

KiwiSaver:

Implementation and Outcomes to date

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Cathy Magiannis
KiwiSaver Programme Director



Today's presentation

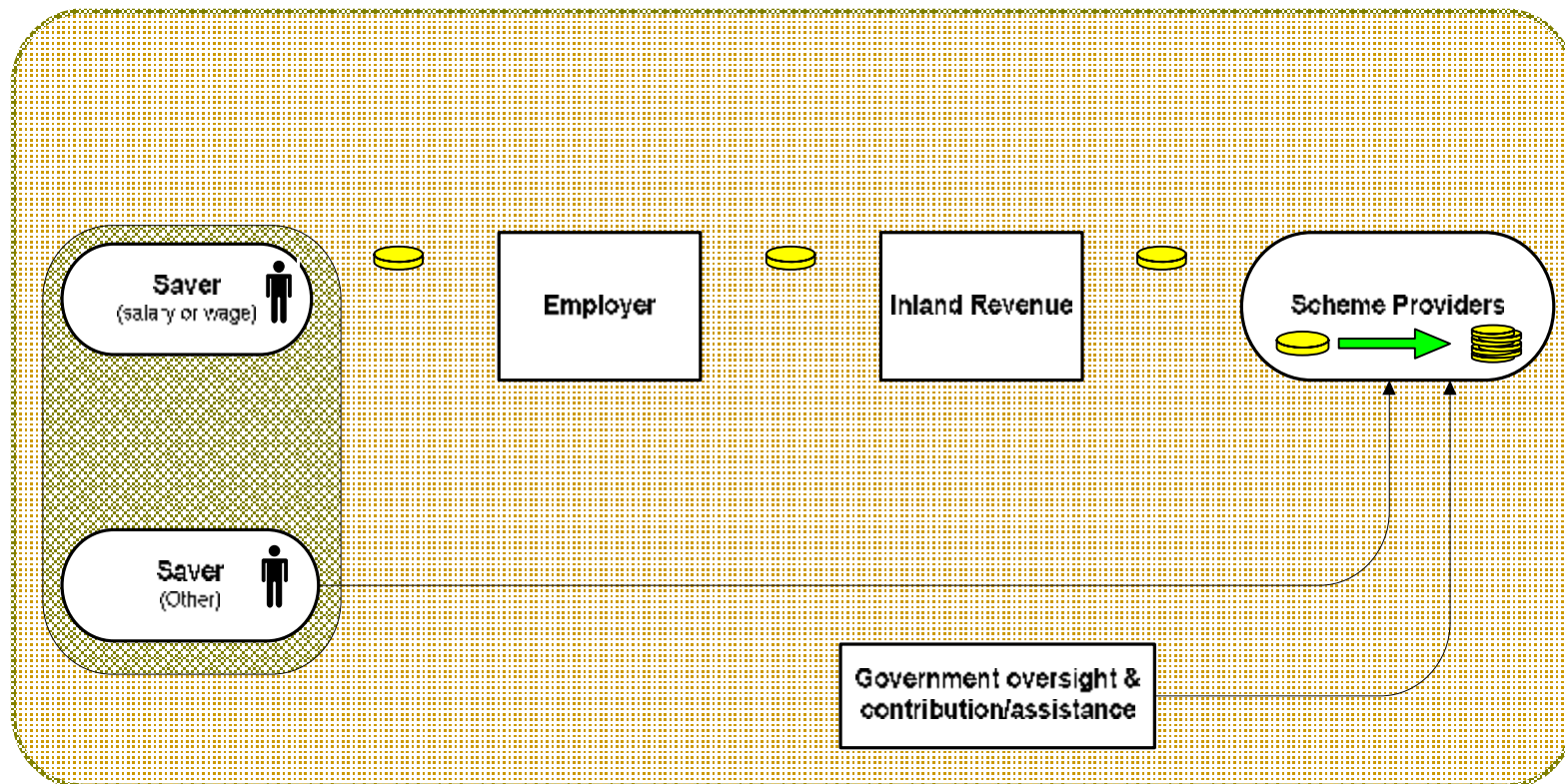
- Scheme operation
- Key features of KiwiSaver
- Strategic challenges/opportunities
- Outcomes to date
- Implementation issues
- Evaluation results

What is KiwiSaver?

- Voluntary work based savings scheme aimed at improving financial wellbeing particularly in retirement
- Origin in work of Savings Product Working Group
- Started 1 July 2007



Scheme operation



Key features

- Automatic enrolment
- Opt out period - end of week 2 to 8
- 4 or 8% deduction rate for employees
- Contributions holidays
- Mortgage diversion

Key benefits

- **\$1,000 Kickstart**
- **\$40 annual fee subsidy**
- **First home deposit subsidy**

2007 Budget changes

- Member tax credit of up to \$1,040 p.a.
- Compulsory employer contributions- currently 1%
- Employer tax credit
- Transitional rules

Key players

Employees/Others	Save
Employers	Deduct & send contributions, contribute
Financial advisors	May provide financial advice if requested
Scheme providers	Offer and administer KiwiSaver schemes
Retirement Commission	Independent financial education
Housing NZ Corporation	Housing deposit subsidy
Ministry of Economic Development (MED)	Default Fund Tender process Regulation of financial sector Government Actuary
Inland Revenue	Central Administrator



Strategic Framework

Government KiwiSaver Outcome

People have well-informed savings habits and accumulate assets to improve financial wellbeing, particularly for retirement

Government Savings Objectives

Establish KiwiSaver as a work based savings scheme enrolling significant numbers of under-savers

Sharing of relatively low KiwiSaver operating costs by savers, govt, employers and providers

Increase financial literacy

Support asset accumulation through home ownership

Minimise adverse market and regulatory impacts

KiwiSaver funds are invested in privately provided funds

Agency Strategic Objectives

KiwiSaver is driven by customer needs and experience. KiwiSaver has high levels of customer awareness, acceptance and satisfaction

Partnership

KiwiSaver has collaborative working relationships with employers and providers to create a seamless service and maximise compliance.

e-Business

KiwiSaver is a smart e-business with a high uptake of self service electronic channels and streamlined end to end processes.

