KiwiSaver – Questions and Answers

Version 9 (19 December 2007)

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Participation

Who can participate in KiwiSaver?

KiwiSaver participation is voluntary.

KiwiSaver is open to all New Zealand citizens and people entitled to be in New Zealand indefinitely who are under the age of eligibility for New Zealand Superannuation (currently age 65). A person needs to be living (or normally living) in New Zealand to join.

How does KiwiSaver affect me?

From 1 July 2007, when KiwiSaver started, all employers have been required to automatically enrol their new employees in KiwiSaver, unless the employer already provided access to compliant superannuation schemes[1] or the employee was exempt from automatic enrolment.

A new employee will have contributions deducted from their first pay in their new job and can decide whether to continue to contribute or opt out of KiwiSaver from the end of week two until the end of week eight in this new job. If an employee opts out, any contributions that were made will be refunded (by either the employer or Inland Revenue).

Any employee, provided they meet eligibility criteria, can join KiwiSaver by contracting directly with a KiwiSaver scheme provider or providing their employer with a KiwiSaver deduction notice.

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[1] These include features such as fund portability, a minimum employee contribution combined with the maximum employer contribution of at least 4% of annual gross base salary, access to all new permanent employees, and vesting requirements.

People under the age of 18 and non-employees, such as the self-employed and beneficiaries, can opt in to KiwiSaver by contracting directly with a KiwiSaver scheme provider.

Being a member of another retirement savings scheme does not prevent someone also joining KiwiSaver, though if your employer is already making contributions to another scheme, they may not be required to make employer contributions to KiwiSaver.

Those who choose to opt in to KiwiSaver cannot opt out at a later date, however anyone can apply for a contributions holiday after 12 months.

Do I have to change my employment contract?

The compulsory matching employer contributions in effect from 1 April 2008 will not require you to change your employment contract.

In the long-term it is likely that employers will review the terms and conditions of their employment contracts in light of the compulsory employer contributions. Any negotiations by your employer in this regard are required to be carried out in good faith with you.

What happens when I change jobs? Can I still contribute to the same KiwiSaver scheme?

KiwiSaver schemes are portable, which means you can continue to contribute to the same scheme if you change jobs.

What happens if I have more than one job?

Because you can only have one KiwiSaver account, it is easy for any or all of youremployers to deduct KiwiSaver contributions from your pay and ensure that they go to your KiwiSaver account, even if you have deductions from two (or more) jobs.

After 12 months of membership you can decide whether to continue contributing from each of your jobs, take a contributions holiday so you only contribute from one of your jobs, or take a contributions holiday for all of your jobs. You will receive a tax credit that matches your contributions up to a maximum $20 per week ($1,040 per year) that will be paid directly into your KiwiSaver account.

If I am receiving weekly compensation from ACC and I return to work with the same employer I was working with at the time of the accident, will I be automatically enrolled in KiwiSaver?

No. This is not considered to be new employment, so you will not be automatically enrolled into KiwiSaver, though you can choose to opt in at any time.

Can I join KiwiSaver in addition to my current scheme? If so, can I get themember tax credit and the compulsory employer contributions twice?

Membership of other superannuation schemes does not prevent you joining KiwiSaver. However, you can only get the member tax credit once (up to the cap) on contributions made to a KiwiSaver scheme or a ‘complying superannuation fund’ - a superannuation scheme that has KiwiSaver-like terms and conditions.

If your employer is contributing to your current superannuation scheme, then these contributions may count towards the compulsory employer matching contributions, meaning your employer may not have to make matching contributions to your KiwiSaver scheme as well.

What can I do if my employer really doesn't want me to join KiwiSaver?

Your employer is not able to prevent you from joining KiwiSaver if you want to. The Employment Relations Act 2000 requires all employers to act in good faith in employer relationships, which means they must treat employees the same whether they are a KiwiSaver member or not.

I am thinking about setting up a KiwiSaver account for my young child – how do I do it and what will s/he get out of it?

You can open a KiwiSaver account for your child by contacting a KiwiSaver scheme provider directly and filling in the necessary application forms.

Upon joining, your child will receive the $1,000 kickstart and an instalment of the ongoing fee subsidy (i.e. half of the $40 annual fee subsidy). When your child turns 18 they will start receiving tax credits that match their contributions up to a maximum $20 per week (up to $1,040 per year) that will be paid directly into your child's KiwiSaver account. From 18, if they are working and having KiwiSaver contributions deducted from their salary or wages, their employer will be required to make a compulsory matching contribution to their KiwiSaver account. When they buy their first home, providing they have been saving regularly 4% of their income through KiwiSaver,for at least three years, they may be eligible for the first home deposit subsidy ($1,000 per year of saving and a maximum subsidy of $5,000). They can also put their KiwiSaver savings towards a deposit for buying their first home (though there are restrictions on what savings can be withdrawn).

Some KiwiSaver providers also allow for KiwiSaver contributions to be diverted to a mortgage. This is restricted to a maximum of half of a person's saving rate.

Otherwise, your child will be able to withdraw their KiwiSaver funds when they reach the age of eligibility for New Zealand Superannuation.

I am already retired but I would like to build up some more savings – can I join KiwiSaver and what will I get out of it?

Anyone under the age of the age of eligibility for New Zealand Superannuation (currently age 65) can join KiwiSaver. Upon joining you will receive the $1,000 kickstart and be eligible for the ongoing fee subsidy of $40 per year. You will also receive a tax credit that matches your contributions up to a maximum $20 per week (up to $1,040 per year) that will be paid directly into your KiwiSaver account. You will be able to withdraw your KiwiSaver funds when you reach the age of eligibility for New Zealand Superannuation, or after five years, whichever is longer. Once you reach this milestone, you will cease being eligible for the tax credits on your contributions and the matching employer contributions.

