

NEWSLETTER NO. 61 May 2007

This Newsletter contains:

1. **“Complying Fund Rules” Checklist**
2. **July Start for Kiwisaver**
3. **Budget Comment**

1. “Complying Fund Rules” Checklist

The changes in the Taxation (Kiwisaver and Company Tax Rate Amendments) Act 2007 have caused amendments to the checklist for the “Complying Fund Rules” for a complying superannuation fund. A revised checklist is attached to this Newsletter.

2. July Start for Kiwisaver

Potential providers of Kiwisaver Schemes are continuing to submit documentation for registration. We must remind future providers that we have 28 days to complete these tasks, and to ensure registration for the start date of 1st July, documentation needs to be received by the beginning of June. These time frames also apply to Complying Superannuation Fund and Exempt Employer applications. We will process all documents in the order of arrival of the hard copy documents in this office.

3. Budget Comment

Budget 2007 changed the Kiwisaver landscape. What was a voluntary scheme with automatic enrolment for new employees with an opt-out, has become a significant opportunity with employee tax credits as well as (future) compulsory employer contributions and associated tax credits.

Kiwisaver was designed as a low-cost workplace savings scheme. The changes can only enhance this. This should lead to a greater take up with the accompanying benefits from economies of scale. Kiwisaver is extremely portable and hence the market should be influenced by both reasonable returns and realistic fees.

The fees were considered in this office in the pre-budget “voluntary” scenario outlined above. Clearly there are significant set up costs for providers but in the medium term we should see the effects of economies of scale flowing through to Kiwisaver fees. Portability should also lead to a robust market.

To date we have looked at whether fees are “not unreasonable” related to the service provided. For example we have not accepted any trail commission as the service provided would not match the fee charged over time. Given the quasi compulsory nature of the new post budget Kiwisaver it is likely there will be more scrutiny of fees into the future. Providers need to ensure they can meet the market expectations into the future given the portability possibility for both employee and employer.



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