Compliance action actively supports the KiwiSaver outcome

KiwiSaver staff, processes and technology combine to support collaboration, excellent service and lower costs

Individuals are able to make well informed decisions on their participation in KiwiSaver or other savings, in the context of their wider personal financial situation

Eligible individuals are aware of how KiwiSaver can support home ownership and systems make assistance easy to access

KiwiSaver has minimal impact on wider superannuation & financial markets

Effective consumer protections exist to offset KiwiSaver risks

Regulations are applied consistently and KS specific variations to regulatory frameworks are minimised

KiwiSaver is delivered through a competitive KS provider market



Key for accountabilities: **IRD**; **MED**; Housing; Retirement Commission led but joint and wider than KiwiSaver



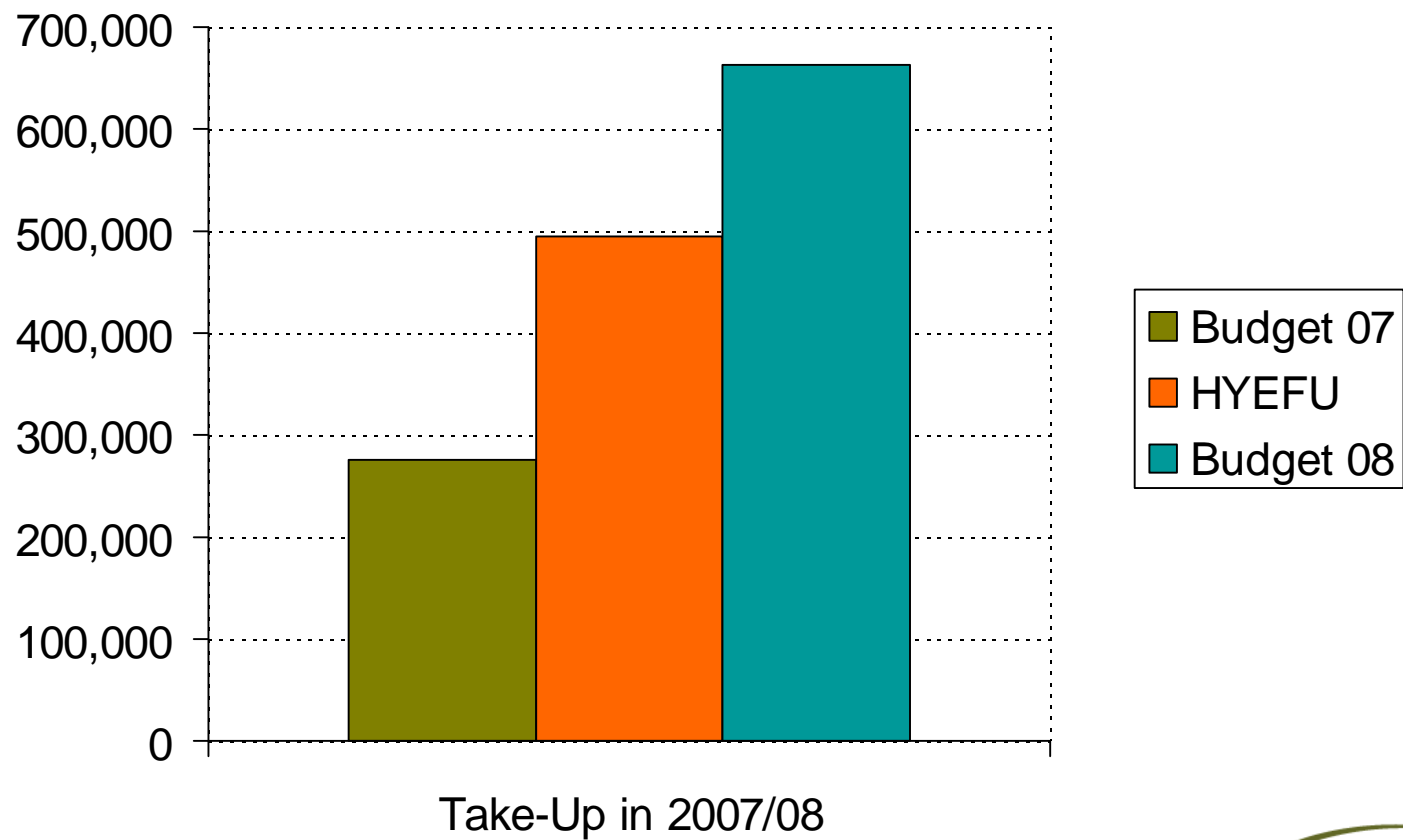
Strategic challenges/opportunities

- World first – no precedents
- Not core IR business
- Design/ build in parallel with legislation
- Tight timeframe
- High profile initiative
- Cross government initiative

