

KiwiSaver: Key points for State sector employers

Issued by the State Services Commission 31 March 2009
based on legislation current as at 1 April 2009

Q: *What are the main changes that affect me as an employer?*

A: Compulsory employer contributions to KiwiSaver accounts rise to 2% 1 April 2009, and are capped at that point under current legislation. From 1 April 2009 the employer tax credit is removed and employer contributions to KiwiSaver above 2% of gross salary become subject to employer superannuation contribution tax (ESCT)

Q: *Can my employees join KiwiSaver even if they are already involved in another workplace savings scheme?*

A: All employees can join KiwiSaver if they meet the eligibility criteria, regardless of what other scheme(s) they have joined. If they are receiving an employer subsidy into that scheme that subsidy may count towards the compulsory employer contributions. For more details, see <http://www.ird.govt.nz/kiwisaver/employers/how/working-with-providers/existing-schemes/>.

Note: for most employees who were recruited from 1 April 2008 onwards, employer contributions to other schemes (except defined benefit schemes) may not count towards the employer's obligation to pay KiwiSaver employer contributions. Other scheme rules may need to be amended to avoid double-dipping. Check with your scheme manager or trustee if you are unsure of the way the KiwiSaver rules fit with or take precedence over other scheme rules.

Q: *Is there any funding available for State sector agencies to pay for the compulsory employer contributions to KiwiSaver?*

A: Central funding for compulsory employer KiwiSaver contributions is available, at the minimum legislated level, to State sector agencies (except for State Owned Enterprises or their subsidiaries, and subsidiaries of crown entities) who are not already offering employer contributions into any retirement savings scheme to their employees.

The amount of the funding has been net of employer tax credits received by the employer. Employer contributions that are supported by this central funding are expected to be paid on top of existing remuneration and are not tradable for cash.

Q: *What funding is available if I choose to contribute more than the legislated minimum employer contribution to an employee's KiwiSaver scheme?*

A: Central funding for KiwiSaver contributions is only available at the legislated minimum level – 1% from 1 April 2008; 2% from 1 April 2009. Any additional contributions made by State sector employers must be funded out of existing baseline.

Note: Employer contributions above 2% will be subject to ESCT from 1 April 2009.

Q: *As an employer where can I obtain more information about the changes to KiwiSaver?*

A: Further KiwiSaver information is available online at www.kiwisaver.govt.nz and www.sorted.org.nz, or immediate questions can be emailed to super@ssc.govt.nz.