

27 June 2024

KiwiSaver Compulsory Employer Contributions

Dear «First_Name»

I am writing to you about an important issue concerning your superannuation contributions at Fire and Emergency New Zealand.

Superannuation Employer Contributions

Fire and Emergency has identified that, for a number of people, who are members of more than one superannuation scheme (for example both a KiwiSaver scheme and FireSuper), the requirement to pay compulsory employer contributions into KiwiSaver has not been met.

The KiwiSaver Act requires employers to pay compulsory employer contributions of 3%, where employees are members of a KiwiSaver scheme and making employee contributions to that scheme, unless the employer is making equivalent contributions to a complying fund, or specific transitional rules apply (i.e. employees who were in KiwiSaver and FireSuper prior to 1 April 2008). A complying fund is a superannuation scheme that has equivalent rules to KiwiSaver. FireSuper has a complying fund, but members of FireSuper have to specifically opt into that fund.

Fire and Emergency makes an employer contribution of 6% net towards your superannuation, anything over this requires a reduction in base salary.

We refer you to our Summary of Superannuation Offering **Appendix**, so that you may familiarise yourself with Fire and Emergency's superannuation policy.

What does this mean for you?

As you are currently an existing member of KiwiSaver and FireSuper (standard scheme) you may consider the following options:

1. You can elect to contribute 3% of your current FireSuper contributions into the FireSuper complying fund. This would also mean 3% of the employer contributions we make to FireSuper for you would also be directed into the complying fund. Refer to Scenario 3 in the Appendix for the mechanics of how this will work. Please contact FireSuper if you wish to do this.
2. You can apply for a savings suspension from KiwiSaver. This will cease employee contributions into KiwiSaver and the requirement for Fire and Emergency to make employer contributions. However, savings suspensions are for a maximum period of 12 months and then will need to be reapplied for. You may make voluntary contributions during a savings suspension in order to receive the government contribution. Please see the KiwiSaver website for information on how to do this.
3. You may continue to remain an active member of both FireSuper (standard scheme) and KiwiSaver. However, your base salary will be reduced by the additional employer contributions that Fire and Emergency is required to make into KiwiSaver in accordance with our remuneration policy. Refer to Scenario 4 in the Appendix for the mechanics of how this will look.

Please let us know your preferred option. If we do not hear from you by **22 July 2024**, or we do not receive notification from FireSuper that you have joined the complying fund, or Inland Revenue that you have applied for a savings suspension, we will calculate the reduction in your base salary for the KiwiSaver employer contributions we are required to make.

Other things you may want to know

Please note that Fire and Emergency cannot provide you with financial advice. For example, providing advice on superannuation portfolio selection based on your individual circumstances. The options above are provided as examples of some of the options you might consider. The Commission for Financial Literacy and Retirement Income's website www.sorted.org.nz is a useful resource and you are encouraged to seek independent financial advice. Our EAP provider Vitae offers budgeting advice free of charge to all Fire and Emergency people.

Fire and Emergency has been discussing with Inland Revenue the historical position and we will provide a further update as soon as we have an agreed approach.

Right now

Right now, we need to ensure we meet our obligations with respect to compulsory employer contributions and apply the clauses of your employment agreement or our remuneration policy that relate to your individual circumstances.

Thank you for your understanding as we work through this. We know that this will be unexpected, and you may have questions.

You can ask questions by emailing kiwisaver@fireandemergency.nz

Yours sincerely



Michael Stevenson

National Manager Workplace Relations

APPENDIX

Fire and Emergency: Summary of Superannuation Offering

Operational employees have two options for superannuation – KiwiSaver or our own scheme, FireSuper.

The FireSuper scheme consists of two funds, a regular fund (default) and a complying fund. We discuss each of these in detail further below.

Non-operational employees are eligible for KiwiSaver only.

Your contributions

- Your contributions to your chosen superannuation schemes and/or funds are based on your chosen contribution percentage.
- The available percentage you can choose from will depend on the scheme, we outline the contribution options for each of the schemes below.
- Contributions are calculated as a percentage of your gross pay, and deducted from your net/after tax pay.