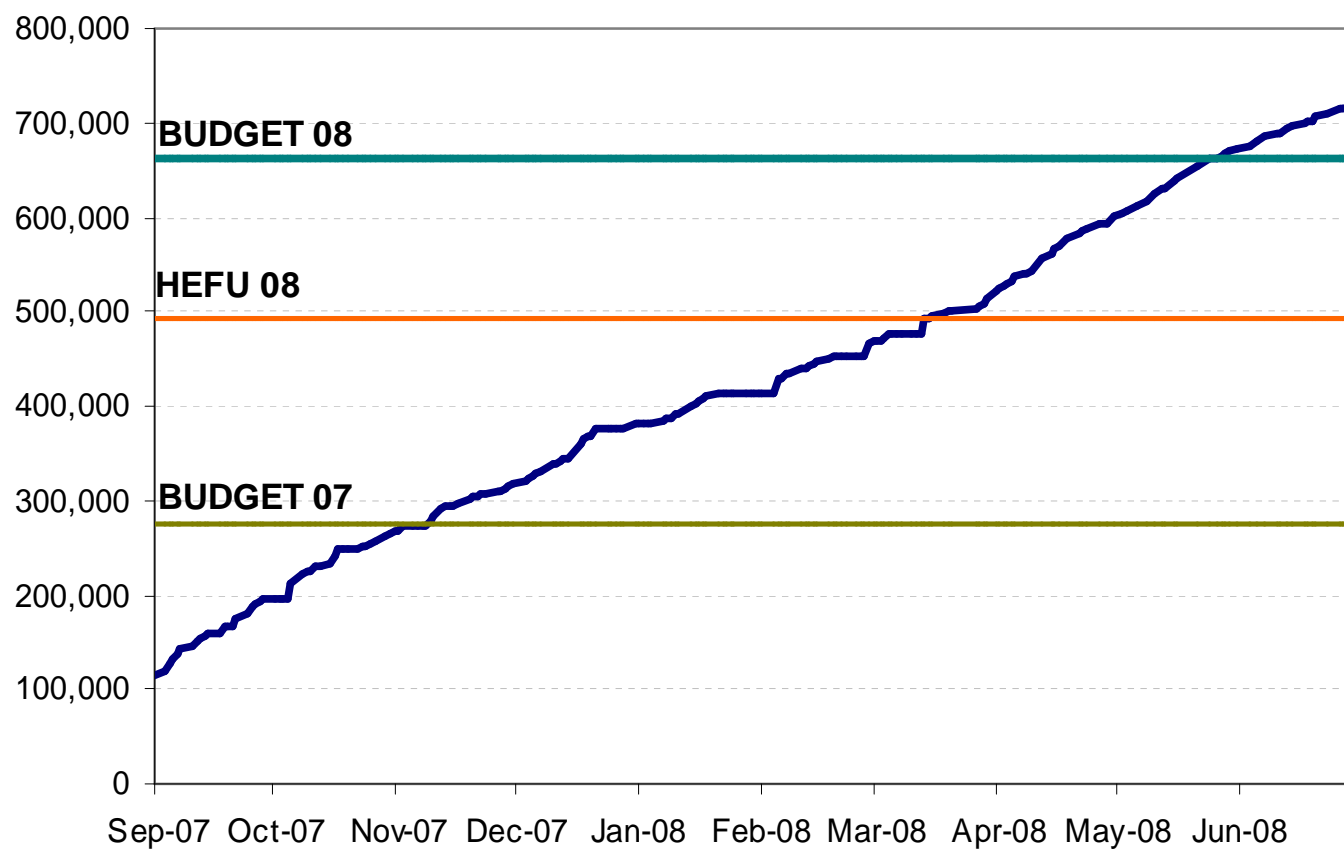
Strategic challenges/opportunities

- Sizeable team required
- Competing for scarce resources, particularly IT
- Systems challenges (scale and complexity)
- Required sophisticated project management framework
- Communications & stakeholder relationships
- Branding

