

Reference: 20150198

29 June 2015



Thank you for your Official Information Act request, received on 2 June 2015. You requested the following:

... any modelling on how many people automatic KiwiSaver enrolment would capture and how much this would cost?

On 17 June 2015 we contacted you to confirm that the Treasury had indeed carried out such modelling work in the past, however current modelling was not finalised due to being part of an ongoing policy process. The Treasury official explained that the current modelling would be withheld by the grounds in section 9(2)(f)(iv) of the Official Information Act as this was work in progress and under active consideration. You were satisfied with this explanation but also requested the past modelling work.

I am providing you with that past modelling. However, I note that you were advised that this modelling was not current and updated modelling would have to take into account new data on enrolment and recent changes to the kick-start which would substantially change fiscal costs.

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	12 December 2013	Joint Report IRD and Treasury: KiwiSaver One-Off Enrolment Options	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- section 9(2)(a) – to protect the privacy of natural persons, including deceased people
- section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions

Information to be Withheld

As mentioned above, there are additional documents covered by your request that I have decided to withhold in full under the following section of the Official Information Act, as applicable:

- section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

James Beard
Manager, Financial Markets and International



Inland Revenue
Te Tari Taake

POLICY AND STRATEGY



THE TREASURY

Kaitohutohu Kaupapa Rawa

Treasury/Inland Revenue Report: KiwiSaver One-Off Enrolment Options

Date:	Thursday 12 December 2013	Report No:	T2013/3152 PAS2013/267
		File Number:	SH-11-4-3-8

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Agree to recommendations. Refer a copy of this report to the Minister of Commerce	Monday 13 January 2013 (if earlier implementation timetable – Option One – is preferred)
Minister of Revenue (Hon Todd McClay)	Agree to recommendations.	Monday 13 January 2013 (if earlier implementation timetable – Option One – is preferred)

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[Withheld under s9(2)(g)(i)]			✓
Andreas Heuser	Senior Analyst, Treasury	04 917 6012 (wk)	[Withheld under s9(2)(a)]
Fiona Ross	Manager, Financial Markets and International, Treasury	04 917 6165 (wk)	
Chris Gillion	Policy Manager, Inland Revenue	04 890 6056	
[Withheld under s9(2)(g)(i)]			✓

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Enclosure: No

Treasury Report: KiwiSaver One-Off Enrolment Options

Executive Summary

In the context of Budget 2012, the Government announced that a **one-off enrolment exercise for KiwiSaver** would be conducted following a return to fiscal surplus (Cab Min (11) 38/3 refers).

The enrolment exercise would be aimed at current employees who are not already members of KiwiSaver.

The original proposal to conduct a one-off enrolment exercise was made in Budget 2011 in the context of other measures to reform KiwiSaver, which included reducing the amount of member tax credit, increasing the default and minimum employee and employer contribution rate from 2% to 3% and removing the exemption for employer superannuation contribution tax (ESCT) [Treasury Report T2011/72 refers].

On the basis of current Treasury forecasts, a fiscal surplus should occur in 2014/2015. This report therefore sets out the likely fiscal costs of such an exercise

[Information not relevant to request]

While due care and effort has been taken to prepare this report, the forecasts and in particular the timelines will require more detailed work once the high-level decision on which option to pursue is taken. Any implementation timetable proposed for this one-off enrolment initiative will need to be considered alongside Inland Revenue's (IR's) Business Transformation Programme priorities in 2015/2016, as well as the wider IR portfolio of work.

Recommended Action

We recommend that you:

- a **Note** that the Government has previously announced that a one-off enrolment exercise for KiwiSaver would be conducted following a return to fiscal surplus,

Noted
Minister of Finance

Noted
Minister of Revenue

- b **Note** that, on the basis of current forecasts, a fiscal surplus should occur in 2014/2015,

Noted
Minister of Finance

Noted
Minister of Revenue

- c **Agree** that officials continue working on the design of a KiwiSaver one-off enrolment exercise in 2014,

