minimum 4% contribution, were the main reasons that individuals gave for deciding not to join KiwiSaver.

Understanding of KiwiSaver

The survey findings showed that while employers and individuals are aware of KiwiSaver in general, the level of knowledge about specific KiwiSaver design features and incentives is mixed amongst both employers and individuals.

Employers

Around 90% of the 500 surveyed employers were aware of their responsibilities in relation to KiwiSaver's basic administration, including checking new employees' eligibility for joining KiwiSaver, distributing KiwiSaver employee information packs, and forwarding KiwiSaver contributions deductions to Inland Revenue with PAYE payments.

- Levels of awareness were lower when it came to understanding finer aspects, particularly acting upon an employee's contributions holiday notice (52%), although this will not be relevant for most members for the first 12 months of membership, sending details of who are enrolled automatically to Inland Revenue (82%) and providing new employees with an investment statement if the employer has an approved alternative KiwiSaver scheme (50%).
- Owner-operators of small businesses, in particular, were less likely than other employers to be fully aware of their obligations. It is possible that these employers will remain less aware of their KiwiSaver obligations until they are required to put them into practice.

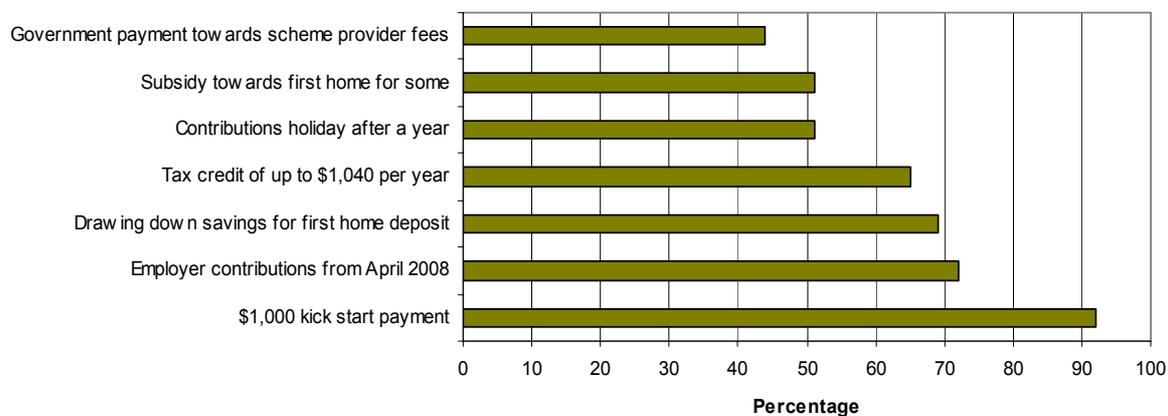
Individuals

The majority of the 693 individuals who were aware of KiwiSaver knew that employees could opt in to KiwiSaver (87%) or out of it (83%) and that a member's savings are locked in until they are 65 years old

(78%). These individuals were also aware of the \$1,000 kick-start payment (92%) and compulsory employer contributions (72%).

- They were less aware of options for the self employed or the unemployed. Although, when analysed by employment status, those who were self-employed were more likely than average to know that those who are self-employed can opt-in to KiwiSaver and decide how much to contribute (73% of those who were self-employed were aware of their options compared with 50% of all respondents). Those who are not employed, however, were less aware than average about their options under KiwiSaver (27% of those not employed knew they could join KiwiSaver compared with 36% of all respondents and 21% of those not employed were aware that they could determine their level of contributions compared with 26% of all respondents).
- Fewer individuals knew about the contributions holiday (51%), the subsidy for some first home buyers (51%) and the government payment towards scheme provider fees (44%).
- The average (mean) number of knowledge statements²⁷ that these individuals were aware of was calculated so that knowledge of KiwiSaver could be determined for different groups of individuals. The average respondent had heard of 8.8 out of the 13 general knowledge statements. Groups who were less knowledgeable than average were those not employed (7.0), Maori (7.6) and people with a household income of up to \$50,000 (7.7).

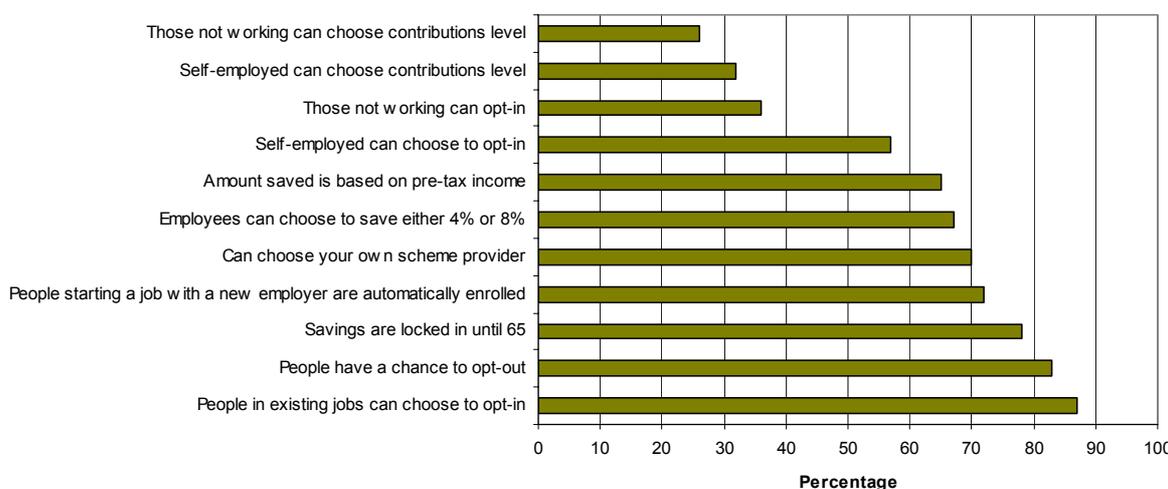
Figure 8: Individuals' awareness of KiwiSaver incentives



