

GOVERNMENT SUPERANNUATION FUND

FREQUENTLY ASKED QUESTIONS

ABOUT KIWISAVER – BACKGROUND INFORMATION

KiwiSaver is a work-based savings initiative to help you save for your future. It has unique benefits to make long-term saving easier. It's also flexible, to suit you at different times in your life.

What is it?

KiwiSaver is a voluntary, long-term savings initiative to help set you up for your retirement. Most KiwiSaver members will build up their savings account through regular contributions from their pay, member tax credits paid into their account by the Government and employer contributions.

Who's involved?

KiwiSaver is a government initiative involving employers, KiwiSaver scheme providers and several government agencies. It is open to all New Zealand citizens and people entitled to be in New Zealand indefinitely, up to the age of entitlement to New Zealand superannuation (which is currently 65).

Legislation and policy

KiwiSaver is governed by various Acts including the KiwiSaver Act, passed in September 2006.

For more detailed information on KiwiSaver, please refer to www.kiwisaver.govt.nz.

HOW KIWISAVER WORKS

Membership

Membership is voluntary and open to all New Zealand residents aged up to the age of entitlement to New Zealand superannuation (which is currently 65). However, if you are 18 years or over and start a new job you will be automatically enrolled into KiwiSaver (with some exceptions) and unless you opt out you will become a member of a KiwiSaver scheme. Other people can choose to opt in.

Role of employers

Employers play an important role in KiwiSaver. If you start a new job your new employer is required to give you a KiwiSaver information pack (supplied by Inland Revenue) or if you are an existing employee, upon request, your employer must give you a KiwiSaver information pack. Additionally, if you have been automatically enrolled into KiwiSaver (and have not opted out), or you have opted into KiwiSaver, your employer must deduct KiwiSaver contributions from your pay and pass them on to Inland Revenue.

From 1 April 2008, unless your employer is already making contributions to your account in (or amounts are credited on behalf of your employer for your benefit within) an existing registered superannuation scheme (which meets

certain criteria, or where you are a member of Parliament, a judicial officer, or a sworn member of the police) your employer will be required to make contributions to your KiwiSaver account. The compulsory employer contribution rate is 1% of your salary or wages increasing to 2% from 1 April 2009.

Your pay

The amount you contribute each pay is based on your before-tax pay. Until 31 March 2009 you can choose to pay either 4% or 8% of your gross salary or wages. From 1 April 2009 you can choose to contribute either 2%, 4% or 8% of your gross salary or wages. After a year in KiwiSaver you can take a break from saving, called a contributions holiday. Employers can help their employees to save, with compulsory tax free employer contributions to their KiwiSaver accounts (limits apply).

The Government will also match your contributions up to \$1,042.86 per year. This Government contribution is known as a 'member tax credit' and is paid into your KiwiSaver account once a year.

IN OR OUT?

KiwiSaver suits different people at different times in their lives. It can be a good option if you're just getting into your career, or are older and want an easy way to save.

KiwiSaver may not be right for you if:

- you would be better off repaying debt
- you are sure your retirement income from NZ Super and other savings plans will be enough.

If you already have a retirement savings scheme

If you already have a retirement savings scheme, you have several options including:

- contribute to your existing scheme but not into KiwiSaver (if you are automatically enrolled into KiwiSaver you can opt out).
- contribute to both your existing scheme and to KiwiSaver.

Q 1 What does KiwiSaver mean to me?

A 1 That depends on your current situation. If you are currently employed and don't intend to change jobs in the foreseeable future then KiwiSaver doesn't need to impact on you at all. However it is likely at some point that you will change your job, and then you will need to make a decision on whether to join a KiwiSaver scheme. Of course you don't need to wait until you change jobs – you can join a KiwiSaver scheme at any time by contacting a scheme provider.

Q 2 Why would I join a KiwiSaver scheme?

A 2 Again, that depends on your current situation. If you already have a superannuation scheme, and you are contributing to it on a regular basis, then you may decide that there's no reason for you to join a KiwiSaver scheme.