Agreed/Not agreed
Minister of Finance

Agreed/Not agreed
Minister of Revenue

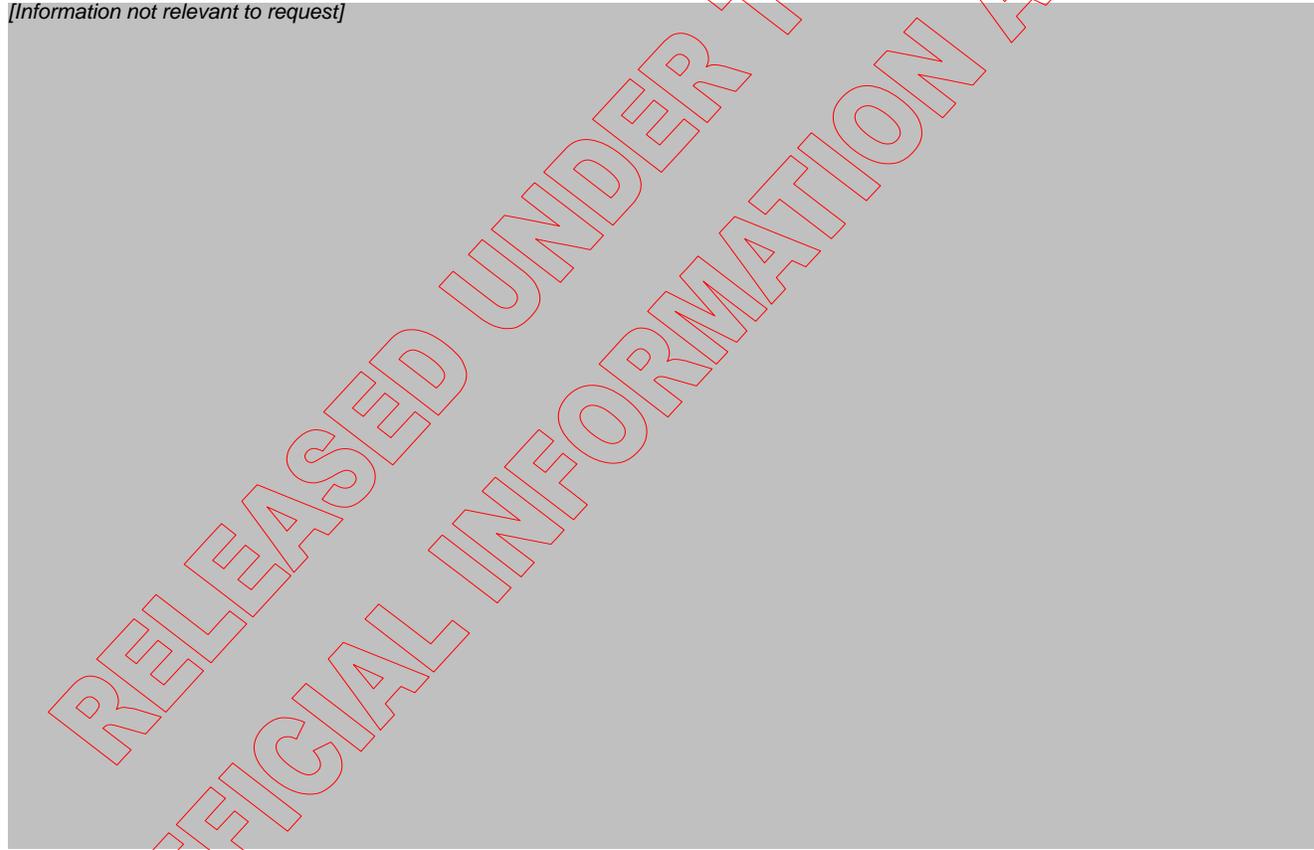
If (c) is agreed:

- d **Note** that the Government has previously indicated its intention to consult on design options for a KiwiSaver enrolment exercise with key stakeholders, including employers and KiwiSaver Providers,

Noted
Minister of Finance

Noted
Minister of Revenue

[Information not relevant to request]



- g **Note** that officials may consult with officials from the Ministry of Business, Innovation and Employment, and the Financial Markets Authority in the preparation of the consultation document,

Noted
Minister of Finance

Noted
Minister of Revenue

- h **Agree** that officials may consult with officials from the relevant industry groups representing employers, KiwiSaver Providers and KiwiSaver members, in the preparation of the consultation document, and

Agreed/Not agreed
Minister of Finance

Agreed/Not agreed
Minister of Revenue

- i **Refer** a copy of this report to the Minister of Commerce.