Base: All respondents aware of KiwiSaver n=693.
Source: Colmar Brunton survey of individuals.

²⁷ Knowledge statements that referred to a particular subgroup of New Zealand's population (e.g. the self-employed can choose to opt in (to join) KiwiSaver) were excluded from the calculation.

Figure 9: Individuals' awareness of KiwiSaver design features (n=693)



Base: All respondents aware of KiwiSaver n=693.
Source: Colmar Brunton survey of individuals.

Contribution of information to understanding of KiwiSaver

Inland Revenue's KiwiSaver communications materials came in time to help many employers get organised and individuals to make a decision regarding membership.

- 62% of the 500 surveyed employers and 79% (27 out of 34) of the interviewed employers indicated that Inland Revenue communications came in time to help them get organised for KiwiSaver. The remaining 37% of the surveyed employers and 21% (7 out of 34) of the interviewed employers, however had received the employer guide and/or employee information pack either shortly before or after KiwiSaver started. Those employers who were interviewed expressed concern about having insufficient time to learn about an initiative they were required to make available to staff. The delay in providing information for employers, however, was due to the changes required to the material as a result of the budget announcements.
- For the 644 individuals who were aware of KiwiSaver advertising, 57% of them agreed that Inland Revenue's advertising came at the right time to help them to think about KiwiSaver. 35% disagreed with that statement.

In terms of usefulness, many employers and individuals thought that the information packs were straightforward and easy to understand. Regardless, fewer than half (45%) of the 391 individuals who were aware of the pack said that it helped them decide whether to join KiwiSaver or not.²⁸ Friends, family and workmates were the most useful information source for the 686 individuals who were aware of at least one source of KiwiSaver information.

²⁸ Whether the employee information pack helped these individuals make a decision about KiwiSaver varied according to the extent to which they had read the pack. 62% of those who had read most or all of the pack said it helped them, compared to 38% of those who had read some of it and 27% of those who had glanced at it.

Awareness and understanding of the Sorted campaign

The survey also asked individuals about their awareness and understanding of the Retirement Commission's Sorted campaign, a source of information on KiwiSaver. Overall, 77% of respondents were aware of the Sorted campaign. The following types of respondents were more likely to be aware:

- Those with a higher income (85% of those with a household income over \$50,000 were aware compared to 75% of those with an income up to \$50,000);
- Members of KiwiSaver (87% of members were aware compared with 75% of non-members); and
- Those who were also aware of the Inland Revenue campaign (79% of those who were aware of Inland Revenue communications compared with 45% of those who were not aware of any Inland Revenue communications).

Key messages

Respondents were also asked what they considered the key messages from the Sorted campaign were. The most common answers given were about the need to save for the future and retirement and how to manage money (55% gave a response in this category). As described below, there were some variations in the messages identified by different groups within the population.

A key message of the Sorted campaign was to investigate KiwiSaver further and check whether KiwiSaver was affordable. The following groups were more likely to have absorbed the "can you afford 4%" message:

- Those who have started a new job since 1 July 2007 (12% of job changers compared with 7% for those not starting a new job);
- Members of KiwiSaver, particularly those who have opted in (14% of members compared with 7% of non-members);
- Those who were thinking about joining KiwiSaver (12% of potential members compared with 5% of those who are not considering joining); and
- Those who were aware of the employee information pack (10% of those who were aware of the Inland Revenue pack compared with 6% of those not aware of the pack).

Overall, 17% of those individuals who were aware of the Sorted campaign reported that it had helped them to make a decision about KiwiSaver. Those who were already members and those who were considering joining KiwiSaver were more likely to comment that Sorted had influenced their decision making.

Workplace financial education programme

The Retirement Commission's workplace financial education programme (approved for funding in March 2006) has been developed to sit alongside the Sorted programme and includes web-based education,

printed education information, workplace and public personal finance seminars, promotion of the availability of financial education information, and employer and employee packs and programmes. The results of this programme for 2007 are:

Sorted KiwiSaver resource use

- Approximately 405,000 uses of the KiwiSaver decision making calculators;
- Approximately 130,000 copies of the KiwiSaver decision guide distributed; and
- Approximately 50,000 copies of the Getting Sorted budget brochure distributed.

Sorted KiwiSaver employer engagement

- Seminar modules focussed on KiwiSaver decision making and basic rules were downloaded approximately 3000 times;
- 251 union organisers (from a total of 380) were taken through the seminar modules; and
- 3600 employers registered for regular newsletters on financial education.²⁹

²⁹ Retirement Commission.

