



## Seven types of superannuation arrangements

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KiwiSaver will change the face of superannuation from 1 July 2007. Until now, we have had two types of scheme from a regulatory viewpoint. We will now have seven.

### 1. Registered superannuation scheme

This means a scheme that is registered by the Government Actuary under the Superannuation Schemes Act 1989. That Act imposes minimum requirements for registration, reporting and administration. The Government Actuary provides regulatory oversight of each registered scheme. The Income Tax Act 2004 calls this a “superannuation fund”.

### 2. “Superannuation scheme”

Under the Income Tax Act 2004, a superannuation arrangement that isn't a “registered superannuation scheme” is called, confusingly, a “superannuation scheme”. Employer's contributions are subject to the FBT regime.

### 3. KiwiSaver scheme

Under the KiwiSaver Act 2006, a “registered superannuation scheme” (1. above) can apply to the Government Actuary to become a KiwiSaver scheme. This can be either established for the purpose or part of a wider scheme that qualifies under 1. above. A KiwiSaver scheme must comply with the requirements of both the Superannuation Schemes Act and the KiwiSaver Act. Once it is an approved KiwiSaver scheme, it is no longer a “registered superannuation scheme”. It receives KiwiSaver contributions from individual members and, possibly, their employers. Benefits are generally locked up until age 65. The government subsidises the scheme with “sweeteners” and with a tax concession on employer contributions, if any. There will probably be 40-50 KiwiSaver schemes.

### 4. Chosen KiwiSaver scheme

A KiwiSaver scheme (3. above) may also be a “**chosen** KiwiSaver scheme”. An employer can identify a particular KiwiSaver scheme as the one its employees will join, by default, if an employee does not choose a scheme directly.

### 5. Default KiwiSaver scheme

A KiwiSaver scheme (3. above) may also be a “**default** KiwiSaver scheme”. The government chooses a limited number of KiwiSaver schemes and if an employee does not choose a KiwiSaver scheme **and** if there is no “chosen KiwiSaver scheme” (4. above), the IRD randomly allocates the employee to a “default KiwiSaver scheme”. A “default” scheme can also be a “chosen” scheme.

### 6. “Exempt scheme”

The more accurate description is a scheme that allows an employer to be an “exempt employer”; that is, exempt from the automatic enrolment of all new employees into a KiwiSaver scheme. An exempt scheme requires at least 4% of pay as contributions in respect of members. It can be part of a wider scheme that qualifies under 1. above. Benefits do not have to be locked up until age 65 but there are no government-paid incentives.

### 7. “Complying superannuation fund”

If an employer wants to contribute to a scheme and qualify for the same tax concessions as noted in 3. above, it can ask for a scheme (that existed on 1 July 2007) to be classified as a complying superannuation fund. The contributions and benefit provisions parallel those of a KiwiSaver scheme (3. above). A “complying” fund can be part of a wider scheme that qualifies under 1. above.