

Prepared by the Swiss Life Network HQ.

I SUMMARY

Social Security

Eligibility	All residents are eligible. Benefit entitlement depends on both, age and type of benefit.
Retirement Age	65M/F
Contributions	All benefits aside from the Accident Compensation Scheme are funded from general revenue.
Retirement Benefits	NZD 621.90 net for single persons living alone and NZD 478.38 net each for couples (per fortnight).
Disability Benefits	Long-term disability: varies between NZD 192.58 – 312.62 per week. Short-term disability: varies between NZD 126.92 – 272.70 per week.
Death Benefits	Widow’s Pension: varies between NZD 198.31 – 272.70 per week, depending on number of children. Orphan’s Pension: varies between NZD 132.32 – 185.25 per week, depending on age
Medical Benefits	Comprehensive medical programme for all residents.

Private Benefit Plans

Eligibility	Usually age 18 - 59, waiting period 0 - 2 years.
Retirement Age	65M/F, varies between benefit plans but must be equal for sexes.
Contributions	Employer: 2% - 10% of salary for retirement. Often higher rates for long service employees or senior status persons. Employee: 2% - 5% of salary for retirement.
Retirement Benefits	Mostly lump sums. Old Age Pension: Defined benefit plans: 1% - 1.5% of salary times service. There is a definite trend to defined contribution plans.
Disability Benefits	Normally a lump sum equal to the death benefit.
Death Benefits	Spouses Pension: Rarely provided and if so, normally only in the event of death during retirement. For death before retirement, usually a lump sum death benefit between 3 - 5 times salary, or 10% - 15% of salary per years of prospective service is given. Orphan's Pension: Rarely provided.
Medical Benefits	80% - 100% of medical expenses subject to specified maximums set by the medical insurer.
Vesting	Total vesting generally after 10 years.

Taxation

Contributions Social Security	None for employer and employee. All benefits, except Accident Compensation Scheme, are paid out of general revenue.
Contributions Private Benefit Plans	Employer: Deductible. Medical plans: Deductible, but there is a fringe benefit tax of 49%. Employee: Not deductible.
Benefits	Social security: Nearly all benefits are taxed. Private benefit plans: Normally not taxed.

II INTRODUCTION

Country Statistics

Population/ growth rate	4.21 million (July 2009 est.)/ 0.94% (2009 est.)
Age structure	
0 - 14 years	20.7%
15 - 64 years	66.5%
65 years and over	12.8% (2008 est.)
GDP purchasing power parity/ Real growth rate	USD 116.5 billion (2009 est.)/ -1.3% (2009 est.)
Agriculture	4.5%
Industry	25.8%
Services	69.7% (2009 est.)
Unemployment rate	7.3% (2009 est.)
Inflation rate	1.8% (2009 est.)
Annual Gross Salary*	in NZD
Labourer	General: 39,135 Skilled: 47,662
Professionals	Junior: 57,468 Senior: 75,718
Management	Lower: 96,645 Upper: 135,710
Legal minimum wage	NZD 12.75 per hour as of April 2010 (before tax)
Exchange rate on February 28, 2010	1 NZD = 0.6939 USD
Currency: New Zealand Dollar	1 NZD = 0.5110 EUR

*Source: Mercer's International Geographic Salary Differentials, Edition 2008

Legislation and Insurance Market Update in Brief

KiwiSaver Act

The KiwiSaver Act was passed in September 2006, and the KiwiSaver savings initiative started on July 1, 2007.

In July 2007 New Zealand introduced a voluntary retirement savings scheme (DC), the worlds first with automatic enrolment (but with an opt-out possibility), called KiwiSaver scheme. Employee contributions of 2%, 4% or 8% of their pay are complemented by compulsory employer contributions. These employer contributions have become mandatory starting April 1, 2008.

Since that point in time, employers are required to contribute 1% of participating employees' gross salary or wages, and that amount is to be increased by 1 percentage point per annum to reach 4% by April 1, 2011. However, after increasing to 2% in April 2009, future increases have been put on hold due to economic conditions. Until a further review, employer contributions will remain at 2%. Employer contributions already being paid into a non-KiwiSaver superannuation scheme for existing employees are counted towards compulsory employer contributions.