I'm on a benefit but I think I may be able to stretch my finances to join KiwiSaver – how do I join and what will I get out of it?

You will be able to join KiwiSaver by contacting a KiwiSaver scheme provider directly and filling out the necessary application forms. Upon joining you will receive the $1,000 kickstart and an instalment of the ongoing fee subsidy (i.e. half of the $40 annual fee subsidy). You will also receive a tax credit that matches your contributions up to a maximum $20 per week (up to $1,040 per year) that will be paid directly into your

KiwiSaver account. After three years of saving you may also be eligible for the first home deposit subsidy ($1,000 per year of saving, up to $5,000).

I'm thinking about going overseas in the near future – can I still join a KiwiSaver scheme and what will happen when I move?

Yes, you can join KiwiSaver before you leave New Zealand either through your existing employer or by contacting a KiwiSaver provider directly. You will be eligible for the $1,000 kickstart upon joining and the ongoing fee subsidy. While you are living in New Zealand (and making contributions) you will also be eligible for the member tax credit...If you are contributing through your New Zealand employer, you will also receive compulsory employer matching contributions.

Once you move overseas and your principal place of residence is no longer New Zealand, you can continue making contributions but you will not be entitled to the member tax credits.

If you choose to permanently emigrate, and wish to withdraw your funds and close your KiwiSaver account, then the member tax credit you have received since joining will be returned to the Government. The investment returns made on the tax credits will not be returned.

New Zealand Government employees living overseas will continue to be entitled to receive the member tax credit on their contributions. New Zealanders who are volunteering or working for token payment overseas for specified charitable organisations will also be treated in this way.

Can you summarise who is eligible for the KiwiSaver member tax credit and compulsory employer contributions?

The table below summarises eligibility to the member tax credits and compulsory employer contributions:

	Eligibility	
	Member tax credit	**Compulsory employer contributions**
Employees		
< 18 years	x	x
18 years – age of eligibility for withdrawal	✓	✓
> age of eligibility for withdrawal	x	x
Self-employed		
< 18 years	x	x
18 years – age of eligibility for withdrawal	✓	x
> age of eligibility for withdrawal	x	x
ACC or Paid Parental Leave recipient	✓	x
All others (includes beneficiaries)		
< 18 years	x	x
18 years – age of eligibility for withdrawal	✓	x
> age of eligibility for withdrawal	x	x
Members whose principal place of residence is overseas	x	x

Contributions

What are the rules for my own contributions to KiwiSaver and my employer's contributions?

From 1 April 2008, employer contributions for KiwiSaver members come into effect. These will be phased in beginning at 1% of gross salary, increasing 1% a year until employer contributions reach 4% from 1 April 2011.

Do compulsory employer contributions count towards my minimum contribution requirement?

Provided an employer agrees to enter into an agreement to contribute at least 2% to an employee's 4% minimum contribution, the minimum contribution rate for employees can be 2% of gross salary or wages until 31 March 2010, 3% from 1 April 2010 to 31 March 2011, and 4% from 1 April 2011 onwards. From April 2010 you'll both need to contribute 3%, rising to 4% each from April 2011.

If contributions are compulsory for my employer, are contributions compulsory for me too?

No. You do not have to join KiwiSaver or remain a member if you are automatically enrolled. But if you do choose to opt in, contributions are compulsory at the prescribed level (unless they are granted a contributions holiday). Employer contributions are only compulsory if an employee is having contributions deducted from their salary or wages and the employer is not already contributing to any other superannuation schemes the employee may have.

Can I only contribute 4% or 8%? And 4% or 8% of what?

If you wish to have your KiwiSaver contributions deducted from pay then you will only be able to contribute either 4% or 8% of your gross salary, but you can make payments on a one-off or continuing basis directly to your provider or to Inland Revenue – who will on-pay them to your provider. Your contributions will continue to be deducted from your pay at your choice of rate unless you apply to take a contributions holiday.

The 4% or 8% is based on an employee's gross salary or wages before tax. This includes salary and wages and other employment-related taxable allowances, whether received as a bonus, commission, extra salary, gratuity, overtime – or any other form of remuneration. It excludes redundancy payments and payments in relation to accommodation benefits and taxable allowances received for accommodation and the cost of living overseas.

From 1 April 2008, employers will be required to make a 1% matching contribution to an employee's KiwiSaver scheme provided an employee is also contributing from their pay as well, and the employer is not already making contributions to another scheme (restrictions apply to the latter). The required employer contribution will increase 1% a year until it reaches 4% from 1 April 2011.

What if my circumstances change and I can no longer afford to put 4% of my salary into KiwiSaver?

Enrolling into KiwiSaver is voluntary. KiwiSaver members have the ability to stop and start contributing as they wish by applying for a contributions holiday. However, contributions holidays are not available until members have been making contributions to the scheme for at least 12 months, unless they experience financial hardship.

Contributions holidays can last for up to five years at a time, after which contributions will automatically resume unless a further contributions holiday is applied for.

If a KiwiSaver member goes on a contributions holiday and stops making contributions from their pay, their employer will not be required to make compulsory matching contributions.

If a KiwiSaver member stops making contributions altogether (i.e., stops making contributions from their pay, and stops making voluntary contributions as well, they will stop receiving the member tax credit.

If I save 8% will my employer have to contribute 8% too?

No. The compulsory matching employer contributions are capped at 4% (from 1 April 2011), however, your employer can voluntarily contribute more than 4% to your KiwiSaver account if they want to.

