

Supernews

KiwiSaver

Parliament voted to make changes to KiwiSaver in December 2008. These changes are timed to come into effect on 01 April 2009.

This superannuation scheme was approved by the Government Actuary on 05 July 2007 as a 'complying superannuation fund'. This approval had the effect that Members were able to make contributions into the 'complying superannuation fund' at a four per cent rate and this rate was matched by a four per cent contribution from the Employer. The balance of both the Member and Employer contributions were placed in the other section of the scheme.

In return for the contributions in the 'complying superannuation fund' being locked-in until age 65 or until you had been a Member of the 'complying superannuation fund' for five years you received a tax advantage because the Employer did not have to pay ESCT – Employer's Superannuation Contribution Tax – on the first 4% of their contributions and you received a tax credit based on your contributions.

There were other benefits for those who elected to make contributions to the 'complying superannuation fund' and there were a number of benefits that applied only to a KiwiSaver

scheme. These benefits were set out in Supernews 87 dated 20 July 2007.

The December legislative changes were significant and have effectively established a 2%+2% KiwiSaver scheme as opposed to a 4%+4% scheme. The effects of this on contributions to the 'complying superannuation fund' are:

- Removal of all Employer Tax credits that matched Member contributions.
- Existing Members will be able to make a 2% or a 4% contribution.
- New Members after 01 April 2009 will only be able to make a 2% contribution.
- Employer compulsory contributions will be capped at 2% of the Member's salary.
- The Employer will be exempt from the payment of Employer Superannuation Contribution Tax (ESCT) in matching the Member contributions to a maximum of 2% only.
- Member Tax credits will match the member contributions only.

In dealing with these changes the Trustees have resolved that from 01 April 2009 the contributions to the 'complying superannuation fund' will be either 2% or 4% from the Member at their discretion and 2% from the Employer.

However for existing Members the Member contributions cannot be reduced unilaterally by the Trustees and these Members will be written to seeking setting out the options that may be taken related to their future contributions to the scheme.

The Trustees have also taken the opportunity to review other provisions contained in the KiwiSaver Act and have resolved to:

- Permit provisions contained in the KiwiSaver Act for Withdrawals in the case of significant financial hardship or transfer to a foreign scheme in cases of permanent emigration, and
- Align the provisions contained in the KiwiSaver Act for Withdrawals in cases of serious illness with the current Trust Deed provisions related to Loss of Medical and Physical Fitness.

All these changes will be incorporated into an amendment to the Trust Deed of the scheme in due course.

Current Members of the 'complying superannuation fund' are asked to return their form by return mail in order to ensure their contributions are reduced from the pay they receive on 08 April 2009 and they are thanked for that in advance.

Comparison between previous policy and post 01 April 2009 policy

Assume a Member on a gross salary of \$ 50 000 per annum contributes to the 'complying superannuation fund'. The following table compares the net amount reaching the Member's 'complying superannuation fund' under the previous policy and after 01 April 2009:

| | Previous policy | New policy | |
|---------------------------------------|-----------------|------------|----------|
| Member and Employer contribution rate | 4% | 4% | 2% |
| Member contribution | \$ 2,000 | \$ 2,000 | \$ 1,000 |
| Member Tax credits | \$ 1,040 | \$ 1,040 | \$ 1,040 |
| Employer contribution | \$ 2,000 | \$ 1,000 | \$ 1,000 |
| Total | \$ 5,040 | \$ 4,040 | \$ 3,040 |

Changed your personal details lately

Members are reminded that now is a good time to check that your personal details are up to date.

Go to www.firesuper.co.nz and click through on the 'Access Account Details' link which is found at the top right hand corner on each page at the web site.

Once you are logged in you will be able to update your postal address and e-mail details in order that the Trustees are able to keep in contact with you.

Further enhancements are being planned later in the year to allow you to update more information and to update your security pin on line.

For those who do not do business on the internet you can still write to the Trustees at the postal address on the front page of this Supernews and update your information that way.

Death benefit payments

Members are reminded that when they are making reduced contributions or have suspended contributions to the scheme and they die whilst these circumstances continue, the Trust Deed pro-rates or reduces the minimum two times salary as a death benefit available to that Member.

As an example, if you are entitled to contribute at six per cent of your salary/wages and your contributions are three per cent of your superable salary/wages the death benefit will be a maximum of one half of two times salary or the balance of your accounts whichever is the larger should you die.

Members should take this into consideration if they are considering reducing or suspending their contributions to the scheme.

Members are also reminded that where a death benefit entitlement exists no payment of the death benefit will be made until **at least six months has elapsed** from the date of death.

This period is the statutory period for persons to make a claim against your Estate or the Executors of your Estate in accordance with Options A or B of the Property (Relationships) Act 1976.

Members would be advised to take account of this procedure when arranging their business in the case of their death.

New forms in use

Members are advised the 'Cessation Advice and Discharge' and the 'Application for Membership' forms have been recently updated and a copy of them are at available at the web site by clicking on the 'Forms and Documents' link. From the receipt of this Supernews the old forms will no longer be accepted.



BARRY DENT
SCHEME SECRETARY