KiwiSaver forecasts

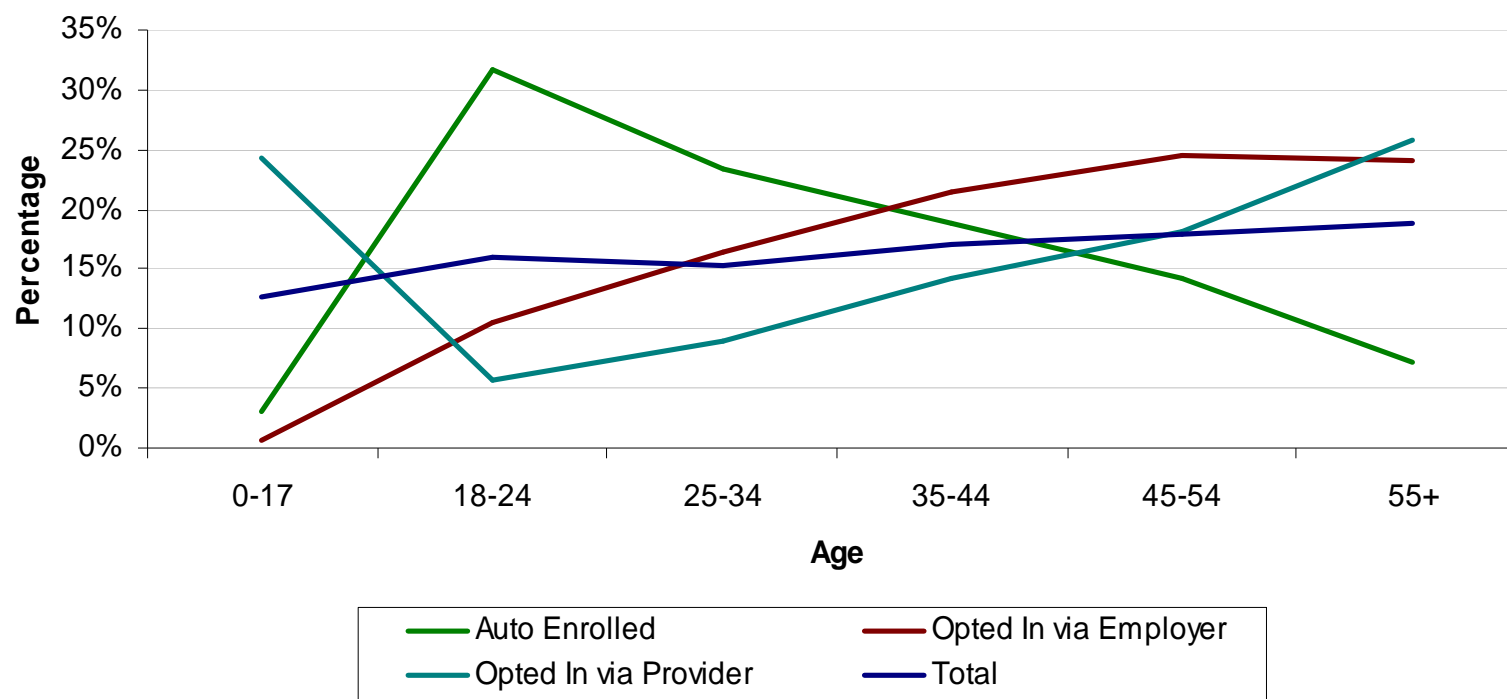


Total enrolments

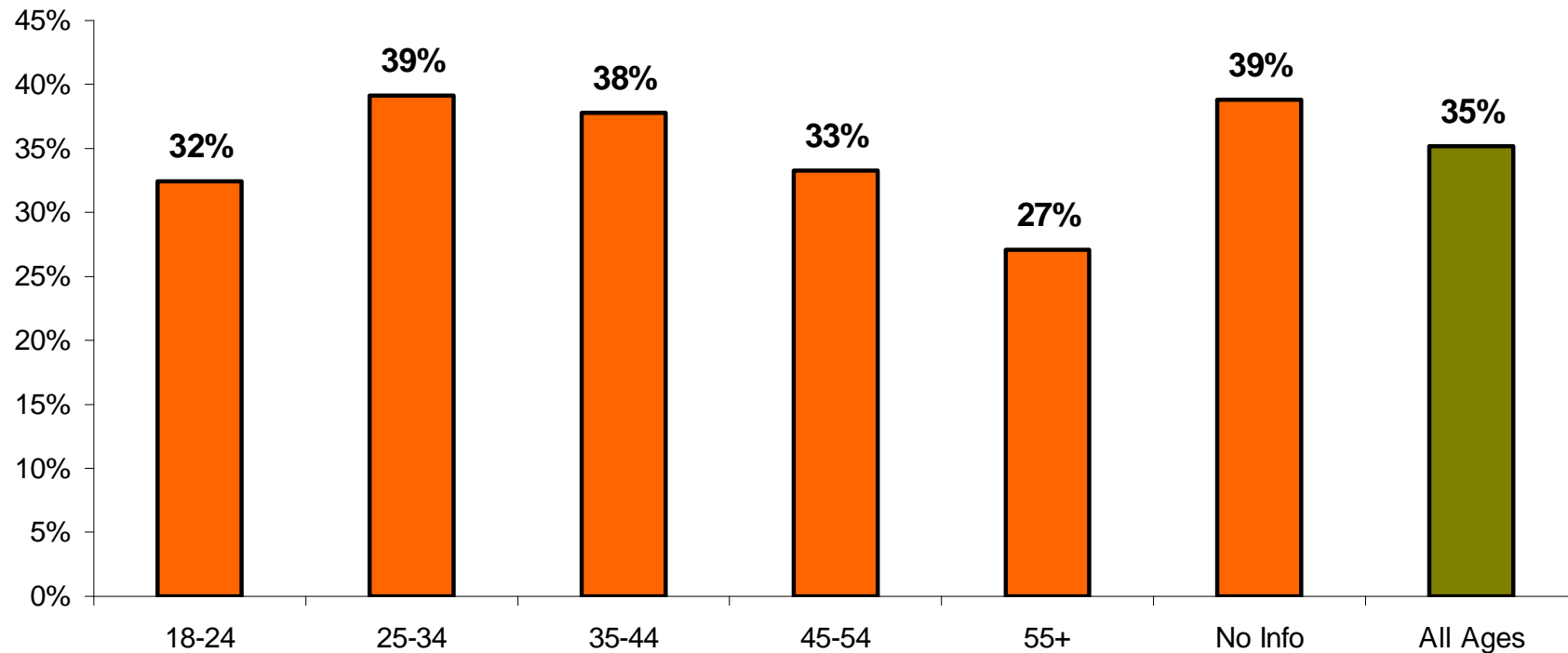


Membership by age

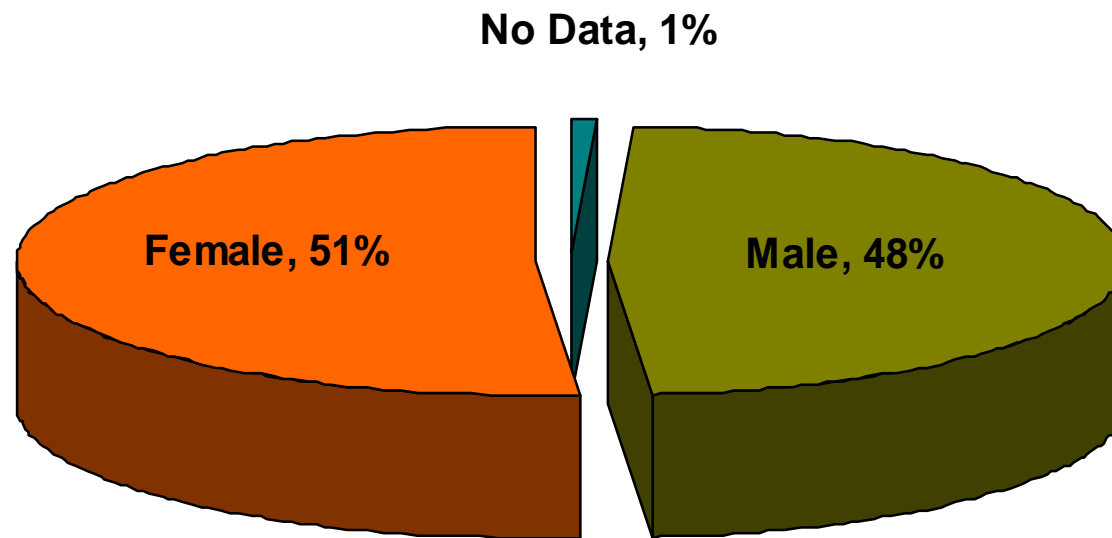
Age of members at 30 June 2008



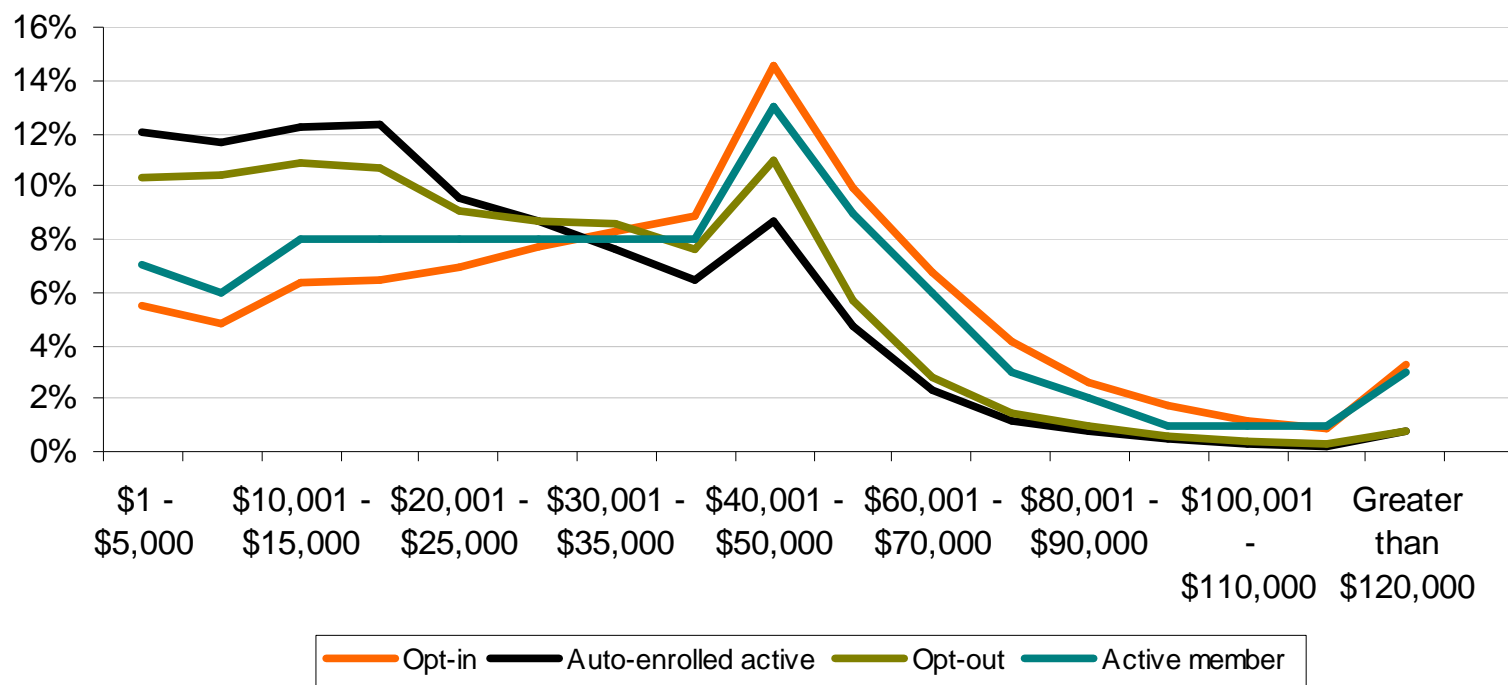
Auto Enrolled Opt Outs



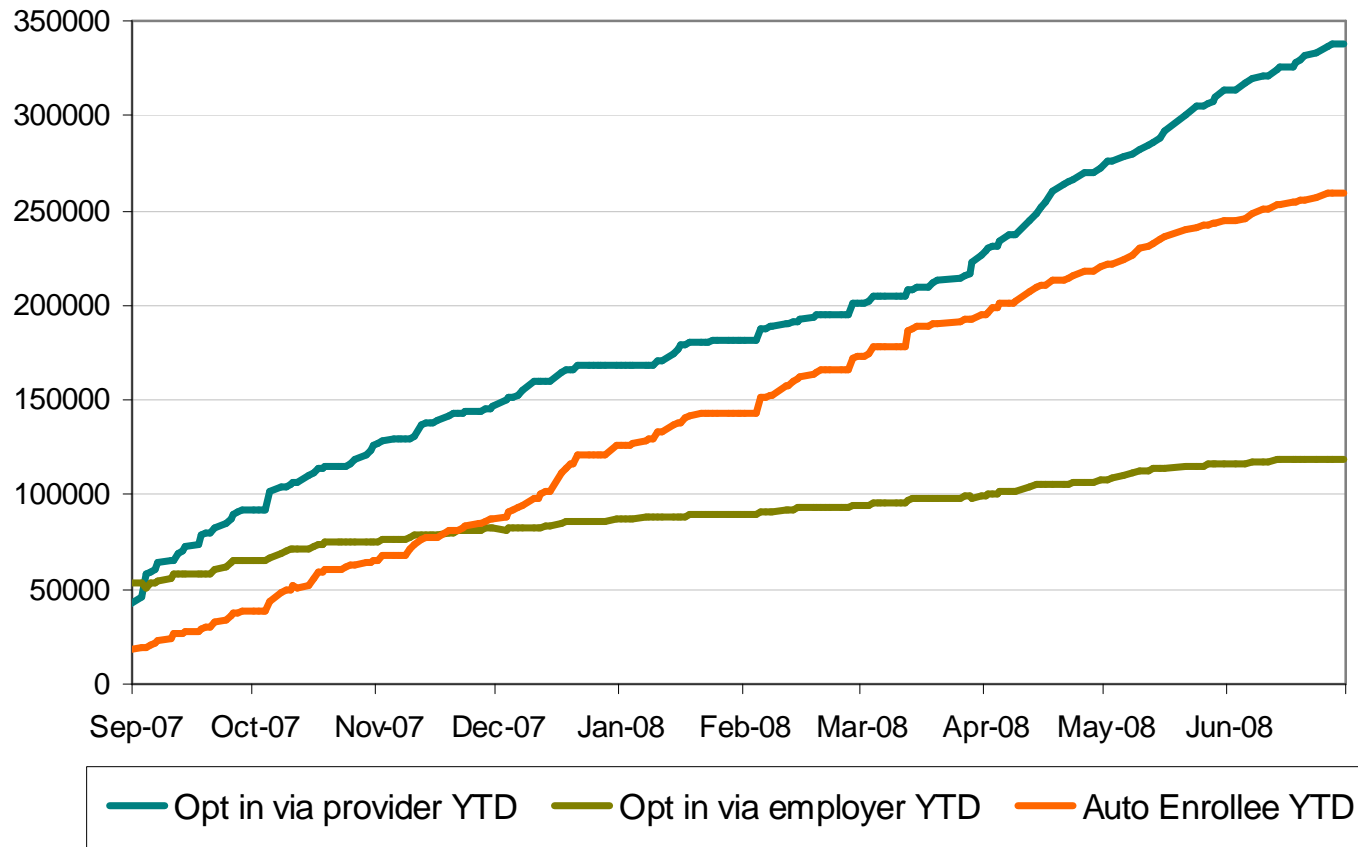
Membership by gender



Membership by income

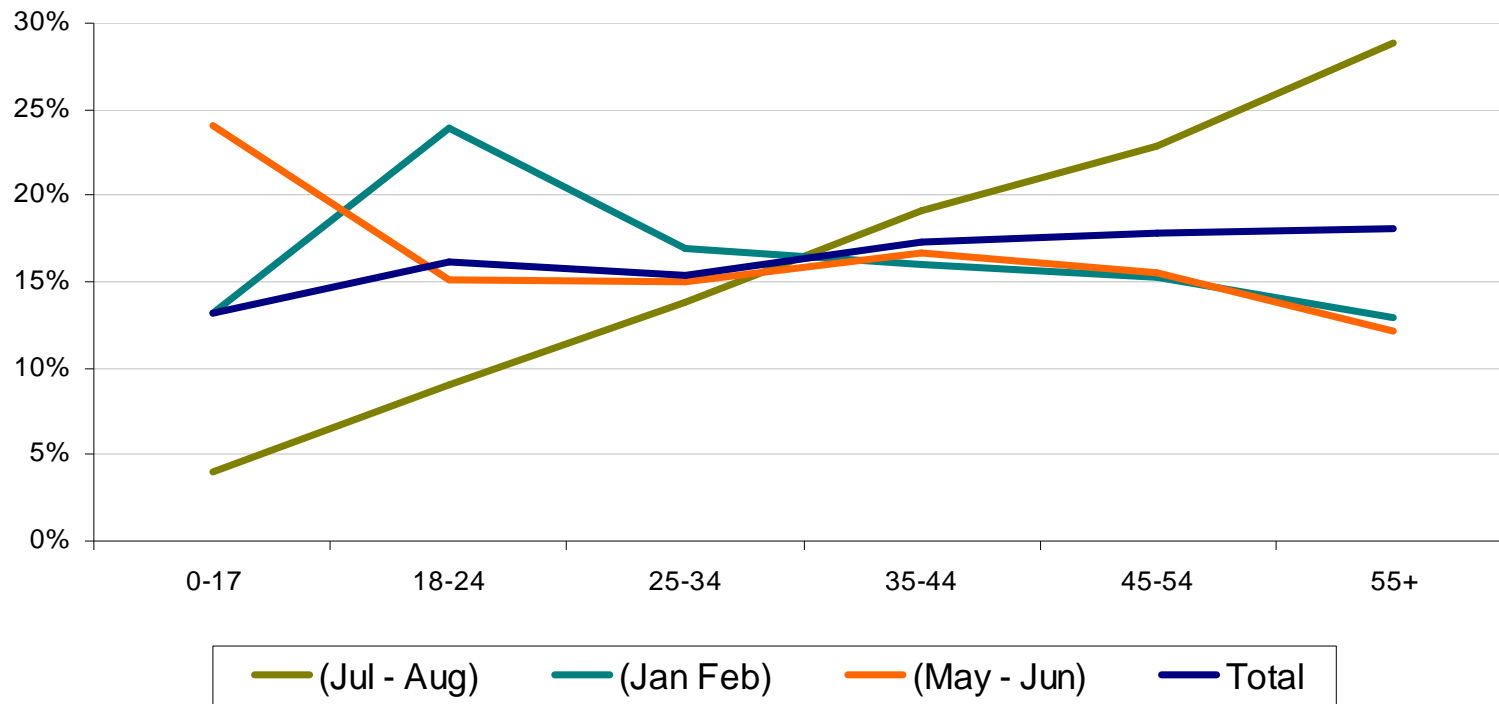


Membership trends- join type



Membership trends- age profile

Net Enrolments by Age



Funds transferred

Payments to providers	NZD\$ YTD
Employee	\$346,925,982
Employer	\$52,432,978
Ad hoc	\$6,850,109
Total member contributions	\$406,209,070
Kickstart	\$480,639,000
Fee subsidy	\$12,595,360
Interest	\$4,366,096
Total Crown	\$497,600,456
Total	\$903,809,527

Initial operational issues

- Initial timing issues
- Automatic enrolment
- Refunds
- B2B

NZ superannuation industry pre-KiwiSaver

- 1990:
 - o 113 retail schemes
 - o 2,242 employer sponsored schemes covering 22% of the workforce
- 2006:
 - o 115 retail schemes
 - o 320 employer sponsored schemes covering 13% of the workforce

Scheme regulation

- Registered with the Government Actuary
- Scheme provider agreement with Inland Revenue
- Defaults appointed by Minister