With my current superannuation scheme I get an employer contribution above 4% of my salary. Does this need to be cut back (e.g., to 1% in from 1 April 2008)?

No, your employer can continue contributing at this higher level to your existing superannuation scheme. Your employer will not be able to reduce their contribution unless the trust deed governing your superannuation scheme allows them to do so. You will need to contact your superannuation provider to determine whether they can.

How do I know whether my employer makes compulsory matching contributions into my KiwiSaver account? And what happens if my employer does not make compulsory contributions?

All employer contributions to KiwiSaver (both compulsory and voluntary) must be made through Inland Revenue. This is to ensure that compulsory contributions are being made at the correct amount.

If an employer fails to make a compulsory contribution, Inland Revenue will make a payment to your KiwiSaver provider on the employer's behalf (up to the value of the tax credit available to employers – up to $20 per week per employee). Inland Revenue will recover the missed payment from the employer and pay any shortfall onto the employee's KiwiSaver provider. Inland Revenue will impose and collect penalties from employers on missed payments.

Is there a maximum amount that I can contribute to KiwiSaver?

Only in relation to contributions deducted directly from your salary and wages by your employer on your behalf. If this is the case you can contribute only 4% or 8%. However, you can 'top up' this amount by making a direct payment to your scheme provider or through Inland Revenue.

If you are not an employee, do your contributions have to be at least 4% of your income, or can they be anything that a scheme provider accepts?

The 4% only applies to your employment income. Any other person who is not in employment can contract at any rate with the provider (provided the fund provider agrees). However, if you are a retiree you cannot join KiwiSaver once you've reached the age of eligibility for New Zealand Superannuation (currently age 65).

Do you have to prove financial hardship or other cause to take a contribution holiday?

No, you don't have to give any grounds for taking a contribution holiday. The only requirement is that you need to save for at least 12 months before seeking your first contribution holiday. You can stop payments in the first year if you can prove financial hardship to Inland Revenue.

Benefits

What are the benefits I receive under KiwiSaver?

In addition to the $1,000 KiwiSaver kickstart and the fee subsidy of $40 per member per year:

- All member contributions[2] to KiwiSaver (and complying superannuation funds[3]) will be matched by a tax credit of up to $20 per week (or up to $1,040 per year) which will be paid directly into a member's KiwiSaver account.

- From 1 April 2008, all employees contributing to KiwiSaver (and complying funds) will also be entitled to a matching employer contribution, beginning at 1%, phased in over four years reaching 4% of gross salary and wages by 1 April 2011.

How do I claim my member tax credit?

Your KiwiSaver scheme provider (or complying superannuation fund provider) will make an annual claim to Inland Revenue on your behalf, based on the information it holds on the contributions you have made. Upon receipt of the member tax credit your provider will credit the amount to your KiwiSaver account (or complying superannuation fund account).

Why are compulsory employer contributions only being phased in after KiwiSaver is well underway?

Compulsory employer contributions are being introduced at a later stage to enable employers to plan and implement this policy. The phasing-in period also gave employers and others the opportunity to comment on the policy as legislation was being considered by Parliament's Finance and Expenditure Select Committee.

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2 Members aged 18 and over.

3 A complying superannuation fund is a section within a registered superannuation scheme that has been approved by the Government Actuary as having met certain criteria similar to KiwiSaver, such as lock-in rules and portability.

Why do I need to wait until 1 April 2011 for the compulsory employer contribution to reach 4% of my gross salary?

The Government decided to phase in compulsory matching contributions over four years to help employers manage the impact, particularly for those that are not currently offering workplace superannuation schemes.

Will I be able to get the member tax credit and compulsory employer contributions if I am contributing to a non-KiwiSaver scheme?

It depends. In order to get the tax credit and compulsory employer contributions, your contributions will have to be made to a 'complying superannuation fund'. This is a section within a registered superannuation scheme that has been approved by the Government Actuary as meeting certain criteria similar to KiwiSaver such as lock-in rules and portability.

You should ask your superannuation provider if you are unsure whether your scheme meets these criteria. There will be a register of complying superannuation funds from 1 April 2008.

Will the compulsory matching employer contributions be in addition to the current employer contributions I get with my existing super scheme?

Only if your employer is contributing less than the required compulsory employer contribution. The contributions your employer makes to your existing superannuation scheme can count towards the required compulsory employer contribution (some restrictions apply). If your employer's contributions are less than the required amount they will be required to increase their contributions so that they meet the requirement.

What is the level of the fee subsidy that is being provided?

The fee subsidy has been set at $40 per member per year, and will be paid six-monthly into a member's account, with the first payment made on the date on which the $1,000 KiwiSaver kickstart is paid - about three months after Inland Revenue receives the first member contribution.

I'm already saving through another scheme – do I get the first home deposit subsidy?

KiwiSaver members, members of work based saving schemes that are exempt from KiwiSaver automatic enrolment rules, and members of complying superannuation funds are eligible for the first home subsidy as long as the member meets the eligibility criteria.

How do I know whether I am eligible for the first home deposit subsidy?

The first home deposit subsidy will first become available from 2010 as a member must have been regularly contributing about 4% of their income to a scheme for three years before they are eligible to apply for the subsidy. This means they must be regularly contributing from 2007 to be eligible for the subsidy in 2010.