By April 2009, both this employer tax credit and the annual fee subsidy for new members had been removed (previously, employers had been able to claim tax credits of up to NZD 20 per member and week in order as reimbursement for the cost of making contribution to employee's fund schemes).

So far, KiwiSaver has proven effective – at least with regards to participation numbers. By Q3 2009, over 1'200'000 had signed up, representing approx. 60% of the country's formally employed persons. This is said to be partially due to the automatic enrolment and the various enrolment benefits (such as a tax-free kick-start benefit of NZD 1'000, as well as some subsidies to scheme fees etc.), despite the lack of a savings culture in the country.

Critics say that membership to KiwiSaver is driven by incentives, and has not changed the overall savings behaviour; as such. The new system might potentially have adverse effects on developing an employee benefits culture in New Zealand.

On a more positive note, employers so far have not substituted the now mandatory contributions to KiwiSaver by cutting other benefits such as health insurance. On the contrary, many employers have also begun to introduce employee well-being programmes – despite the global downturn.

III SOCIAL SECURITY

Background Information

There is no typical Social Security system in New Zealand. The existing system, a rather universal and social assistance system, is largely non-contributory, and officially neither employees nor employers make contributions, excepted for the Accident Compensation Corporation (ACC) scheme, which provides compensation in the event of an accident, either at work or elsewhere.

Social security benefits are paid at a flat rate, which are collectively known as 'government transfers', irrespective of the previous income. Benefits are taxable and the Department of Social Welfare deducts the tax due (if applicable) before paying benefits.

New Zealand has a population of approximately 4.2 million and the country boasts a history of innovation and generosity in its social security programme. However, there are now fears regarding the cost of funding these benefits, which will inevitably increase as the population ages.

New Zealand pays a universal pension to all individuals over the age of 65 (residential requirements apply). The level of payment is reviewed each year and is adjusted to take into consideration increases in the cost of living (inflation) and wages in order to stay within 65% to 72.5% of the average ordinary time earnings after tax.

In order to make provisions for the expected surge in retirement costs, the "New Zealand Superannuation Bill" was passed in October 2001. The bill allows the government to pre-fund some of the large unfunded elements of the universal state pension. It is known as "smoothed pay-as-you-go". Capital contributions will cease in the mid 2020s and the government will start to draw the equivalent of between 15 - 20% of the annual cost of superannuation. The Fund is governed by a separate Crown entity called the Guardians of New Zealand Superannuation.

Eligibility

Eligibility depends on both the type of benefit and age.

Contribution

All benefits aside from the Accident Compensation Scheme are funded from general government revenues.

Retirement Benefits

Retirement Age

The current retirement eligibility age is 65.

Qualifying Conditions

Eligibility usually requires the individual to be a New Zealand citizen, or permanent resident, and having resided in New Zealand for not less than 10 years since age 20, of which 5 years must have been since age 50.

Benefits

New Zealand Superannuation (Old Age Pension) flat rates after tax amount to:

	Fortnightly payments (after tax)
Couple, both partners qualify	NZD 478.38 each
Single person, living alone	NZD 621.90
Single person, not living alone	NZD 574.06

There are certain restrictions on the married rate where both partners fail to qualify for the benefit in their own right. Receiving other income may affect Superannuation payments.

Disability Benefits

Qualifying Conditions

- New Zealand citizen, or permanent resident;
- Need to have been in New Zealand for at least two years at any one time since becoming a New Zealand citizen or permanent resident; and
- 16 years old or over and
- Permanently or severely restricted in working capacity (due to sickness, injury or disability) or totally blind.

Benefits

Invalid's Benefit (long-term disability pension) amounts to:

	Weekly payments (after tax)
Single 16 - 17	NZD 192.58
Single 18 or over	NZD 237.97
Couples (married or de facto)	NZD 198.31 each
Sole parent	NZD 312.62

Benefits may be reduced if there is other income.

People who have regular ongoing costs because of a disability for a minimum of 6 months (visits to the doctor, hospital, medication, extra clothing, etc.) may get a Disability Allowance of up to NZD 55.88 a week (not taxed), depending on their family income.