Part five: KiwiSaver implementation and delivery

This section reports the views of providers, employers and employees on KiwiSaver's implementation to date. The data presented in this section is drawn from the following:

- Qualitative communications research conducted with 18 KiwiSaver scheme providers during July 2007;³⁰
- Research with an employer panel (34 employers and 63 employees from 25 of these organisations) conducted in September and October 2007; and
- Research on the automatic-enrolment process with 20 employers and 50 employees who had started a new job since July 2007, which was undertaken in November and December 2007.³¹

While this report provides an initial assessment of the effectiveness of KiwiSaver's implementation, the next stage of the evaluation research and subsequent reporting will focus more heavily on this area.

Engagement with providers

During the roll-out of KiwiSaver, relationship management with scheme providers was (and will continue to be) a core part of Inland Revenue's communications activities. Providers' views of the effectiveness of this communications activity are discussed below. Note that this research was conducted in July 2007 and Inland Revenue has taken action to address the areas for improvement identified by providers.

Provider feedback

In general terms the providers interviewed in July considered that implementing KiwiSaver has been a huge challenge for both the superannuation industry and Inland Revenue, particularly given the tight timeframes and range of stakeholders and providers associated with the implementation. Nonetheless, Inland Revenue was considered the natural choice for KiwiSaver administration. It was seen by providers as a stable 'hub' for employees to retain a connection with the scheme providers over the course of their working career.

Overall, providers considered the engagement model to be successful and an innovative development by Inland Revenue. More specifically, interviews generated the following conclusions:

- *Inland Revenue is perceived to be listening and consulting* – although Inland Revenue was initially perceived to have little experience in the superannuation industry, the department gained knowledge by consulting effectively with the industry;

³⁰ Colmar Brunton. (2007). *KiwiSaver Communications and Awareness Evaluation Research Report 1.1: Provider feedback on the engagement model*. Wellington: Colmar Brunton.

³¹ Colmar Brunton (2008). *KiwiSaver auto-enrolment process: understanding the process from employers' and workers' perspectives*. Wellington: Colmar Brunton.

- *Relationship managers and industry forums are strengths* – the relationship managers provided a point of contact within the department and were generally regarded as responsive, customer-focused and helpful. Their experience of the superannuation industry reassured providers that Inland Revenue was “speaking their language”. The forums were appreciated as informative, timely and a valuable opportunity to discuss KiwiSaver with others in the industry;
- *Variation in levels of customer service* – providers considered there was variation in customer service throughout the engagement period. While large providers were generally happy with the level of service received, some smaller providers considered Inland Revenue had not been sufficiently responsive. It was generally accepted by providers that engagement with default providers was prioritised; and
- *Short timeframes and lack of adequate communication* – the weaknesses in the engagement arise from the context within which the department is operating. Providers considered there was a lack of consultation on the interpretation of the KiwiSaver Act 2006 and that the tight timeframes meant in some cases there was insufficient notice given for the scheduling of provider forums. There was also considered to be too few relationship managers given the number of scheme providers, in some cases compromising customer service. Since July, Inland Revenue has recruited a third relationship manager to help support the industry interface.

The providers recommended Inland Revenue retain the key features of the provider engagement model (particularly the relationship managers) until at least July 2008 to allow it to become part of providers’ normal business.

Automatic-enrolment of new employees

Automatic-enrolment of new employees is one of the cornerstones of KiwiSaver as a work-based savings scheme – a feature aimed at encouraging participation by overcoming savings inertia. All new employees are to be automatically enrolled in KiwiSaver unless they meet one of the criteria set out below. Automatic-enrollees can opt-out of KiwiSaver within eight weeks of starting a new job (but not within the first two weeks).

Table 17: Criteria for exemption from automatic-enrolment

Existing KiwiSaver members
Those who are not New Zealand residents or normally live outside New Zealand
Those under 18 years of age or over 65 years of age
Those employed on a temporary employment contract of 28 days or less
Those not required to have PAYE deductions made from their salary and wages
Election day workers or private domestic workers
Those on parental leave paid by Inland Revenue
Those staying on the same payroll
Those only receiving payments subject to withholding tax
Casual agricultural workers employed for less than three months
Employer is registered with the Government Actuary as exempt from automatic-enrolment requirements

During the six-month period July to December 2007, analysis of Inland Revenue’s Employer Monthly Schedules (EMS) and KiwiSaver enrolment databases suggested that a large proportion of apparently new employees (i.e. those who had started a new job on or since 1 July 2007) were not being automatically-enrolled as intended.

Subsequent investigations into the automatic-enrolment situation, including a piece of qualitative research undertaken as part of the evaluation (described in the introduction to this section above), concluded that, while the extent of the issue was initially over-estimated, there is some misunderstanding of the process in many cases.³² There does not seem to be a genuine case of intentional non-compliance for most employers.³³

An assessment of a sample of apparently non-compliant employers showed that the initial estimates of the numbers of new employees who should have been automatically-enrolled resulted from the limited information available to Inland Revenue to identify those employees – employers in fact did not have new employees, or the new ones were under 18 years, on a casual or temporary contract or in New Zealand on a temporary visa. Inland Revenue continues to refine its ability to measure non-qualifying new employees. A re-assessment exercise in February 2008 demonstrates that refining the measurement of new employees has reduced the first estimates of new employees not being automatically enrolled by nearly 80%.