Eligibility for the first home deposit subsidy is governed by the type of scheme a member is part of, income price caps and regional house price caps. A member must:

- be purchasing their first home or are second chance buyers (i.e. people who have owned a home before but who Housing New Zealand Corporation has determined are in the same financial situation as a first time buyer)
- be a member of: KiwiSaver, a scheme that is exempt from KiwiSaver automatic enrolment rules, or a complying superannuation fund
- have gross (before tax) household income of less than $100,000 per year (for one or two people), or less than $140,000 per year (for more than two people)
- be purchasing a lower-quartile priced home (currently this is $400,000 for higher priced areas such as North Shore City, Auckland City and Queenstown Lakes District, and $300,000 for the rest of New Zealand).

The eligibility criteria relating to the income caps and regional house price caps will be reviewed in 2009 before the policy takes effect. Visit the Housing New Zealand Corporation website for more information (www.hnzc.co.nz/hnzc/web/rent-buy-orown/home-loans/kiwi-saver-and-the-deposit-subsidy.htm).

To be eligible for the first home deposit subsidy, household income caps have been set - $100,000 per year for one or two people and $140,000 for three or more. Could these income caps apply to teenagers or others living and earning in the household?

The income caps only apply to those actually borrowing money to purchase a home, The income of non-borrowers who may also be living there is not taken into account.

I'm already a member of a workplace scheme – can I get any KiwiSaver benefits?

Access to the full suite of KiwiSaver benefits is limited to members of KiwiSaver. However, if you are a member of a complying superannuation fund you will be eligible for the member tax credit, the compulsory employer contributions, and you will be able to apply for the first home deposit subsidy.

You will not be able to access the $1,000 kickstart or the fee subsidy. Don't forget that you can join KiwiSaver at any time to access the full suite of KiwiSaver benefits.

Will I be able to benefit from the tax credit if I am overseas (either working or on holiday)?

If you are temporarily away from New Zealand (such as on holiday, or on a short-term work secondment) you will be entitled to the member tax credit on the contributions you make while overseas. If New Zealand ceases to be your principal place of residence then you will no longer be entitled to the member tax credit on your contributions.

What if I am on paid parental leave or on ACC payments - can I still receive themember tax credit and receive compulsory employer contributions?

Compulsory employer contributions do not apply in respect of contributions deducted from paid parental leave (paid by Inland Revenue) or weekly ACC compensation payments. However, you will be eligible to receive the member tax credit on contributions you make into a KiwiSaver scheme (or complying superannuation fund). The tax credit will depend on the level of contributions you make over the year (and will not exceed the cap). If your employer is paying an ACC payment on behalf of ACC the employer is not required to make compulsory employer contributions if you are still having deductions made.

I'm not working but I'd like to save into KiwiSaver - can I still get the member tax credit?

You will be eligible to receive the member tax credit[4] on contributions you make into a KiwiSaver scheme (or complying superannuation fund). The amount of tax credit you receive will depend on the level of contributions you make over the year (and will not exceed the cap of $20 per week). As you are not currently employed, you will not be entitled to compulsory matching employer contributions.

Withdrawals

When will I be able to withdraw money from my KiwiSaver account?

You will be able to withdraw all funds (including the $1,000 kickstart and member tax credits) from your KiwiSaver account:

- when you reach the age of eligibility for New Zealand Superannuation, or after five years of membership, whichever is the later
- in the event of serious illness.

You will be able to withdraw all your own contributions, accrued earnings and any vested employer contributions (but not the member tax credit) if you:

- leave New Zealand permanently
- suffer significant financial hardship[5];
- wish to make a deposit on your first home[6].

The member tax credit cannot be withdrawn under mortgage diversion or for making a deposit on your first home. Contributions diverted to your mortgage will not count towards entitlement to the member tax credit.

When can I use my KiwiSaver funds to put a deposit on a house?

After three years of saving you will be able to withdraw all your own contributions and any vested employer contributions to put a deposit on your first home. You will not be able to withdraw the member tax credits you have received or the $1,000 kickstart.

The first home withdrawal facility only applies for the purchase of your principal place of residence, and you will have to sign a statutory declaration to that effect. You will not be able to withdraw any funds to purchase an investment property.

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[4] Members aged 18 and over.

[5] In this circumstance you will not be able to withdraw the $1000 kickstart.

[6] In this circumstance you will not be able to withdraw the $1000 kickstart.

KiwiSaver allows me to pay off my mortgage?

Provided your KiwiSaver scheme provider offers a mortgage diversion facility and your mortgage provider allows it, you can divert up to half of your own contributions to KiwiSaver to make mortgage payments,. You will not be able to divert any employer contributions or any member tax credits you have received.

How will my KiwiSaver contributions (and withdrawals) affect how much tax I have to pay?

Your KiwiSaver contributions and withdrawals will not affect the tax you have to pay. This is because your contributions are taxed at your marginal tax rate before they are deposited into your KiwiSaver account.

Your investment earnings are also taxed at your marginal tax rate, up to a cap of 33%, though from 1 April 2008, the cap will be reduced to 30% - for more information see the fact sheet on the Tax Treatment of Savings Vehicles.

Any withdrawals from your KiwiSaver fund are tax-free.

Can you summarise when I will and won't be able withdraw my KiwiSaver funds?

The following table summarises when you will and won't be able to withdraw your KiwiSaver funds:

Withdrawal type	**KiwiSaver**	**Ability to withdraw under enhanced KiwiSaver package**	
		Member tax credit	**Compulsory employer contributions**
Mortgage diversion	Employee contributions	x	x
First home ownership	Employee + employer contributions	x	✓
Significant financial hardship	Employee + employer contributions	x	✓
Serious illness	All funds in KiwiSaver account	✓	✓
Permanent emigration	All funds in KiwiSaver account	Clawed back	✓
Death	All funds in KiwiSaver account	✓	✓
Age of eligibility for New Zealand Superannuation, or five years of membership	All funds in KiwiSaver account	✓	✓

Choice of Schemes

Does this mean that my current superannuation scheme is going to be converted to a KiwiSaver scheme, a complying superannuation fund, or both?