Death Benefits

Qualifying Conditions

- New Zealand citizen, or permanent resident;
- Usually need to have been in New Zealand for at least two years at any one time since becoming a New Zealand citizen or permanent resident.; and
- To be a sole parent, a woman alone who is 50 years of age or older, or a caregiver to someone sick or infirm

Benefits

	Weekly payments (after tax)
Domestic Purposes Benefit*	
Women alone	NZD 198.31
Sole parent	NZD 272.70
Caregivers: Single 16 - 17 years	NZD 192.58
Caregivers: Single 18 years or over	NZD 237.97
Caregivers: Sole parent	NZD 312.62
Caregivers: Living with a partner	NZD 198.31
Widows Benefit	
Women alone (single adult)	NZD 198.31
Sole parent	NZD 272.70

Benefits may be reduced if there is other income

*Emergency maintenance allowance: Payable to single parents who do not qualify for the domestic purposes benefit on grounds of residency or age, or who are experiencing hardship. The allowance is payable at the same rate as the domestic purposes benefit.

Orphan's Benefit

Qualifying Conditions

All New Zealand citizens and permanent residents who are caring for a child (for at least 12 months) who is 18 years or younger and financially dependent on the caretaker (who is not the child's adoptive or natural parent), and whose parents have died or cannot be found.

Benefits

The weekly orphan's benefit and unsupported child's benefit rates are non-taxable.

	Weekly payments (not taxed)
Under 5 years	NZD 132.32
5-9 years	NZD 153.55
10-13 years	NZD 169.45
14 years and older	NZD 185.25

Sickness Benefits

Qualifying Conditions

Eligible are New Zealand citizens or permanent residents temporarily incapacitated for work, having suffered loss of salary, wages or other earnings through sickness or accident or unemployment, and finding it hard to look for and do full-time work and

- Who normally live in New Zealand,
- Who are age 18 and over, or 16-17 and living with a partner and children they support,
- Who have resided in New Zealand continuously for at least 2 years at any time.

The claimant's (and their partner's) income must be under a certain level.

Benefits

The weekly sickness benefits depend on the personal situation:

	Weekly payments (after tax)
Single, 18-19 years, at home	NZD 126.92
Single, 18-19 years, away from home	NZD 158.65
Single 20 - 24	NZD 158.65
Single 25 or over	NZD 190.39
Couple (married or de facto), each	NZD 158.65
Sole parent	NZD 272.70

Benefits may be reduced if there is other income.

Medical/Health Benefits

Qualifying Conditions

All residents.

Benefits

New Zealand's health system is mainly funded by the government. Publicly funded services include free care and treatment in public hospitals and highly subsidized treatment in the public or private health sectors for accident victims. They also include some subsidies for family doctor visits and prescriptions, particularly for young children, and subsidies for people who need frequent health care and people on low incomes. Pre-school, primary and intermediate school children have free basic dental care. Furthermore, there is a range of publicly funded services for people with disabilities.

Work Injury Benefits

Qualifying Conditions

Where disability arises as a result of an accident, the Accident and Compensation Corporation (ACC) Scheme pays a comprehensive range of benefits regardless of fault. ACC provides accident insurance for all work and non-work injuries for all New Zealand citizens, residents and temporary visitors to New Zealand. No minimum qualifying period for work-related injuries; one week waiting period for non-work related injuries.

If taking advantage of the offered benefits, people do not have the right to sue for personal injury, other than for exemplary damages.

Benefits

- Emergency care and ambulance
- Medical or dental treatment
- Hospital treatment or surgery
- Prescriptions or x-rays
- Weekly compensation for earnings lost (up to 80% of pre-injury weekly earnings)
- Home help and childcare
- A lump sum or an independence allowance if the injury has long-term effects (and occurred after March 31, 2002)
- Transportation to treatment and related accommodation costs
- If the injury is fatal, ACC may also provide a funeral grant, a survivor's grant and weekly survivor's benefits.

Funding

The accident insurance is funded by compulsory payments (levy) made by employers, the self-employed, employees (for non-work injuries), taxes on motor vehicles, the ACC portion of annual motor vehicle license fees, a petrol excise duty and the government. The levy to be paid is based on the level of liable earnings (the part of the payroll that is assessable for injury cover levies) and the type of work the person does.

Unemployment Benefits

Qualifying Conditions

Age 18 or over, or 16-17 and living with a partner and children they support, capable of and willing to undertake suitable full-time work, have resided in New Zealand for a continuous period of not less than 24 months at any time and a New Zealand citizen or permanent resident.