Employer contributions

- Employer contributions to both KiwiSaver and FireSuper will be net of ESCT (see below regarding what this means).
- We will match your contributions up to 6%, net of ESCT. Employer contributions to FireSuper will be adjusted by 1.52x.
- The net employer contribution is calculated as a percentage of your gross taxable pay.

Employer superannuation contribution tax (ESCT)

- All employer contributions paid to a superannuation fund for the benefit of an employee are liable for ESCT (employer superannuation contribution tax).
- Your rate of ESCT is determined in reference to your gross taxable pay and gross employer superannuation contributions you receive. This rate is set upon new employment and at the start of each tax year (1 April) and does not change during the year.
- ESCT rates range from 10.5% to 39%.

KiwiSaver

- If you are eligible to join KiwiSaver, and not already a KiwiSaver member, you will be automatically enrolled from your start date.
- Enclosed is a leaflet “*Your introduction to KiwiSaver*”, which will provide you with more information around eligibility.

If you are already a KiwiSaver member or will be joining KiwiSaver

- Please complete and return the KS2 KiwiSaver Deduction form.

- We are required to make deductions of your KiwiSaver contributions at a minimum rate of 3% of your gross pay, unless you request otherwise on the KS2. Options for contribution rates are: 3%, 4%, 6%, 8% or 10%
- We are required to pay compulsory employer contributions of 3% where employees are members of KiwiSaver and making employee contributions to that scheme, unless we are making equivalent contributions to a complying fund, for example the FireSuper complying fund.
- If you are a member of KiwiSaver and not a member of FireSuper, then Fire and Emergency will make employer contributions to match your employee contributions, up to a maximum of 6% (net of ESCT).
- If you are a member of both KiwiSaver and FireSuper, and contributing only to the regular non-complying fund, we will make employer contributions to both KiwiSaver and FireSuper.
- Where the total required employer contributions exceed the maximum 6% (before any adjustment for FireSuper or ESCT), we will deduct the excess from your gross pay in line with our total remuneration policy.
- If you are also a member of FireSuper, and contributing 3% to the complying fund, you will not be eligible for an employer contribution to your KiwiSaver account. You must still make employee contributions to both schemes, unless you are on a KiwiSaver savings suspension (in which case you will also not be eligible for employer contributions).

Opt out

- If you have been automatically enrolled for KiwiSaver, you can opt-out of KiwiSaver from day 14 to day 56 of employment.
- Please complete the KS10 New Employee Opt-Out Request. This needs to be returned to me to give to Payroll any time from day 14 (and before or on day 56) of employment. You will automatically have KiwiSaver deductions made until the opt-out date. These will later be refunded to you by Inland Revenue.
- As you are not able to opt-out in the first 13 days of employment, the opt-out form may not be signed and dated earlier than day 14 of employment.
- **Note: You cannot opt out if you were already a member of KiwiSaver prior to your employment with us**

FireSuper

- FireSuper is our own superannuation offering for operational employees.
- The total employee contribution to FireSuper (between the regular non-complying and complying fund) should be 6% (but we note that you may apply to reduce this for defined periods of time)
- Fire and Emergency will adjust the (net of ESCT) employer contribution of 6% by 1.52x. This means that effectively you will receive 9.12% (net of ESCT) employer contributions into FireSuper.

Regular fund (non-complying)

- The default fund is not a complying fund for the purposes of KiwiSaver
- Your contribution to the regular fund can be 2%, 3%, 4%, 5% or 6%.

- Fire and Emergency will make net employer contributions of 1.52 times your chosen contribution rate (matched only up to an employee contribution rate of 6%).

Complying fund

- A complying fund is a fund which has substantially similar rules to KiwiSaver.
- You must specifically opt into this FireSuper fund
- If you choose to be a member of the complying fund, and are also a member of KiwiSaver, you will still be required to make contributions to both schemes, however Fire and Emergency will only provide contributions to the FireSuper complying fund, and will not also make contributions to KiwiSaver.
- Your contribution to the complying fund can be 3%, 4%, 5% or 6%.
- Similar to the regular fund, Fire and Emergency will make a net employer contribution of 1.52 times your chosen contribution rate, net of ESCT. However, only 3% of this (net of ESCT) will be paid into the complying fund, while the remaining contribution calculated will go to the regular fund.