No, it depends on what decisions your scheme trustees make. In the main, any changes that the trustees wish to make must be made in consultation with scheme members. If you wish to know more about this you should contact your superannuation scheme provider.

Will I still have the option of joining a non-KiwiSaver superannuation scheme (including a workplace scheme)?

Yes, it is your own choice whether you join KiwiSaver or another superannuation scheme.

Other

Will I still receive New Zealand Superannuation (NZS) when I retire?

Yes, KiwiSaver is not a replacement for NZS. However, KiwiSaver will assist those who wish to have a better standard of living in retirement than would be possible if they were relying on NZS alone.

What are my responsibilities?

Joining KiwiSaver is a big decision, and may not be right for everyone. If you are thinking about joining KiwiSaver, you may want to take advice from a professional financial adviser, or visit one of the many websites (such as "Sorted" from the Retirement Commission (www.sorted.org.nz)) to help you make a decision.

How secure are my savings? Will the government guarantee them?

There is no explicit guarantee on your KiwiSaver account. Even in Australia, where superannuation saving is compulsory, the Australian government does not guarantee the funds.

In New Zealand, superannuation saving, including KiwiSaver, is voluntary. You choose whether to open a KiwiSaver account.

You also choose which provider you wish to use – and accordingly you choose the type of investment strategy and level of risk you are willing to take.

If you don't select a provider, you are allocated to a default provider. The default providers will follow deliberately conservative, low risk investment strategies.

While there is no explicit guarantee, the Government does regulate KiwiSaver providers to ensure no excessive fees are charged, and that KiwiSaver providers invest in a prudent manner. More information on the regulation of providers is available on the Ministry of Economic Development's website www.med.govt.nz – see Regulation, Securities and Financial Markets, Financial Products and Providers.

Where can I get help on making a decision that is right for me?

More information is available at www.kiwisaver.govt.nz, including a link to an online tool to help you estimate how much you can save with KiwiSaver. The Sorted website (www.sorted.org.nznow hosts the "Sort Me" tool – a free online financial check-up that aims to assess just how financially sorted you are. It also hosts an online calculator that includes the new KiwiSaver features.

Your employer has copies of the KiwiSaver Employee Information Pack to give you. You may also find it useful to speak to an independent financial advisor.

Will earnings in the KiwiSaver funds be taxed at the same 30% rate as other superannuation funds?

Yes. KiwiSaver funds will be taxed under the portfolio investment entity (PIE) rules similar to other superannuation funds – that is, at your marginal tax rates with the same maximum rate of 30% (from 1 April 2008).

How can I be sure my money is being invested in ways I approve of?

KiwiSaver schemes are required to disclose their approach to responsible investment.

KiwiSaver providers will have to disclose in their investment statements whether their investment policies and procedures take into account responsible investment criteria – including environmental, social and governance considerations. If they do, they must tell members where they can obtain further information on the extent to which they take responsible investment into account.

What other protections are there for me?

Under section 188 of the KiwiSaver Act 2006, the Government Actuary may carry out an investigation as a result of information received that the KiwiSaver scheme is not operating within the requirements and regulations of the Act.

Fees

What fees will I be charged in relation to my KiwiSaver account, and how do I know whether they are reasonable or not?

Fees charged by default KiwiSaver scheme providers have already been negotiated down by the Government. The fees for the conservative default fund offered by each provider are prescribed in the relevant Default Provider's Instrument of Appointment, and include:

- Administration fee – $3.06 or less per member per month.
- Investment Management Fee – 0.40% per annum or less. This fee is calculated on the gross asset value of the default investment product.
- Trustee Fees – 0.05% per annum or less. This fee is calculated on the gross asset value of the default investment product.
- Usually two free switching fees are allowed in a year and there are no entry/exit fees. There may be other minor charges including some such as audit fees which may be charged directly to the overall fund.

There is no prescribed fee structure or level of fees for non-default KiwiSaver schemes. Non-default providers determine the level of and type of investment funds and fees to be charged in the context of a competitive marketplace.

To mitigate the effect of fees on member's investment returns, the Government will make an annual contribution of $40 per member that will be paid directly into each member's scheme account.

Furthermore, the KiwiSaver Act prevents any person from charging unreasonable fees in respect of KiwiSaver scheme services. The responsibility for determining what constitutes 'unreasonable', and for ongoing monitoring of fees, rests with the Government Actuary, the independent regulator of superannuation schemes.

2 Employers

Responsibilities

What are my KiwiSaver responsibilities?

Employers must automatically enrol all new staff into KiwiSaver, regardless of whether the individual expresses a wish to join, unless the employee is in an exempt category (see below) or the employer has been granted exempt-employer status (i.e. is exempt from automatic enrolment).

From 1 April 2008 employers are required to match employee contributions to KiwiSaver (or a complying superannuation fund). This will be phased in over a fouryear period, starting at 1% of an employee's gross salary and wages from 1 April 2008, and rising to 4% by 1 April 2011. The Government will reimburse employers for their contributions to KiwiSaver (or a complying superannuation fund) by providing a tax credit up to a maximum of $20 per week per employee (up to $1,040 a year).

All employer contributions to KiwiSaver have to be channelled through Inland Revenue and employer tax credits will be paid to employers through the PAYE system. This will ensure that the tax credit will be paid at the same time the employer contribution is made to minimise cashflow impacts and compliance costs for employers.