However if you aren't currently saving for your retirement, then a KiwiSaver scheme has some attractive qualities, such as:

- **\$1,000 kick-start contribution from the Government.** The Government will pay a one off amount of \$1,000 into a KiwiSaver scheme for you, to help kick start your retirement savings.
- **Member tax credit.** In effect, the Government will match your contributions to a KiwiSaver scheme each year, up to a maximum of \$20 per week (\$1,042.86 per year), subject to certain exceptions.
- **Compulsory employer contributions.** Compulsory employer contributions began on 1 April 2008 in respect of employees who contribute to a KiwiSaver scheme or to a complying superannuation fund, subject to certain exceptions. See question 12 below for more details.
- **First home withdrawal.** After being a member of KiwiSaver for 3 years you can withdraw all or part of your savings (except for the \$1,000 government contribution and member tax credits) to put towards buying your *first* home (in certain circumstances you may be eligible for the first home withdrawal even if you have previously owned your own home, this is known as the 'second chance' first home withdrawal).
- **First Home Deposit Assistance.** The Government proposes to offer a *first* home deposit subsidy of up to \$5,000 to certain KiwiSaver scheme members (subject to certain criteria). The subsidy will be \$1,000 per year of membership, subject to a minimum of 3 years membership.
- **Mortgage diversion.** After one year of contributing to a KiwiSaver scheme you may be able to elect to divert some of your contributions to help pay off your home mortgage.

Q 3 Is GSF a complying superannuation fund under KiwiSaver?	
A 3	No. A fundamental requirement of becoming a complying superannuation fund under KiwiSaver is that the scheme must be available to new members. The GSF schemes have been closed to new members since 1 July 1992 and therefore can not meet this requirement.
Q 4 In my existing employment, do I have to join a KiwiSaver scheme if I am already a GSF member?	
A 4	No, you do not have to join a KiwiSaver scheme.
Q 5 What are the benefits of remaining with my GSF scheme?	
A 5	<p>Ultimately the decision on whether to remain with GSF or join a KiwiSaver scheme rests with you. The GSF Authority recommends that before making this decision you carefully weigh up the benefits of both schemes.</p> <p>Some of the advantages of staying with GSF are:</p> <ul style="list-style-type: none"> • The GSF schemes are defined benefit scheme and so your entitlement is determined by reference to your age, length of Government service and salary at retirement, rather than by your account balance. • The Crown underwrites the benefits payable by the GSF schemes. • Retiring allowances paid to members are adjusted each year to reflect the increase, if any, in the cost of living. • You can continue your membership of a GSF scheme and still become a member of a KiwiSaver scheme, although your employer would not be required to contribute to the KiwiSaver scheme if you are contributing to GSF. We recommend you seek independent financial advice before pursuing this option.
Q 6 If I change employment in the future and remain in Government service, do I have to join a KiwiSaver scheme if I am still a GSF member?	
A 6	When you change employment, you will be automatically enrolled in KiwiSaver, unless your new employer has an exemption. An employer can obtain an exemption if they offer a superannuation scheme that meets certain criteria. If you do not want to be a KiwiSaver scheme member, and you are automatically enrolled into KiwiSaver when you commence new employment, you should opt out using the forms provided in the Inland Revenue information pack, and also confirm this with your new employer.
Q 7 Can I transfer my GSF contributions to a KiwiSaver scheme?	
A 7	You may only transfer your GSF contributions to a KiwiSaver scheme nominated by you if you cease Government service and you have not less than 10 years' contributory service. The KiwiSaver scheme you elect to transfer to must be approved by the Authority and be registered under the KiwiSaver Act 2006.

