

PRESBYTERIAN PEOPLE

Employment news & information bulletin

Vol 5 Mar 2007

Employment update

Welcome to the March bulletin of Presbyterian People.



Presbyterian Church
of Aotearoa New Zealand

Since the last bulletin, the Human Resources Advisor has joined the National Mission Team and had a change of title to Employment Advisor. By working with the National Mission Team, the Employment Advisor will be able to develop more targeted resources to assist parishes and presbyteries in their day-to-day work. The Employment Advisor will continue to be based in the Wellington Assembly Office.

In this bulletin, we will discuss Kiwisaver in more depth. From 1 July 2007, all new employees will automatically be enrolled in the scheme. This bulletin has been written with employers, employees and ministers in mind so feel free to forward your copy on to others.

Kiwisaver

Introduction

The government has recognized that New Zealand is falling behind OECD standards in retirement savings. To address this, from 1 July 2007 the Kiwisaver scheme will be introduced to encourage more people to save. Currently, approximately 14% of New Zealanders have a superannuation scheme and the government wants to increase this to 25%.

This document provides an overview of the Kiwisaver scheme.

How Does Kiwisaver Work?

- From 1 July 2007, each time an employee signs into a new employment agreement they will automatically be enrolled in the Kiwisaver scheme (if they have not already joined). The employer will deduct either 4% or 8% from the first pay and the employee can nominate a provider to administer the fund. Refer to page three for information on providers.
- If the employee does not nominate a provider, the employer will assign a default provider.
- The employee has the option to opt out of the Kiwisaver scheme. This must be done within 8 weeks of the commencement of employment, at which point any contributions will be refunded.
- To opt out, employees notify IRD either directly or through their employer. IRD will provide a certificate, which is presented to the payroll department.

Inside this issue:

Page 1
Human resources update
Kiwisaver

Page 4
Noticeboard

- Existing employees have the option of joining the scheme.
- Employee contributions are set at 4% or 8% of gross income. The employer has the option of contributing to the scheme. Employer contributions up to a maximum of 4% are exempt from SSCWT (specified superannuation contribution withholding tax) provided they are matched by employee contributions.
- After the first 12 months, employees will also receive a bonus of \$1,000.00 from the government. This payment, and the interest earned, is locked in until retirement. The government will also assist with administration fees until retirement age.
- After three years of contributions, first-home buyers will receive an additional \$1,000.00 government grant each year for five years to go towards the deposit on their first home.
- After 12 months of contributions, employees may take a contribution holiday, which can last up to 5 years, with the right of renewal.
- Mortgage diversion may be available through some Kiwisaver providers for new and existing mortgages.
- The IRD will provide employers with an information pack to pass on to new employees. IRD expects to release packs in May or June 2007.

Kiwisaver Information for Employees

- Employees receive their entitlements under Kiwisaver at the age of 65 or after 5 years from the date they first joined – whichever is the later. For example, if a person joins at age 55, they will receive their entitlement at age 65. However, if they join at 63, they will not receive their entitlement until they have been in the scheme five years – in this case at age 68.
- Employees may receive entitlements earlier if they face significant financial hardship, serious illness or permanent emigration. The employee will need to apply to IRD to action this.
- Some employees are exempt from the scheme:
 - Employees under the age of 18 (although parents can set up a Kiwisaver account for their children at any age and make contributions on their behalf until they are of age)
 - Casual or temporary employees (temporary work is defined as lasting 28 days or less in a year)
 - Individuals on ACC, parental leave, election-day workers and private domestic workers.



Kiwisaver Enrolment for Ministers

- Like employees, ministers will also be subject to automatic enrolment in Kiwisaver after 1 July. However, while the parish employs lay workers directly, it is presbyteries or union district councils that appoint parish ministers. This means that parish ministers will only be required to enroll where their next charge is in a different presbytery or UDC. The parish treasurer will still provide the Kiwisaver information pack to the minister.
- Ministers appointed by chaplaincy boards or other kindred organizations will be automatically enrolled at that stage. The employing body will be responsible for providing the Kiwisaver information pack.
- All ministers have the option of opting in at any stage.
- Ministers can belong to a Kiwisaver scheme and the Beneficiary Fund at the same time.
- Unlike the Beneficiary Fund, minister contributions and interest earned will be taxed.
- Contributions would be based on gross income, which includes any remuneration that may be taxed (i.e. stipend, seniority allowance, housing allowance etc).
- Parishes are not required to make an employer contribution to Kiwisaver.

Information on Providers

- Employees have a choice when it comes to which superannuation scheme they use. The employee has the option of:
 - Using an existing employer-scheme (where it meets government approval)
 - Using one of six default providers nominated by the government:
 - ASB Group Investments Limited
 - AMP Financial Services (NZ) Limited
 - ING (NZ) Limited
 - Mercer Human Resource Consulting Limited
 - National Mutual Corporate Superannuation Services Limited (trading as AXA New Zealand)
 - TOWER Employee Benefits Limited.
 - Using an employer-nominated preferred provider. A further 16 providers, including the provider of the Beneficiary Fund, AON, have been approved as Kiwisaver providers. The Finance Team and the Church Property Trustees are currently analysing default and preferred providers and will make a recommendation to parishes prior to 1 July 2007.
- Employers may change their preferred provider at any time.
- Employers who have a preferred provider must supply employees a copy of the investment statement for that provider.
- The employee has the option to select a provider and is under no obligation to choose a specific default or preferred provider.

Employer Responsibilities

- Distribute the information pack to new employees (supplied by IRD)
- Provide details to IRD of new employees
- Deduct contributions and forwarding to IRD along with PAYE
- Notify IRD of any opt out notices given by employees
- Provide an investment statement to employees for the preferred provider.
- Action instructions from IRD regarding deductions.

Important Information for Employers

Although employers should not provide financial advice to employees they should remember the following key points:

- Older employees should be made aware that they must belong to the scheme for five years before they are eligible to receive their entitlements.
- Where an employee takes a 'holiday' from contributions, administration fees will still be deducted, potentially eroding their savings over time.
- Employees who want to opt out but fail to do so within 8 weeks will be locked into making contributions for 12 months. After 12 months they can take a contribution holiday.
- When an employee reaches 65 they will receive their entitlement as a lump sum and not a weekly increase to their pension. Thought needs to be given to helping older employees (and ministers) to think about how they might arrange their finances during retirement – employers could, for example, encourage them to attend financial planning seminars.

Further Information

IRD will be writing to each employer in May or June 2007. Until that time, additional information is available at the following websites:

- <http://www.ird.govt.nz/kiwisaver/>
- http://www.med.govt.nz/templates/ContentTopicSummary____12327.aspx
- http://www.sorted.org.nz/atwork_kiwisaver_employee.html

You are also welcome to email Ashley Goss at AON with any questions you may have: ashley.goss@aon.co.nz

NOTICEBOARD**Important dates to remember!**

1 April 2007 The minimum holiday entitlement increases from 3 weeks to 4 weeks. For casual employees who earn annual leave 'as they go' this increases from 6% to 8%.

AND

The minimum wage will also increase to **\$11.25** per hour for employees 18 years or older, and to **\$9.00** for the youth wage and training wage.