What are my responsibilities in respect of part-time, fixed-term contract or casual employees?

Employers are required to automatically enrol all part-time employees in a KiwiSaver scheme provided the contract is for more than 28 days.

Employers are not required to automatically enrol employees on a temporary fixed-term contract if that contract is for 28 days or less. Automatic enrolment will apply for contracts of more than 28 days.

Casual agricultural workers who are employed for less than three months do not have to be enrolled automatically, but can join KiwiSaver by opting in. However, the automatic enrolment rules will apply to casual agricultural workers if their employment is extended beyond three months. Casual employees whose employment is intermittent and irregular and therefore receive their holiday pay as part of their pay are not subject to automatic enrolment. This applies from 1 April 2008.

What are my responsibilities if I am already operating a work-based superannuation scheme?

You can continue operating your current work-based superannuation scheme. If your scheme meets certain requirements you can apply to the Government Actuary for an exemption from the KiwiSaver automatic enrolment rules.

Even if you have an exemption from automatic enrolment, you are required to enrol an employee into KiwiSaver and make deductions from the employee's pay if that employee chooses to join KiwiSaver.

Contributions you make to an existing scheme for existing employees will count towards the compulsory employer matching contributions – further details of this are outlined in the employer pack, or on www.kiwisaver.govt.nz/.

If you wish to receive the employer tax credit you will need to redirect your contributions to a complying superannuation fund under your current superannuation scheme, or to a KiwiSaver scheme.

Does this mean I shouldn't offer employees any new non-KiwiSaver superannuation scheme?

No, it does not. Some employees may prefer non-KiwiSaver superannuation schemes and on this basis may choose to enrol into a non-KiwiSaver scheme – in which case they will not get the member tax credit.

Some employers may also prefer the flexibility of a non-KiwiSaver scheme, such as the ability to put in place a vesting scale which meets their particular recruitment and retention needs – in which case they may not get the employer tax credit.

The key point is that unless you have an exemption from the KiwiSaver automatic enrolment rules you will be required to automatically enrol new employees into KiwiSaver and enrol existing employees who opt in. All employers will have to match their employees' KiwiSaver contributions up to the specified amount (beginning at 1% of gross salary from 1 April 2008, rising 1% a year until it reaches 4% from 1 April 2011).

Contributions

Why is there a requirement for compulsory employer contributions?

Employees and employers alike have a stake in lifting the saving performance of New Zealand. Increased savings helps employees enjoy a higher standard of living in retirement and also increases the supply of domestic savings that can be invested in New Zealand businesses, helping local businesses grow. The compulsory employer contribution is being phased in over time – 1% of an employee's salary and wages from 1 April 2008, rising 1% a year until it reaches 4% from 1 April 2011 – to help ease the transition. The Government recognises that over time employer contributions may effectively form part of the wage negotiation process, which will be for employers and employees to mutually agree. These negotiations are required by law to be conducted in good faith.

Will I have to make compulsory matching contributions if I am contributing on behalf of my employee to a non-KiwiSaver scheme?

If you are making deductions from an employee's pay for contributions into a complying superannuation fund (which attracts the member tax credit) you will be required to make a compulsory contribution. However, if you are already making contributions for your employee into a non-KiwiSaver scheme, including a complying superannuation fund, employer contributions to that scheme may count towards your compulsory matching contributions in a limited set of circumstances.

I am currently making contributions above 4% - do I have to change this?

No, you do not need to change your contribution rate. However, all contributions will count towards the compulsory employer contribution requirement to the extent that the contribution is vested with the employee. To be eligible for the employer tax credit your contributions will need to be made to a complying superannuation fund.

Do compulsory employer contributions have to be made during the opt-out period, or can we hold these contributions back until we know whether or not the employee is staying in KiwiSaver?

As employee contributions are deducted from pay during the opt-out period, employers will also be required to make contributions during this period. If an employee opts out via an employer then there is no need to on-pay contributions to Inland Revenue. If contributions have already been on-paid, then Inland Revenue will refund the employer contributions to the employer and the employee contributions direct to the employee.

Benefits

What are the benefits of KiwiSaver to me as an employer?

New Zealand's labour markets are tight. Businesses have to compete for high-quality labour, not only from their own domestic competitors, but also internationally. Workplace superannuation is a key feature of the salary packages being offered by many internationally competitive businesses.

KiwiSaver provides for all employers contributing to an employee's KiwiSaver scheme (or complying superannuation fund) to be eligible for a matching employer tax credit of up to $20 per week (up to $1,040 per year) per employee from 1 April 2008. In general, the employer tax credit will, for those employees earning under $104,000, cover the cost to employers of the 1% compulsory contribution in the first year, while allowing employers time to plan for, and negotiate with employees, the increase in employer contributions in subsequent years.

Mine is a small business, what are the benefits of KiwiSaver for me?

KiwiSaver provides all New Zealand businesses, regardless of size, with an off-the-shelf superannuation scheme administered through the existing PAYE system. KiwiSaver will assist businesses, large and small, in attracting and retaining staff.

Increased savings also increase the supply of domestic savings that can be invested in New Zealand businesses, helping local businesses grow. This can be seen in the current depth/extent of funds in Australia, which is commonly attributed to the superannuation savings/contributions of Australians.

Will I be eligible for the employer tax credit if I am contributing on behalf of my employee to a non-KiwiSaver superannuation scheme?

You will be eligible for the employer tax credit if your contributions are going to a complying superannuation fund.

How, and how often, will I be receiving the employer tax credit?