Feedback from employers and employees (below) explains the variation in understanding and perspectives of the automatic-enrolment process.

Awareness and perspectives on automatic-enrolment

The surveys of employers and individuals indicate overall high levels of awareness of KiwiSaver, its features and the responsibilities of various parties. There were slightly lower levels of employer and employee awareness and understanding however in the case of automatic-enrolment.

- Approximately one third of new employees interviewed did not know they should be automatically enrolled and 28% of those surveyed who were aware of KiwiSaver were not aware of the automatic-enrolment process. Further, those survey respondents who had changed jobs since 1 July 2007 were not significantly more likely to be aware of the automatic-enrolment process; and
- 82% of employers were aware that they need to send details of new employees who were eligible for automatic-enrolment to Inland Revenue (this is lower than the 90% of employers who were aware that they were required to distribute KiwiSaver packs to new employees and deduct KiwiSaver contributions and forward to Inland Revenue with PAYE payments).

Specific qualitative research on the automatic-enrolment process identified the following factors as having a likely impact on the level of “compliance” or “non-compliance” with the automatic-enrolment process (note that this research was undertaken on a small sample basis as described above in order to understand various ways that the automatic-enrolment process was being applied):

- *Misunderstanding or confusion about details of the enrolment process* - some employers are confused about the process. They provide employees with information packs on request but believe they have discretion over enrolling employees and so do not do so unless an employee specifically asks them to do so. In other cases, employers understand that automatic-enrolment

³² Original forecasts were based on the number of new jobs per month; however, the exceptions to automatic-enrolment meant a significant proportion of apparent new employees are excluded from automatic enrolment. Additionally, Inland Revenue does not collect all the data necessary to assess eligibility for automatic enrolment.

³³ Research was commissioned by Inland Revenue as part of the evaluation and Inland Revenue staff undertook an outbound calling exercise with employers to investigate this issue.

is compulsory and believe that they have undertaken the required process but do not understand that they have to complete the process by forwarding the correct enrolment information (with employee details) to Inland Revenue along with their EMS;

- *Employees' KiwiSaver membership intentions* – research with employees suggests that if an employee wishes to participate in KiwiSaver, they are likely to mention this to their employer, and to be enrolled. Conversely, if an employee does not want to take part in KiwiSaver, some are successful in requesting their employer does not automatically-enrol them or in simply 'keeping their mouth shut' so they do not bring the fact that they have not been automatically-enrolled to the employers' attention; and
- *Employers' views of automatic-enrolment* – some employers do not like the automatic-enrolment process being compulsory for new workers and so ignore it if an employee does not raise it or are happy to go along with employees' requests not to be enrolled (as mentioned above).

This would seem to confirm that the non-compliance of employers is related to either confusion about the process for automatic-enrolment, or results from interactions between themselves and workers.

Work-based scheme

Implementation as a work-based scheme is intended to encourage participation. The prominence of salary and wage earners within the membership base (83% of members) and the growth in the number of automatic enrolments suggests that KiwiSaver is beginning to become established in the workplace. The research with individuals identified too that 16% of members were being encouraged to join KiwiSaver because as a mechanism it represented a good way to save:

- A ready-made way to save (8%);
- A "compulsory" form of saving (5%); and
- Ease of contributions coming directly out of wages (4%).

While much of the responsibility of a work-based programme falls to employers, interviewed employers on the whole found the implementation and delivery processes of KiwiSaver straightforward and viewed it positively. For many, the implementation of KiwiSaver had had less impact on their workloads than they had originally expected. Generally though employers had delayed deciding how they would manage the compulsory employer contributions until closer to April 2008 (when the contributions will be introduced). They were, however, considering the implications of employer contributions for their cost structures and the process of salary negotiations for employees.

In SMEs, the owner/director or payroll/accounts administrator tended to have sole responsibility for implementation which seemed to work more effectively than for some large enterprises who had a large number of employees and so had more complex human resource processes and payroll systems. Some differences appear to exist between large employers with a high turnover of staff and smaller employers with fewer new employees (and therefore, less experience with the automatic-enrolment process). The larger employers tended to feel there has been some impact on their workload from KiwiSaver in the early set up stages.

Employers were able to understand Inland Revenue's KiwiSaver employer guide and set up processes for administering the programme. The largest compliance cost for employers, which was acknowledged as inevitable with a new initiative like this, was the time spent learning about KiwiSaver and communicating it to staff.

Employers were generally unperturbed by the potential for staff to ask for financial advice. The message from government that employers are not to give such advice was cited often. Many had avoided the possibility of being seen to give employees financial advice by referring staff on to other information sources.

Processing enrolments

That the implementation of KiwiSaver in the workplace has been straightforward for employers is largely due to the fact that it relies on the existing Employer Monthly Schedule (EMS) filing process. While this has been done to minimise additional compliance costs for employers, it has however presented initial processing challenges for Inland Revenue. In some cases there have been delays in passing KiwiSaver contributions to scheme providers and providing refunds for those who opt-out. The main cause relates to EMSs taking longer to process, in the most part due to Inland Revenue not having all the necessary information, either through late filing by employers or not receiving the KiwiSaver enrolment form with the EMS. In some cases there were also inefficiencies in Inland Revenue's processes.

