

## Context around the KiwiSaver participation assumptions

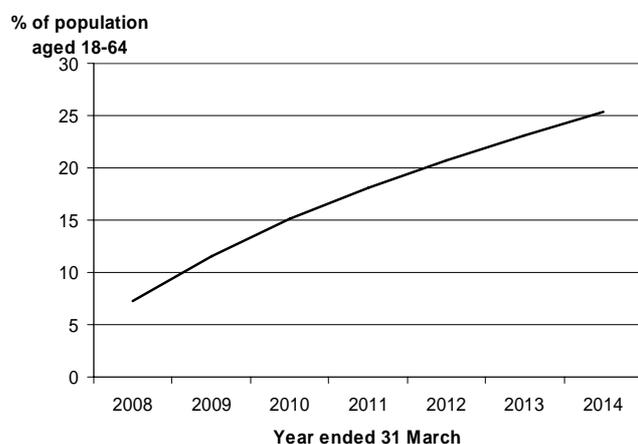
Assumptions around participation in KiwiSaver (i.e. take-up rates) are difficult to predict. Participation rates can vary markedly across different schemes, and there is no clear international experience of schemes with similar design features to KiwiSaver. There is a wide range of plausible participation assumptions, and the participation rate is likely to vary across different sub-groups of the population. Although there is international evidence that automatic enrolment can increase participation in workplace savings schemes, it is not clear how large this effect will be.

KiwiSaver is essentially a form of incentivised workplace savings scheme. In the past when New Zealand provided tax incentives for retirement savings schemes, participation in these schemes was in the order of 20-25 percent of the employed labour force. Therefore our best guess is that, over time, participation in KiwiSaver will reach broadly similar levels. However, the margins of error around this assumption are very wide, and the time it takes to reach such levels may be longer or shorter than we have assumed.

For the purposes of estimating the fiscal costs, it is assumed that around 25% of all New Zealanders aged 18-64 will have opened a KiwiSaver account by 2013/14. This equates to around 680,000 accounts. Some of these accounts will be held by people who are already members of registered superannuation schemes, some will be held by people who are not in the labour force, and some will be held by people taking a contributions holiday.

An illustration of how participation is assumed to rise over time towards 25% is shown in figure 1 and table 1.

**Figure 1: Assumed participation in KiwiSaver**



**Table 1: Assumed participation in KiwiSaver**

Year ended 31 March	Total number of KiwiSaver accounts	Percentage of population aged 18-64
2008	190000	7
2009	300000	12
2010	390000	15
2011	480000	18
2012	550000	21

2013	620000	23
2014	680000	25