Employer tax credits will be paid to employers through the PAYE system. This will ensure that the tax credit will be paid at the same time the employer contribution is made to minimise cashflow impacts and compliance costs for employers. Different employers pay PAYE to Inland Revenue at different intervals.

Do I need to make contributions via Inland Revenue to get the employer tax credit?

Inland Revenue will be the collection agency for all employee and employer contributions to KiwiSaver schemes. This will enable Inland Revenue to check that the compulsory employer matching contributions are being made.

As well as collecting contributions to complying superannuation funds, scheme providers will also be responsible for notifying the Government Actuary of any short payments – where the full amount of the employer matching contributions are not paid to the scheme provider.

Employers will receive the tax credit for the contributions that they make to a KiwiSaver scheme or complying superannuation fund.

Other

Is the employer contribution to KiwiSaver deductible to the company?

Compulsory employer contributions – 1% of an employee's gross salary and wages from 1 April 2008, rising 1% per year until they reach 4% by 1 April 2011 – will attract a tax credit, providing the employer contributions are to a KiwiSaver or complying fund. Employer contributions are deductible to the extent that they don't attract a tax credit. This means that employer contributions in excess of the level of the credit are deductible.

If an employee is not contributing to KiwiSaver, is the employer obliged to open an account on their behalf and contribute 1% of their gross earnings moving through to 4% in 2011?

No. Employer contributions are required only when an employee is also contributing to KiwiSaver through their wages or salary. No contributions are required if a new employee opts out, or if an existing employee does not opt-in, or if your employee is an existing KiwiSaver member that elects to take a contributions holiday.

How does a tax exempt non-profit organisation receive the equivalent employer contribution tax credit?

A non-profit organisation will receive the employer tax credit for employer contributions to their employees' KiwiSaver accounts through the PAYE system like all other employers.

I'm a farmer with staff – how can I receive the employer contribution tax credit?

If you employ staff and not contractors, then you would be entitled to the employer tax credit through the PAYE system. A contractor (self-employed) would not be eligible.

What if I am already subsidising my employees into a scheme that is not KiwiSaver compliant? How is the 1% compulsion effective from April 2008 going to affect me?

To minimise the impact of compulsory employer contributions, the government will allow employer contributions to all non-KiwiSaver schemes to count towards compulsory contributions if:

- The employee is employed by the employer on 1 April 2008; and
- The employee is a member of a KiwiSaver scheme on 1 April 2008; and
- The employer has agreed before 1 April 2008 with the employee to make employer contributions in respect of the payment of the employee's salary or wages for the KiwiSaver scheme; and
- The employee has chosen, before 1 April 2008, that employer contributions count towards the contribution rate.

3 Self-employed

Being a self-employed person what do I get out of KiwiSaver?

You will be able to join KiwiSaver by contracting directly with a KiwiSaver scheme provider. You will receive the $1,000 kickstart and an ongoing fee subsidy of $40 per year. Your personal contributions will also be matched by a tax credit of up to $20 per week (up to $1,040 per year[7]), which will be paid directly into your KiwiSaver account. After three years of saving you may be eligible for the first home deposit subsidy.

I'm only a small operation – do I need to offer KiwiSaver? Is there anyone who can help me with it?

Yes, if you employ staff you will be required to automatically enrol new employees into KiwiSaver and you will need to provide access to KiwiSaver for existing employees who want to opt in to the scheme. You will also be eligible for the employer tax credits and your employees will be eligible for the member tax credits and matching employer contributions.

This ensures that small employers will be able to offer their employees the same benefits that other employers will be able to offer. The process has been designed to fit with the existing PAYE system to help make it easier for employers.

If you are unsure of your responsibilities and how KiwiSaver fits with your PAYE processes, then you can contact Inland Revenue on their dedicated employer helpline: 0800 377 772.

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[7] After 30 June each year.

4 Providers

Responsibilities

What are my options if I want to participate in KiwiSaver?

The options for a superannuation scheme are:

- Convert into a KiwiSaver scheme
- Establish a KiwiSaver scheme under an umbrella trust that also governs a registered superannuation scheme (known as a KiwiSaver 'bolt-on')
- Establish a section within a registered superannuation scheme that has been approved by the Government Actuary as having met certain criteria similar to
- KiwiSaver (e.g., KiwiSaver lock-in rules and portability) (known as a 'complying superannuation fund')

You can also continue to operate independently of KiwiSaver. In order for a superannuation scheme provider to become a KiwiSaver scheme provider, they are required to enter into a scheme provider agreement with Inland Revenue and register with the Government Actuary.

The Government Actuary will register a scheme if it meets the requirements set out in Part 4 of the KiwiSaver Act 2006.

What will I need to do to ensure my clients get their member tax credit?

In order for the member tax credit to be paid into a member's KiwiSaver account (or complying superannuation fund account), providers will be required to submit an annual claim return to Inland Revenue.[8] Inland Revenue will be consulting with providers to determine the details to be submitted in this annual claim and the administration process. Inland Revenue will calculate the member tax credit for the KiwiSaver member based on the information submitted by the provider and held by the department.

From 1 April 2008 providers will be required to notify the Government Actuary of short payments of compulsory employer contributions if the short payment is over $500. From 1 April 2009 the Government Actuary will be able to transfer such amounts to Inland Revenue for collection.

Will there be any requirements on the scheme to police compulsory employer matching contributions?

Trustee responsibilities, such as ensuring that benefits under the trust deed are paid, will continue in addition to the requirement that the scheme takes reasonable steps to recover the unpaid amount of a compulsory contribution from the employer.

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[8] After 30 June each year.