Both these issues have the potential to impact on confidence in KiwiSaver and on the public's perceptions of Inland Revenue. While the evaluation research conducted with employers on implementation (undertaken in October) was qualitative in nature, and therefore unable to provide information about the extent or overall impact of these issues, it did, however, identify the delay between the provision of opt-out notices and refunds as an area of potential dissatisfaction for employers and employees.³⁴ This was particularly the case where employers, rather than refunding employees' deductions to them directly, had sent the deductions along with PAYE payments for Inland Revenue to provide the refund.

Inland Revenue has taken actions to address these problems through system and processing changes, as well as directing resource to clear a processing back-log. In January 2008 the number of outstanding refunds had decreased by nearly 75% from December 2007. The proportion of EMS employee contributions finalised within the three month window for passing initial funds to providers also improved over the latter part of 2007 with 81% of October's employees' contributions finalised at the end of December and 88% of November's employees' contributions finalised at the end of January 2008.

³⁴ Inland Revenue (2007). *KiwiSaver Evaluation of Implementation in the Workplace Research Report 2.1*. Wellington: Inland Revenue, p. 12.

Part six: Conclusions and next steps

Interim conclusions

It is still early days for KiwiSaver. This report presents a snap-shot picture of the understanding and expectations as of February 2008 and these will inevitably change over time. The future of KiwiSaver, the levels of participation and its impact cannot be extrapolated from the information presented here. In particular, firm conclusions should not be drawn about the differences in the socio-demographic profiles of members and non-members as analysis has not yet been undertaken to determine whether any apparent relationships are likely to be real or simply a result of statistical chance or to inter-relationships between variables of interest (e.g. age, income and ethnicity).

During the first six months of operation, KiwiSaver has achieved a higher than expected level of take-up, largely due to:

- Higher than forecast numbers of automatically-enrolled new employees electing not to opt-out. Currently, of those who have been automatically-enrolled, approximately half remain as active members and half opt-out, compared with a Budget 2007 assumption of an 83% opt-out rate; and
- Strong uptake by individuals opting-in to KiwiSaver. Over the first three months opt-ins exceeded the number of individuals being automatically-enrolled but since then automatic-enrolment has become the main enrolment mechanism.

It appears that, at this early stage, the overall profile of the member population is influenced by the characteristics of the large number of members who have opted-in to KiwiSaver (as opposed to those who have been automatically-enrolled).

- Membership in KiwiSaver is fairly evenly split between men and women – 48% of members are men and 52% women. For those members who have opted-in, 47% are men and 53% women;
- KiwiSaver members tend to be older than non-members, driven largely by the age profile of those members who have opted-in (median age of opt-in members is 47 and automatically-enrolled members is 32);
- KiwiSaver members appear to have higher incomes than non-members (median income for the 2006/07 tax year of members is \$33,376 and \$24,001 for those non-members who were automatically-enrolled but opted-out), although there are KiwiSaver members at all income levels. The differences between members who opt-in and those who are automatically-enrolled reflect the differences between members and non-members. Of those who have been automatically-enrolled, individuals who have not opted-out seem to have lower incomes than those that have opted-out, suggesting that lower income individuals are remaining active KiwiSaver members.

At this stage comparison can primarily only be made between members and those individuals who have been automatically-enrolled and opted-out rather than between members and all non-members. For future

reports, a non-member comparison group will be built in order to provide profile characteristics on the wider non-member population.

Of the member population, approximately half (55%) have made an active choice of scheme and a third of members are currently members of one of the six default schemes. The sub-set of members who have chosen a scheme is strongly dominated by members who have opted-in (68% of those who have opted in have selected a scheme compared with 8% of those who have been automatically-enrolled), rather than those who have been automatically-enrolled.

Overall levels of awareness of KiwiSaver and knowledge of its various features and incentives are high and research with individuals, providers and employers has found that Inland Revenue's communications activities were effective in building understanding across the population.

KiwiSaver's incentives have been successful in encouraging enrolment and participation (cited by 31% of survey respondents), although the most commonly cited motivation to join cited in the survey of individuals was to secure an income for retirement (cited by 63% of survey respondents). These two motivations are, of course, not mutually exclusive.

Affordability was cited as the biggest barrier to membership (24% of individuals surveyed identified this as a barrier). With the addition of the employee contribution transition arrangement, a greater range of contributions options are now available to members which should improve the affordability (and perceptions of affordability) of KiwiSaver. Other reasons given for non-membership include that individuals already have a superannuation scheme (19%), the lock-in of funds until the age of entitlement for New Zealand superannuation, or that they perceive a level of uncertainty about changes that may be made to KiwiSaver by future governments (14%).

Despite short timeframes for implementation, both employers and providers are on balance positive about the way the KiwiSaver has been implemented.

The implementation of KiwiSaver has not, however, been without challenges. Issues associated with Inland Revenue's systems have been identified and improvements in timeliness and quality of processing of refunds for those who opt-out and the passing of contributions onto scheme providers are being actively worked on. Additionally, there seems to be some variation (or at least at this still early stage and with smaller employers) around the understanding and application of the automatic-enrolment process by both employers and employees.