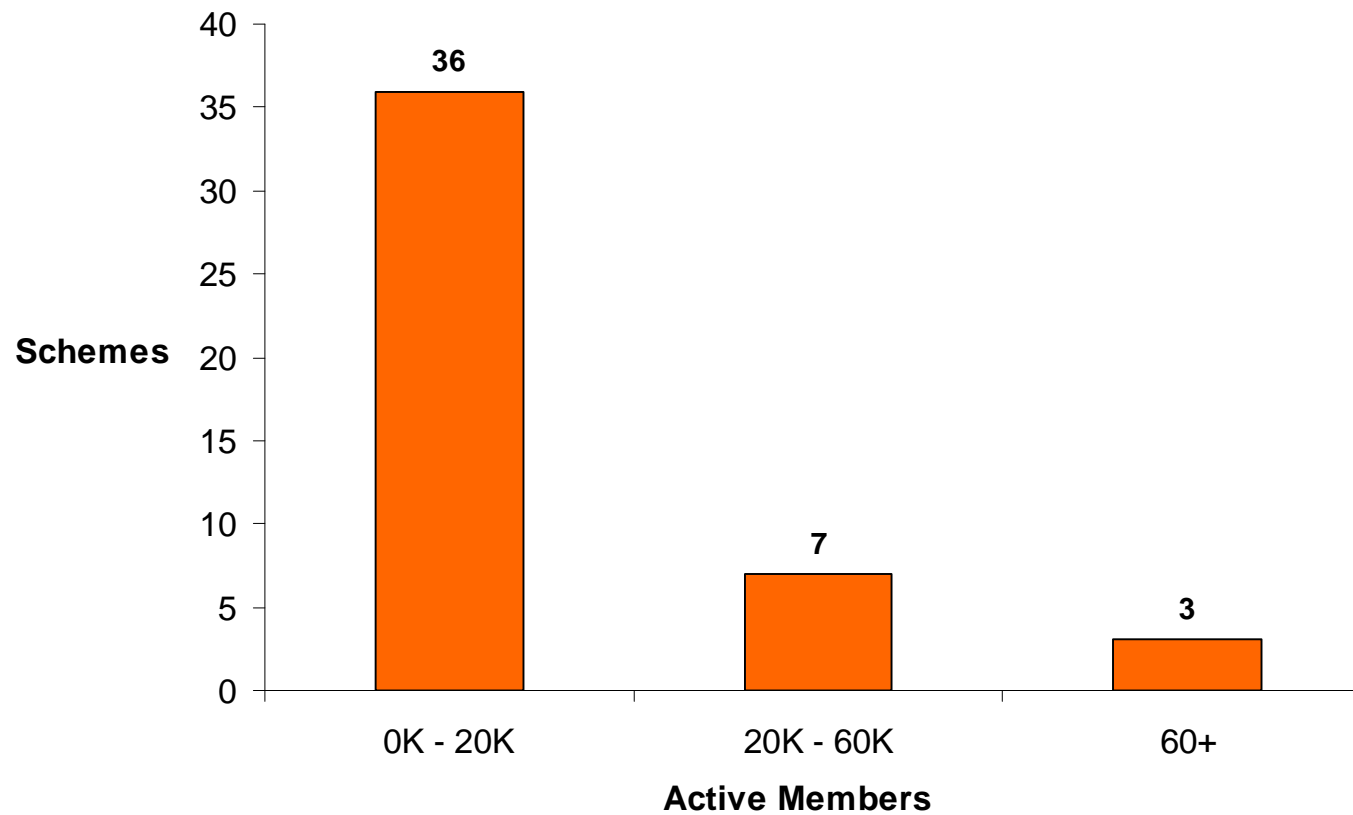
Scheme requirements

- Trust deed and independent trustee
- Fees must not be unreasonable
- Must file an annual return with GA
- Must disclose responsible investment policies

Schemes & providers

- 54 schemes being provided by 29 providers
- 29 approved superannuation schemes approved as complying superannuation funds
- 15,164 employer chosen schemes

Scheme size



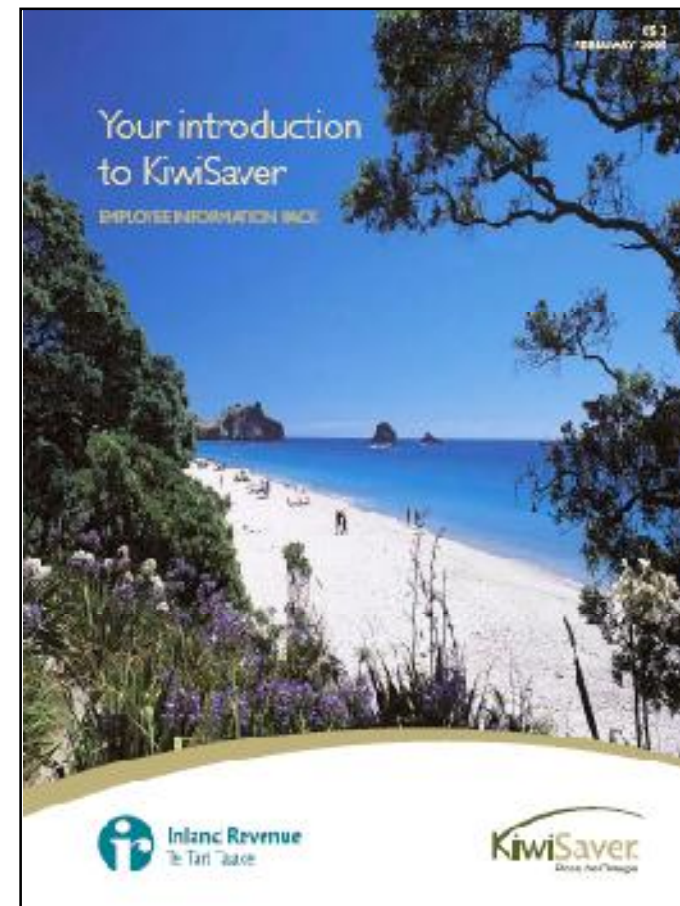
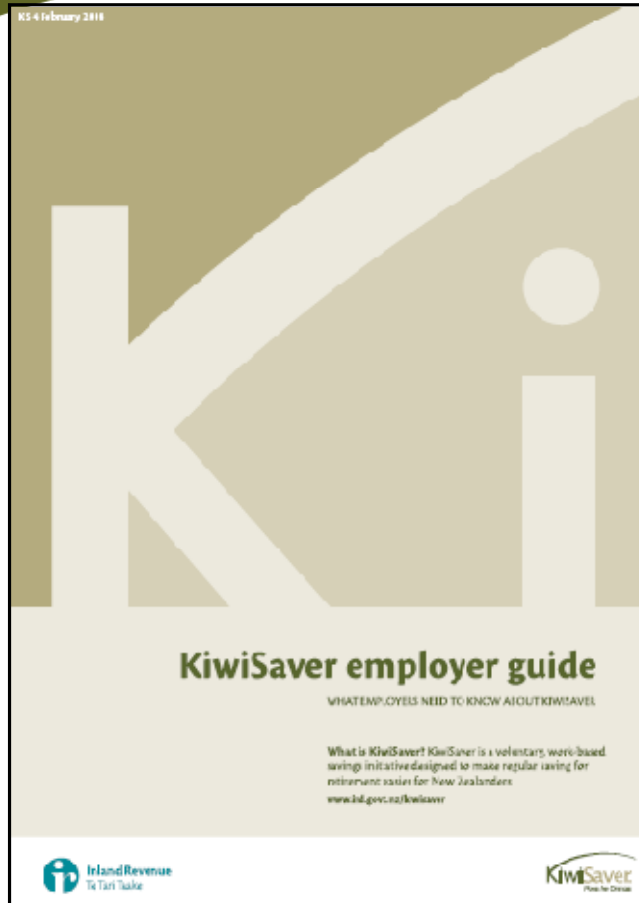
Provider engagement