From 1 April 2009, providers will be required to notify the Government Actuary when compulsory employer contributions to complying superannuation funds have not been paid in full. Inland Revenue will check that compulsory employer contributions to KiwiSaver schemes are being paid in full, and it will be the central agency for recovering all short paid compulsory employer contributions, including for complying superannuation funds.

What does it mean when you say I have to be satisfied that a person has their principal place of residence in New Zealand? And why do I have to do that?

For a provider to claim a tax credit on behalf of a member the provider must be reasonably satisfied that the member's principal place of residence is in New Zealand. When a member makes a withdrawal they will be required to inform the scheme trustees of their principal place of residence and sign a statutory declaration stating if they have ever had a principal place of residence overseas. Scheme trustees will need to remind members of this obligation.

Benefits

What are the expected benefits to scheme providers of KiwiSaver?

More people will participate in retirement saving. Contribution levels will be higher as a result of the tax credits and the compulsory employer matching contributions. It is expected that the flow of funds into superannuation schemes and managed funds will grow significantly, especially in the initial years following the introduction of KiwiSaver. Providers will need to deal with fewer inactive accounts because, with the introduction of the new incentives, more people are likely to be making regular contributions to their KiwiSaver accounts in order to enjoy the benefits.

What is the level of the fee subsidy that will be provided?

The fee subsidy has been set at $40 per member per year and will be paid six-monthly into a member's account, with the first payment made on the date on which the $1,000 KiwiSaver kickstart is paid.

Operational Environment

How will the member tax credits be administered?

The member tax credit will be claimed retrospectively by providers for their members on an annual basis, based on the member contribution information the provider and Inland Revenue holds.

The scheme provider must submit an annual return to Inland Revenue showing each member's details and information necessary for Inland Revenue to calculate the credit based on the information provided and held by Inland Revenue. Inland Revenue will then pay the tax credit to the provider for it to be deposited into the member's account.

Are there going to be rules about where a scheme can and can't invest funds?

There are some investment restrictions for KiwiSaver schemes with fewer than 20 members. These schemes are required to comply with certain investment restrictions including:

- Precluding lending money or providing financial assistance to a member

- Limiting the amount of the scheme’s assets in investments related to, or managed by, a member (or associated person) to 5%

- Requiring transactions between the scheme and associated persons to be at market value.

Do I need to disclose the sorts of investments my scheme(s) is making?

KiwiSaver schemes will be required to disclose their approach to responsible investment from 1 April 2008.

This is to allow investors to have confidence in the environmental and social credentials of the investments made on their behalf by KiwiSaver and KiwiSaver complying schemes.

KiwiSaver providers will have to disclose in their investment statements whether their investment policies and procedures take into account responsible investment criteria – including environmental, social and governance considerations. If they do, they must tell members where they can obtain further information on the extent to which they take responsible investment into account.

The Securities Commission will provide guidance notes for funds on this aspect.

5 General

I have heard a lot about 'complying superannuation funds' – what exactly are they?

A complying superannuation fund is a section within a registered superannuation scheme that has been approved by the Government Actuary as having met certain criteria similar to KiwiSaver, such as KiwiSaver lock-in rules and portability. You should ask your scheme provider if you are unsure whether a scheme you currently belong to is a complying superannuation fund.

Impact on Savings

What impact is KiwiSaver going to have on household saving?

It is expected that KiwiSaver will have a significant impact on household saving, although it is difficult to estimate this impact with any great certainty and it will also take time for the effects to be obvious. KiwiSaver's design combines a number of the elements of international saving schemes that have been successful in raising household saving, such as automatic enrolment, lock in and matching contributions (from the employer and Government).

What impact is KiwiSaver going to have on national saving?

It is difficult to estimate with any great certainty the impact KiwiSaver will have on national saving. This depends on how the tax credits will ultimately be funded and the impact it will have on household saving.

Financial market impacts

How is KiwiSaver going to help financial markets in New Zealand?

The incentives in KiwiSaver are expected to increase the level of participation and the level of contributions made to superannuation schemes (both for KiwiSaver and complying superannuation funds). This will increase the amount of money invested in superannuation funds and managed funds.

Over time, a sustained increase in holdings of financial assets by New Zealand households should help broaden and deepen financial markets in New Zealand. It is likely to enhance financial product innovation and help develop greater quantity and quality of financial services. These should better serve both savers seeking good returns and firms seeking funding.

Increased saving will also help diversify people's asset portfolios beyond property investments, thus improving the stability of the financial system through diversification and also the resilience of people's balance sheets.

What happens if schemes go bust?

KiwiSaver is not a government-guaranteed scheme. There is already a regulatory system governing the operation of superannuation schemes generally, and the KiwiSaver Act, passed in 2006, brought in additional requirements for KiwiSaver schemes.

The Government has extended some of the additional KiwiSaver requirements to other relevant schemes operating with KiwiSaver type benefits because of the added incentives for people to join existing schemes with KiwiSaver features, and to ensure the regulatory requirements for schemes operating in the KiwiSaver environment is sound. The Government will also look into whether any additional regulatory requirements need to be put in place to ensure there is an appropriate degree of consumer protection.

Costings, funding and take-up

What's the expected take up rate of KiwiSaver?

Participation in KiwiSaver is difficult to predict. Take-up has been estimated on the best information that is currently available, such as overseas evidence and past and current New Zealand experience. However, there are a wide range of plausible participation assumptions and the participation rate is likely to vary across different sub-groups of the labour force.

Take-up to date (December 2007) has been running well ahead of initial assumptions, and fiscal estimates have been adjusted accordingly as part of the Half-Year Economic and Fiscal Update. It is too soon to say whether this represents a sustained trend.