You should consider seeking independent financial advice in determining which of the superannuation schemes you wish to contribute to and how to split your contributions. You can also visit www.sorted.org.nz

Potential scenarios

As this is complex, we have outlined some potential scenarios of contribution splits below. This list is not exhaustive, but should provide some context. All scenarios show the contributions that would be made on \$1,000 of earnings, and assume an ESCT rate of 33%.

1. FireSuper standard only (non-complying)

Earnings	\$1,000
<i>Employee contribution rate</i>	6%
Employee contribution	\$60
<i>Employer contribution rate (base)</i>	6%
<i>1.52x adjustment to employer contribution rate</i>	9.12%
Employer contribution (net of ESCT)	\$91.20
Employer contribution (gross of ESCT)	\$136.12
ESCT (paid to IRD)	\$44.92

In this scenario the employee is not a member of KiwiSaver or on a savings suspension from KiwiSaver.

A total of \$151.20 will be paid into the non-complying fund, comprising employee contributions of \$60 and FENZ's contributions of \$91.20.

2. KiwiSaver only

Earnings	\$1,000
<i>Employee contribution rate</i>	6%
Employee contribution	\$60
<i>Employer contribution rate (base)</i>	6%
Employer contribution (net of ESCT)	\$60
Employer contribution (gross of ESCT)	\$89.55
ESCT (paid to IRD)	\$29.55

In this scenario the employee is not a member of FireSuper, but is a member of KiwiSaver. They have chosen to contribute 6% to KiwiSaver to enjoy the benefit of matched employer contributions from Fire and Emergency.

KiwiSaver employer contributions do not have the 1.52x adjustment unlike the example above. However, the contributions the employee receives are still net of ESCT.

A total of \$120 will be paid into KiwiSaver, comprising employee contributions of \$60 and Fire and Emergency contributions of \$60.

3. FireSuper split (complying and standard) and KiwiSaver

Earnings \$1,000	FireSuper complying	FireSuper standard	KiwiSaver
<i>Employee contribution rate</i>	3%	3%	3%
Employee contribution	\$30	\$30	\$30
<i>Employer contribution rate (base)</i>	3%	3%	0%
<i>1.52x adjustment to employer contribution rate</i>	4.56%	4.56%	N/A
Employer contribution (net of ESCT)	\$30 (\$45.60 - \$15.60)	\$61.20 (\$45.60 + \$15.60)	\$0
Employer contribution (gross of ESCT)	\$44.78	\$91.34	\$0
ESCT (paid to IRD)	\$14.78	\$30.14	\$0

In this scenario the employee is a member of both FireSuper schemes (complying and standard) and an active member of KiwiSaver.

The employee has split their contributions across all three schemes and pays 3% into each. Employer contributions are only made into FireSuper.

Each fund receives the following:

- FireSuper complying \$60 (employee contribution of \$30 and employer contribution of \$30)
- FireSuper standard \$91.20 (employee contribution of \$30 and employer contribution of \$61.20 - because the 1.52x adjustment applied to the employer contributions for the complying scheme is transferred to the standard scheme)
- KiwiSaver \$30 (employee contribution of \$30 only as Fire and Emergency is contributing to the complying scheme).

The total net employer contribution is \$91.20 (consistent with example 1 just split across the FireSuper schemes).

4. FireSuper standard and KiwiSaver

Earnings \$1,000	FireSuper standard	KiwiSaver
<i>Employee contribution rate</i>	6%	3%
Employee contribution	\$60	\$30
<i>Employer contribution rate (base)</i>	6%	3%
<i>1.52x adjustment to employer contribution rate</i>	9.12%	N/A
Employer contribution (net of ESCT)	\$91.20	\$30
Employer contribution (gross of ESCT)	\$136.12	\$44.78
ESCT (paid to IRD)	\$44.92	\$14.78

In this scenario the employee is a member of FireSuper standard only and KiwiSaver.

Because the employee has chosen to not join the FireSuper complying scheme, Fire and Emergency is required to make employer contributions into KiwiSaver. This means that total employer contributions (net of ESCT) are 12.12% (but the maximum that Fire and Emergency will fund is 9.12%). Under our total remuneration policy, the excess contributions of \$44.78 will be deducted from your gross pay.