- Dedicated relationship managers
- Regular provider updates
- Industry forums
- Technical panel meetings
- IT support line (KS3)

Provider evaluation

- Undertaken in July 2007
- Consultation appreciated
- Relationship managers & industry forums were strengths
- Issues with customer service, timeframes and communication

Communications

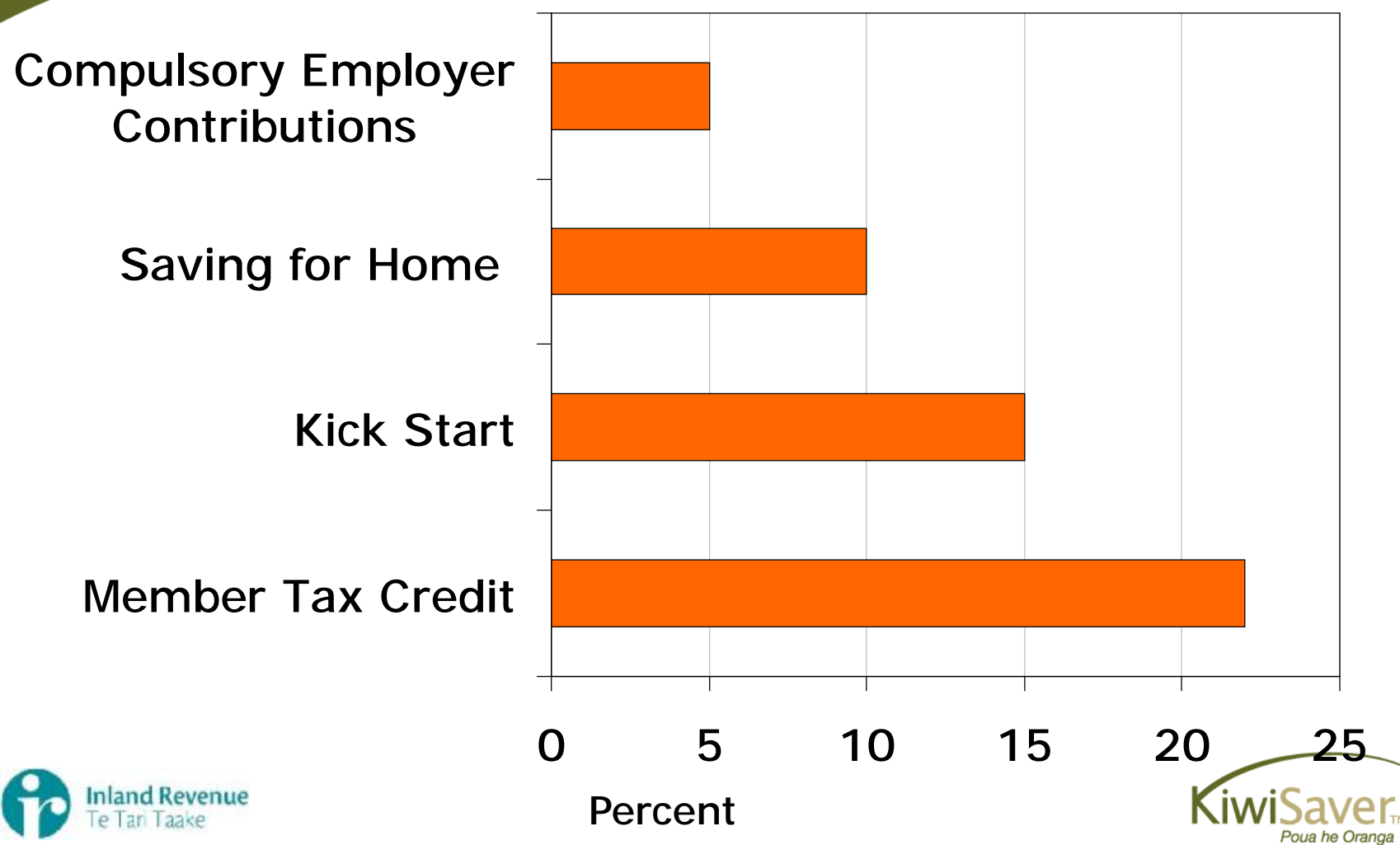


Employer evaluation

- Carried out September 2007
- 500 employers interviewed
- High awareness
- High comprehension

Individuals' evaluation

Reasons for Joining KiwiSaver



Conclusion

- Exciting programme of work to be part of
- Involved partnerships between a number of parties
- Some challenges
- Off to a good start

Websites

www.kiwisaver.govt.nz

www.sorted.org.nz