

## Employer Update

**This Employer Update is important to Payroll Staff** – it confirms Datacom's requirements for the collection and forwarding of Government Superannuation Fund (GSF) contributions and associated data.

### **Former Higher Salary (FHS) Elections**

Subject to employer consent a contributor to GSF, who has a reduction in salary for any reason except misconduct, may make an election to contribute at the previous higher salary rate, a FHS election.

A FHS election may be made as soon as the contributor has been advised that the salary is to be reduced, but must be made within 3 months of the reduction. Any FHS election received after that 3 month period has elapsed requires the approval of the Government Superannuation Fund Authority (the Authority or GSFA). Submissions to the Authority are considered on a case by case basis.

The employer is not obliged to pay the employer subsidy in respect of the FHS election and may indicate (on the election form) that the election is not supported. If this is the case the contributor will be required to pay both the employee contributions on the full (higher) salary and also the difference in employer subsidy (between the actual salary and the former higher salary). Any employer subsidy paid by a contributor is calculated using the employer subsidy rate net of specified superannuation contribution withholding tax (SSCWT).

### **Why Make a FHS Election?**

One of the three key factors used in the calculation of a retiring allowance is the contributor's average earnings over the final 5 years of employment in Government service. A reduction in salary during this period will lower the contributor's retiring allowance and other benefits payable, unless a FHS election is made to continue contributions at the previous (higher) salary rate. Even though a contributor may not be near retirement age at the date of the salary reduction, a FHS election may result in greater benefits on retirement from Government service or death.

To assist in deciding whether or not to make a FHS election, a contributor can request estimates of the retiring allowance payable with and without the election in place.

### **Employer Transfers (Overlap of contributions)**

When a GSF contributor resigns, the employer must deduct contributions from salary up until the last day of employment.

If a period of leave is taken by the employee at the end of employment, the contributor may commence employment with a new employer before the 'last day of employment' with the former employer has been reached.

If this is the case and GSF contributions start immediately with the new employer, the result is an overpayment of contributor contributions and employer subsidy.

Where there has been an overlap in service, Datacom will repay the overpaid contributions to the contributor and the overpaid subsidy to the former employer.

## **Superable Salary and Lump Sum Payments**

Salary, for GSF superannuation purposes, means “*salary or wages paid regularly in return for services*”. It does not include bonus payments, overtime, allowances paid for special work performed, reimbursement of expenses, lump sums paid in lieu of notice, retiring or redundancy gratuities, or contributions paid for, or in respect of, employer subsidy.

Some employers have been remitting to GSF contributions with respect to lump sum payments made in lieu of salary increases which are typically performance based. These payments are categorised by GSF as bonus payments and are not superable. Where contributions are received on bonuses they will be refunded to the employer.

To confirm, where payment to employees at retirement or resignation includes periods of paid leave, such as annual leave or retirement leave, paid before the employee ceases Government service. GSF contributions should be calculated on these leave payments.

Bonus payments and payments for overtime or special work performed, are not superable for GSF purposes.

If there is any query on what constitutes ‘salary’ for GSF purposes you can contact Datacom to discuss the nature of the payment.

## **KiwiSaver – Employers do not have to contribute for GSF members**

An employer who paying the employer subsidy to GSF for an employee is not required to contribute to a KiwiSaver scheme as well.

The relevant legislative provision is section 101C of the Taxation (KiwiSaver) Act 2007, reprinted as at 29 May 2008.

Section 101C states that:

“Employee’s requirements for the purposes of section 101A(1) (*section 101A(1) covers the payment of compulsory employer contributions*), the requirements are that the employee—  
(a) is paid salary or wages from which the employer deducts or is required to deduct an amount for the employee’s KiwiSaver scheme or complying superannuation fund; and  
(b) is aged 18 or over; and  
(c) is not entitled to withdraw an amount from a fund or scheme under clause 4(3) of the KiwiSaver scheme rules (which relates to locking of funds) or a rule the same as that clause; and  
(d) is not a defined benefit scheme member.”

GSF is a defined benefit scheme. Therefore the employer is not obliged to make contributions to both GSF and to the KiwiSaver scheme for GSF members.

Some employees, who are members of GSF, may have also joined a KiwiSaver scheme, but they will have done so as individuals only.

## **Medical Retiring Allowances**

A GSF contributor may be eligible to receive a medical retiring allowance if the person is unable to perform suitable duties due to ill health. This allowance is not an annuity as of right, but is a discretionary benefit which is subject to the consent of the employer and the approval of the Authority. Please ensure that any contributor, who may be eligible, seeks approval to medically retire prior to cessation of employment.

There is no assurance that a person who ceases employment before a medical retiring allowance is approved will receive such approval. The Medical Retiring Allowance application form can be found in the GSF Employer Manual on our website [www.datacomgsf.co.nz](http://www.datacomgsf.co.nz).

## **GSF Booklets for the New General Scheme**

These booklets are available on the GSFA website – [www.gsfa.govt.nz](http://www.gsfa.govt.nz).

## **FAQs**

Questions and answers about matters of general interest with respect to GSF are also provided on the GSFA website – [www.gsfa.govt.nz](http://www.gsfa.govt.nz).

## **Employer Newsletter & Manual**

Previous copies of our newsletter can be found on our website: [www.datacomgsf.co.nz](http://www.datacomgsf.co.nz). A comprehensive employer manual is also available. The manual contains a wealth of information for all payroll personnel on the payment of contributions and subsidy, as well as copies of all relevant forms. If you are not sure if you have the latest version of the employer manual please visit our web site.

## Contact Details – for employer related information

### Employer subsidy queries

Davey Ead (04) 470 6368 daveye@datacom.co.nz

### Receipt of GSF contributions

Mary Uy (04) 470 6369 maryu@datacom.co.nz

### Payroll media queries

Jean Mathews (04) 470 6334 jeanm@datacom.co.nz

### Refund of overpaid contributions

Alicja Bialoruski (04) 470 6365 alicjab@datacom.co.nz

### General information relating to employer queries

Lan Liu (04) 470 6364 lanl@datacom.co.nz

### Send - payroll files, remittance advice & contribution schedules to

gsfmedia@datacom.co.nz

## Contact Details – for individual member information

### Datacom GSF Schemes Administration

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