Referred/Not referred
Minister of Finance

Fiona Ross
**Manager, Financial Markets and International
Treasury**

Chris Gillion
**Policy Manager
Inland Revenue Department**

Hon Bill English
Minister of Finance

Hon Todd McClay
Minister of Revenue

Treasury Report: KiwiSaver One-Off Enrolment Options

Purpose of Report

1. The purpose of this report is to outline for you:
 - The indicative fiscal implications of implementing a one-off enrolment exercise for KiwiSaver; and
 - *[Information not relevant to request]*

Fiscal Implications of the One-Off Automatic Enrolment Exercise

2. We have assumed that the Government will achieve an operating surplus in the fiscal year 2014/2015. Current forecasts support this assumption. Therefore, the one-off enrolment exercise would take place at the end of the 2015/2016 fiscal year (or early in 2016/2017 fiscal year).
3. We have prepared preliminary estimates of the membership uptake and fiscal costs of a one-off enrolment exercise. We have used very general design parameters in the below models, in particular, assuming a pre-enrolment opt-out approach; that is, employees would have the opportunity to remove themselves from the exercise before being enrolled into KiwiSaver.
4. The forecasts are based on an exercise date of **1 July 2016**, for ease of modelling and in line with officials' preference for timeline Option Two below. The forecasts assume that the exercise will include all employees aged between 18 and 65 (inclusive) who are not KiwiSaver members as at that date.¹ This indicates a target audience of approximately 400,000 employees. As higher quality KiwiSaver modelling data becomes available, these estimates will become more accurate.

Forecast Membership Increase

5. Given the inherent uncertainty around uptake, membership estimates were developed for three scenarios:
 - a high uptake of 55%;
 - a medium uptake of 45%; and
 - a low uptake of 35%.

The approach taken to the enrolment exercise will impact on uptake; these forecasts are prepared on a generic basis and do not consider the possible variations in approach, and how this could affect the enrolment exercise.²

6. The forecast models suggest that for these three scenarios, the exercise would bring between 140,000 and 220,000 additional new members (over and above those expected to join anyway) into the KiwiSaver scheme in 2016/17.

¹ Relaxing this assumption and excluding those members who have opted out of automatic enrolment in the last two years is considered unlikely to have a large impact on the membership uptake and fiscal cost of the exercise.

² For example, preliminary models which Treasury and IRD have considered would either include or exclude from the target audience members of other work-based superannuation schemes to which the employer contributes.

Forecast Fiscal Costs

7. The forecast additional fiscal costs (from additional member tax credits and kick-start payments) of this increased KiwiSaver membership, over four years are shown in Table 1; these are based on current KiwiSaver settings.
8. Since the exercise brings forward membership for individuals, the impact of the exercise on overall membership is likely to decline over time as many of the members enrolled under this exercise are likely to have joined at some stage anyway.

Table 1: Fiscal Cost Projections for KiwiSaver

Year		2015/16	2016/17 (exercise on 1/7/2016)	2017/18	2018/19	2019/20
Current Projections (\$m)		732	760	794	831	867
High uptake of 55%	Additional costs from enrolment exercise(\$m)	-	254	23	12	0
	Total cost (\$m)	732	1014	817	843	867
Medium uptake rate of 45%	Additional costs from enrolment exercise(\$m)	-	200	9	-2	-14
	Total cost (\$m)	732	960	803	829	853
Low uptake rate of 35%	Additional costs from enrolment exercise (\$m)	-	146	-5	-16	-28
	Total cost (\$m)	732	906	789	815	839

Timeline of Options for Implementing the One-Off Enrolment Exercise

9. We outline in the following two options high-level timelines and the milestones that officials and the Government would need to meet in order to implement this policy. We assume implementation of this policy in the fiscal year 2015/16.

10. *[Information not relevant to request]*

11.

[Pages 7 - 10 not relevant to request]