<p>Q 8 Can I continue contributing to GSF and at the same time contribute to a KiwiSaver scheme?</p>
<p>A 8 Yes, you can contribute to both GSF and a KiwiSaver scheme at the same time. Your employer will, however, not be required to contribute to a KiwiSaver if you are contributing to GSF.</p> <p>You will however be bound by the conditions of both schemes until their respective retirement or withdrawal conditions have been met.</p>
<p>Q 9 If I join a KiwiSaver scheme, can I stop contributing to GSF?</p>
<p>A 9 Yes, if you are under age 50 you can stop contributing to GSF and contribute to a KiwiSaver scheme. Please refer to the answer to the question below for more information.</p> <p>Before making any decision to stop contributing to GSF we recommend you seek financial advice from an independent financial adviser. Information on how to select an adviser is available from the Institute of Financial Advisers (IFA) which has branches and members located throughout New Zealand. Their website address is www.ifa.org.nz.</p>
<p>Q 10 Can I stop contributing to GSF, and leave my contributions in GSF, while I contribute to KiwiSaver and then later recommence my GSF contributions?</p>
<p>A 10 Yes, if you are under 50 years of age you may suspend (stop) your contributions to GSF for any period of time.</p> <p>You may recommence contributions to GSF if you are deemed to be in Government service and under 50 years of age. You cannot resume contributions to GSF if you are over 50 years of age.</p> <p>We also recommend that before making any decision to suspend GSF contributions you seek financial advice from an independent financial adviser. Information on how to select an adviser is available from the Institute of Financial Advisers (IFA) which has branches and members located throughout New Zealand. Their website address is www.ifa.org.nz.</p>
<p>Q 11 If I do not join a KiwiSaver scheme but continue contributing to GSF will I qualify to receive the \$1,000 kick-start contribution and member tax credits from the Government and the \$40 per year fee subsidy (which applies only until 1 April 2009) and mortgage diversion options?</p>
<p>A 11 No, to gain these benefits you need to belong to a KiwiSaver scheme.</p>
<p>Q 12 If I wish to contribute to a KiwiSaver scheme does my employer have to contribute as well?</p>
<p>A 12 From 1 April 2008, employers must pay compulsory employer contributions into employee accounts in respect to certain employees who contribute to a KiwiSaver scheme or a complying superannuation fund. Employers must contribute 1% of employees salary or wages until 1 April 2009, increasing to 2% from 1 April 2009.</p>

Q 13 When can I withdraw my balance and exit from a KiwiSaver scheme?

A 13 The main circumstance in which you can withdraw your balance from a KiwiSaver scheme and exit the scheme is referred to as the **end payment date**. This is where you reach the age of entitlement to New Zealand superannuation (currently age 65), or have been a member of a KiwiSaver for five years, whichever is the latest. However, reaching the end payment date does not mean that you have to withdraw your balance.

You are also permitted to withdraw all or part of your balance in a KiwiSaver scheme prior to the end payment date in the following circumstances (certain conditions will apply), including:

- First home or 'second chance' first home withdrawal (as described above).
- Serious illness or financial hardship.
- Permanent emigration from New Zealand.

If you die while you are a member of a KiwiSaver scheme, your personal representatives can withdraw your balance and pay it into your estate. The Trustees of a KiwiSaver scheme will be required to release all or part of your balance where required under any enactment or order of a court under any enactment, for example, pursuant to a relationship property sharing order made under the Property (Relationships) Act 1976..

Q 14 If I join KiwiSaver how much do I have to contribute?

A 14 If you are an employee and a KiwiSaver member, your employer is required to deduct contributions from your pay. Until 1 April 2009 you may contribute at either 4% or 8% of your gross salary or wages. From 1 April 2009 you contribute at either 2%, 4% or 8% of your gross salary or wages. The employee must elect at which rate to contribute. If the employee does not elect, the default rate is 4% for employees who commenced contributions before 1 April 2009 and 2% for employees who commence contributions after 1 April 2009.

Note, if you commenced contributions to a KiwiSaver scheme less than 3 months prior to 1 April 2009, you may only reduce your contributions to the minimum 2% rate within 3 months of your first contribution with the agreement of your employer. After 3 months have expired, you may elect a 2% contribution rate by giving notice to your employer. Reducing your contribution rate to 2% may affect the amount of member tax credits you receive.

From 1 April 2008 until 1 April 2009, employer contributions will not count toward the minimum required employee contributions, unless the employer and the employee each agree to contribute at transition contribution rates of 2% of the employees' salary or wages.

An employee may also make additional contributions, over and above the 4% or 8%, at any time to the Inland Revenue Department or directly to the scheme provider.

After one year in KiwiSaver you may take a contributions holiday.

Q 15 How long can I take a contributions holiday from a KiwiSaver scheme?

A 15 The maximum time that you can take for a contributions holiday is up to five years. However, you may apply for a further contributions holiday as a previous contributions holiday expires.

Q 16 Do I qualify for mortgage diversion under KiwiSaver?

A 16 KiwiSaver scheme providers are not required to offer a mortgage diversion facility. If they do offer this facility, and you been in KiwiSaver for 1 year, you will be able to divert up to half of your regular contribution towards the mortgage on your home. Mortgage diversion may only be used towards the mortgage on your main home (not an investment property or holiday home). Employer contributions cannot be diverted towards your mortgage.