Evaluation next steps

This report is the first in a series of six-monthly reports which will assess the effectiveness of the KiwiSaver initiative over the period 2007 – 2013. This first report has focused primarily on assessing levels of awareness and understanding of KiwiSaver as well as considering the effectiveness of early implementation and delivery. It has also provided an initial look at the profile and characteristics of KiwiSaver members.

The next phase of the evaluation research will continue to focus on implementation with a particular emphasis on the introduction of compulsory employer contributions, member and employer tax credits, and the administration of contributions holidays and hardship applications.

Benchmark research on the size and nature of the superannuation and financial markets will also be undertaken in order to prepare the evaluation to address its longer term objectives, namely the impact that KiwiSaver has had on the savings habits and asset accumulation of New Zealanders and on the development of financial markets.

The next evaluation report will consider the full first year of KiwiSaver's operation (July 2007 – June 2008).

Part seven: Appendices

Appendix one: report inputs

Colmar Brunton. (2007). *KiwiSaver Communications and Awareness Evaluation Research Report 1.1: Provider feedback on the engagement model*. Wellington: Colmar Brunton.

Colmar Brunton. (2008). *KiwiSaver Communications and Awareness Evaluation Research Report 1.2: Employer Survey Results*. Wellington: Colmar Brunton.

Colmar Brunton. (2008). *Evaluation of KiwiSaver External Communications and Awareness – Individuals*. Wellington: Colmar Brunton.

Colmar Brunton (2008). *KiwiSaver automatic-enrolment process: understanding the process from employers' and workers' perspectives*. Wellington: Colmar Brunton.

Inland Revenue. (2007). *KiwiSaver Evaluation of Implementation in the Workplace Research Report 2.1*. Wellington: Inland Revenue.

Inland Revenue administrative and forecasting information.

Appendix two: supporting data tables

Age and enrolment status December 2007

Age band	Active member (opt-in + auto-enrolled active)		Opt-in		Auto- enrolled active		Opt-out	
	No.	%	No.	%	No.	%	No.	%
1 - 4 yrs	5,202	2%	5,202	2%	0	0%	-	0%
5 - 9 yrs	6,521	2%	6,521	3%	0	0%	-	0%
10 - 13 yrs	4,936	2%	4,936	2%	0	0%	-	0%
14 - 17 yrs	4,817	2%	4,817	2%	0	0%	1,046	2%
18 - 19 yrs	10,530	3%	4,343	2%	6187	9%	4,856	8%
20 - 24 yrs	24,797	8%	11,985	5%	12812	19%	12,638	21%
25 - 29 yrs	21,536	7%	13,131	5%	8405	13%	9,610	16%
30 - 34 yrs	23,096	7%	16,252	6%	6844	10%	7,850	13%
35 - 39 yrs	27,363	9%	20,663	8%	6700	10%	7,270	12%
40 - 44 yrs	30,475	10%	23,860	9%	6615	10%	6,161	10%
45 - 49 yrs	33,098	10%	27,149	11%	5949	9%	5,068	8%
50 - 54 yrs	33,484	10%	28,827	11%	4657	7%	3,276	5%
55 - 59 yrs	39,695	12%	36,040	14%	3655	5%	1,927	3%
60+ yrs	44,077	14%	41,672	16%	2405	4%	1,354	2%
No data	9,448	3%	7,160	3%	2288	3%	384	1%
Total	319,075	100%	252,558	100%	66,517	100%	61,440	100%

Base: All active members (i.e. opt-ins and automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007.
Source: Inland Revenue administrative data

Income and enrolment status (income relates to 2006/07 tax year)

Gross Earnings	Active member (opt-in + auto-enrolled active)		Opt-in		Auto-enrolled active		Opt-out	
	No.	%	No.	%	No.	%	No.	%
\$1 - \$5,000	17,989	7%	11,081	6%	6,908	12%	5,513	10%
\$5,001 - \$10,000	16,461	6%	9,751	5%	6,710	12%	5,569	10%
\$10,001 - \$15,000	19,769	8%	12,726	6%	7,043	12%	5,829	11%
\$15,001 - \$20,000	19,995	8%	12,914	6%	7,081	12%	5,705	11%
\$20,001 - \$25,000	19,462	8%	13,972	7%	5,490	10%	4,848	9%
\$25,001 - \$30,000	20,511	8%	15,500	8%	5,011	9%	4,618	9%
\$30,001 - \$35,000	21,122	8%	16,755	8%	4,367	8%	4,579	9%
\$35,001 - \$40,000	21,548	8%	17,827	9%	3,721	6%	4,070	8%
\$40,001 - \$50,000	34,372	13%	29,364	15%	5,008	9%	5,871	11%
\$50,001 - \$60,000	22,664	9%	19,967	10%	2,697	5%	3,063	6%
\$60,001 - \$70,000	14,960	6%	13,615	7%	1,345	2%	1,486	3%
\$70,001 - \$80,000	9,033	3%	8,346	4%	687	1%	770	1%
\$80,001 - \$90,000	5,689	2%	5,244	3%	445	1%	497	1%
\$90,001 - \$100,000	3,371	1%	3,467	2%	264	0%	332	1%
\$100,001 - \$110,000	2,569	1%	2,393	1%	176	0%	185	0%
\$110,001 - \$120,000	1,863	1%	1,739	1%	124	0%	160	0%
Greater than \$120,000	7,121	3%	6,664	3%	457	1%	427	1%
Total	258,859	100%	201,325	100%	57,534	100%	53,522	100%

Base: All active members (i.e. opt-ins, automatic-enrolments who have not opted-out, excludes provisional members) July to December 2007 with 2006/07 income information.
Source: Inland Revenue administrative data.

2006 census – total personal income by age (shaded section relates to KiwiSaver eligible population)

Age group	Total personal income															
	Loss	Zero income	\$1–\$5,000	\$5,001–\$10,000	\$10,001–\$15,000	\$15,001–\$20,000	\$20,001–\$25,000	\$25,001–\$30,000	\$30,001–\$40,000 ⁽³⁾	\$40,001–\$50,000	\$50,001–\$70,000	\$70,001–\$100,000	\$100,001 or more	Not stated	Total	Median income
15–19 years	2,124	61,971	98,325	32,913	14,424	12,870	12,804	8,079	4,782	648	258	90	291	50,619	300,198	\$3,100
20–24 years	1,488	13,560	29,004	32,520	25,485	23,100	26,112	27,687	41,157	13,350	4,629	804	537	31,548	270,978	\$18,800
25–29 years	1,053	8,325	11,784	13,422	16,695	16,188	17,775	21,870	47,913	31,137	22,701	6,390	2,196	24,990	242,442	\$30,300
30–34 years	1,407	10,743	12,903	14,043	17,811	16,947	17,343	19,896	44,841	33,966	37,554	15,501	8,637	24,978	276,561	\$33,500
35–39 years	1,968	11,604	14,094	15,633	20,148	19,062	19,338	20,691	44,715	33,297	40,449	19,161	14,883	26,511	301,554	\$33,600
40–44 years	2,193	9,261	11,841	15,546	22,047	20,361	21,126	22,881	46,503	34,815	42,096	20,883	18,489	25,656	313,698	\$34,300
45–49 years	2,082	7,149	9,117	13,923	20,247	18,963	20,178	21,231	44,844	33,933	40,281	19,593	18,723	23,157	293,424	\$35,200
50–54 years	1,758	6,135	7,752	13,029	18,864	16,368	17,202	18,267	38,427	28,368	34,755	16,236	15,825	19,737	252,729	\$34,600
55–59 years	1,563	6,480	8,424	15,774	21,267	15,969	16,113	16,761	34,386	23,343	28,299	13,284	13,410	18,498	233,571	\$31,500
60–64 years	1,035	5,448	7,986	18,942	25,368	14,226	12,135	12,207	22,962	14,175	15,645	7,023	6,903	15,558	179,616	\$23,700
65–69 years	321	1,560	2,712	13,398	40,695	20,979	11,691	8,907	13,956	7,287	7,551	3,105	2,877	13,512	148,548	\$17,100
70–74 years	168	948	1,689	10,755	40,593	20,148	9,111	5,994	7,467	3,276	2,847	1,215	1,212	11,508	116,934	\$14,800
75–79 years	105	717	1,593	8,238	34,911	19,536	7,950	4,788	5,604	2,214	1,911	894	738	12,018	101,214	\$14,900
80–84 years	48	510	1,629	4,983	22,365	14,664	6,174	3,465	3,768	1,467	1,335	588	438	10,806	72,237	\$15,400
85+	48	639	2,313	3,681	14,973	10,707	4,602	2,574	2,751	1,023	846	354	360	11,796	56,670	\$15,400
Total	17,355	145,050	221,166	226,800	355,899	260,085	219,654	215,301	404,070	262,299	281,157	125,118	105,525	320,892	3,160,374	\$24,400

(1) Total personal income relates to the 12 months ending 31 March 2006.

(2) All figures are for the census usually resident population aged 15 years and over.

Note: This data has been randomly rounded to protect confidentiality. Individual figures may not add up to totals, and values for the same data may vary in different tables.

Appendix three: Glossary

Term	Definition
Active / Member	An individual member (a natural person) of a KiwiSaver scheme (excluding provisional members or opted-out enrolees).
Active Choice	A term for a KiwiSaver member making an active decision regarding their choice of KiwiSaver scheme; not a method of joining KiwiSaver.
ANZSIC Code	The Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 is used to compile and analyse industry statistics in New Zealand and Australia.
Auto Enrolled	An individual, 18 year or older, starting a new job will be automatically enrolled into KiwiSaver. The exceptions are for individuals who fulfil the following conditions: <ul style="list-style-type: none"> • a casual agricultural worker, election day worker or private domestic worker • employed on a temporary employment contract of 28 days or less • on paid parental leave • stay on the same payroll when a business is taken over or amalgamated, or relocate with the same employer • receive payments subject to withholding tax • not a New Zealand resident • work for an exempt employer • don't normally live here (unless government employee working overseas) • not required to have PAYE deductions made from salary or wages.
Default Scheme	A KiwiSaver scheme that a member is allocated to if that member does not choose their own KiwiSaver scheme and their employer does not choose a Preferred Scheme. Active choice members can also choose to join a Default KiwiSaver Scheme.
Default Scheme Provider	Six financial organisations have been appointed by the Government to be default scheme providers for KiwiSaver members through a tender process managed by the Ministry of Economic Development. The default providers are: <ul style="list-style-type: none"> • AMP Services (NZ) Limited • ASB Group Investments Limited • AXA New Zealand (National Mutual Corporate Superannuation Services Limited) • ING (NZ) Limited • Mercer Human Resource Consulting Limited

Term	Definition
	<ul style="list-style-type: none"> • Tower Employee Benefits Limited
Employee Deduction / contribution	<p>Payment towards KiwiSaver deducted from pay; choice of either 4% or 8% or 2% employee contribution plus 2% employer contribution, calculated on gross pay. For those who are not on salary or wages, it is the amount set out in the contract with the scheme provider - there may be:</p> <ul style="list-style-type: none"> • a minimum annual sum; or • specific payment periods that apply, such as monthly or quarterly.
Employer Contribution	Any contributions paid by an employer into a superannuation scheme for and on behalf of an employee that are not deducted from the individual employee's salary. There is no obligation on an employer to make employer contributions into KiwiSaver on behalf of employees until 1 April 2008.
Employer Monthly Schedule (EMS)	The Employer Monthly Schedule is sent by employers to Inland Revenue to provide details of employees' gross earnings, PAYE, student loan and child support deductions, KiwiSaver deductions, and KiwiSaver employer contributions. It is filed on a monthly basis
Employer nominated scheme	See "Preferred Scheme"
Employer Tax Credit (ETC)	From 1 April 2008, employers can claim a tax credit of up to \$20 per member per week when they contribute to KiwiSaver schemes or complying superannuation funds on behalf of their employees.
EMS	See "Employer Monthly Schedule"
Enrolment	The process of joining KiwiSaver. Enrolment includes individuals who may decide to opt-out of the scheme.
ETC	See "Employer Tax Credit"
Exempt Employer	An employer who provides access to a registered superannuation scheme that meets certain criteria and has been approved by the Government Actuary for the purposes of being exempt from the automatic enrolment rules.
Government (or Crown) Contribution	A collective term to describe the one-off KickStart payment of \$1000 to KiwiSaver members, the Government contribution to members' fees (or fees subsidy), and the planned home deposit subsidy available to eligible KiwiSaver members.
Gross salary	Gross Salary will be based on an employee's salary or wages before the deduction of tax. This includes salary or wages and other employment-related taxable allowances such as sums receivable by way of bonus, commission, extra salary, gratuity, overtime or other remuneration of any kind.
IR3	Personal income tax return filed by self employed individuals and individuals with income where tax has not been deducted at source.
Kick Start payment	The Government contribution towards KiwiSaver account is a tax-free contribution of \$1,000. To receive this incentive a member must be making contributions, either regularly through salary or wages, or as agreed with a scheme provider.
KiwiSaver Scheme	Schemes that meet the prescribed requirements (based on Superannuation Scheme Act 1989 requirements, with additional KiwiSaver components)

Term	Definition
	will be able to be registered as a KiwiSaver Scheme with the Government Actuary.
KiwiSaver Scheme Provider	The Provider of a KiwiSaver scheme.
Member	See "Active / Member"
Member Tax Credit (MTC)	For contributing members, the Government will pay into KiwiSaver scheme an annual member tax credit matching an individual's contributions up to \$1,042.86 per year (this is equivalent to \$20 per week).
Opt In	The method for enrolling for KiwiSaver for employees who are not automatically enrolled. This includes: <ul style="list-style-type: none"> • existing employees • self-employed (a sole trader running your own business) • a partner in a business • a shareholder-employee • not working • receiving ACC or a benefit • on paid parental leave and not receiving any payments from employer • under 18 • an IR56 taxpayer
Opt Out	An individual who has been automatically enrolled can opt-out (decide to leave KiwiSaver) within 8 weeks (but not before 2 weeks) of being automatically enrolled.
PAYE	"Pay as you earn"; income tax for salary or wage earners, deducted by the employer from an employee's pay and passed on to IR via the EMS.
Preferred Scheme / Employers Preferred KiwiSaver Scheme / Employer nominated Scheme	This is an employer's preferred KiwiSaver scheme that its employees will be defaulted into if they do not choose their own alternative KiwiSaver scheme.
Provisional Status / Provisional member	An individual who has been automatically enrolled in KiwiSaver and provisionally allocated to a Default KiwiSaver Scheme, but for whom the allocation process has not yet been completed

Term	Definition
Salary or wage earner	For the purpose of KiwiSaver reporting, a salary or wage earner is defined as an individual who appears on and Employer Monthly Schedule (does not include beneficiaries, pensions, student allowance, paid parental leave and ACC, unless specified)
Self-employed	For the purpose of KiwiSaver reporting, a self employed individual is one who files an IR3 personal income tax return.
SME	Small or Medium Enterprise – classification of business by size. 19 or fewer full-time employees.
SSCWT	Specified Superannuation Contribution Withholding Tax; specified superannuation contributions are made by an employer for an employee's benefit.