Benefits

The Unemployment Benefit varies between NZD 126.92 and NZD 272.70 per week (net), depending on age and number of children, living with or without partner or with parents.

Taxation

All State benefits are subject to personal income tax.

There is also an ACC tax on benefits paid for attendant care, home help, attendant care services and child care (as of July 1, 2008, the tax is deducted directly at a rate of 15% or 30% from payments made).

Other Benefits

Funeral Grant

For low income earners / persons with little assets, a maximum Funeral Grant can be paid to meet funeral expenses up to NZD 1,820.08. This sum may be reduced by any assessable estate of the deceased person or surviving partner.

Other Information

Reciprocal Social Security Agreements

Australia, Canada, Denmark, Greece, Ireland, Jersey & Guernsey, the Netherlands, and the United Kingdom.

IV PRIVATE BENEFIT PLANS

Background Information

Private pension schemes (Superannuation Plans) historically covered a relatively small fraction of the working age population – in mid 2007, participation stood at a mere 14%. The major reasons for the lack of interest in membership are: changes to taxation, imposition of new regulations and requirements and changes in the nature of the labour market.

Registered Superannuation Plans are established under trust with statutory requirements on the contents of the trust deed. Small plans tend to be handled through multi-employer master trust arrangements. Larger schemes tend to have their administrative and investment needs serviced by separate organizations. The administration of the plan is usually entrusted to an insurance company or a specialist administrator while the investment is usually contracted out to one or more fund managers, frequently a subsidiary of a bank or an insurance company. There are no statutory restraints on the investment of funds other than the trustees should invest in a prudent manner.

In the 2005 budget, the government announced “The Securing Your Future Package”, an initiative to help people to develop a long-term savings habit and toward the purchase of their first home. Components are:

- KiwiSaver: a voluntary government-sponsored, work-based savings scheme with automatic enrolment, including features to assist first home purchase;
- A substantial expansion of the Mortgage Insurance Scheme and;
- Education programmes both to improve financial literacy and for first home buyers.

KiwiSaver

KiwiSaver is open to all New Zealand residents and people aged up to 65 who are entitled to live permanently in the country. The government kick-starts each KiwiSaver member’s account with a tax-free NZD 1,000 incentive.

KiwiSaver is a voluntary scheme, enabling people to put 2%, 4% or 8% of their gross salary automatically into a savings fund. Employers also make compulsory contributions of 2% (initially these contributions were planned to increase by 1% per annum until reaching 4% in 2011; however, after having reached 2% in 2009, further increases have been put on hold).

Savers have personalised accounts they can take with them as they shift jobs. New employees will be automatically enrolled in KiwiSaver and have an eight-week opt-out deadline to decide whether to remain members. Existing employees, the self-employed and other people, such as beneficiaries and employees under 18 years will also be able to opt in.

After three years of saving, a first home deposit subsidy of NZD 1,000 per year, up to a maximum of NZD 5,000, will be available for first home buyers who participate in KiwiSaver.

Savings are primarily for retirement and will not be accessible until the age of eligibility for NZ Superannuation, currently 65, except in cases of financial hardship, permanent emigration, or after a minimum of three years, to contribute toward a deposit on a first home. However, savers can stop contributions for up to five years at a time by applying for a “contributions holiday”.

Existing employer schemes have the option of merging with the KiwiSaver scheme. Members of occupational schemes will be able to choose to join KiwiSaver instead of, or in addition to, their current pension scheme. However, automatic enrolment will not apply to workers whose employer already provides a pension fund that is transferable to another scheme, open to all employees and that has a total contribution rate of at least 4%.

The KiwiSaver Act was passed in September 2006, and the KiwiSaver savings initiative started on July 1, 2007. The government continues to encourage people to save by offering a range of membership benefits, including a NZD 1,000 tax-free kick-start, a member tax credit of up to NZD 1,042.86 per year and subsidised scheme fees. Some people may also be eligible for help with the deposit on their first home. Since April 1, 2008, members have also been benefitting from a contribution towards their savings from their employer.

Contributions

Employer Contributions

In defined contribution plans the employer contributions are generally 2% - 10% of pensionable salary with higher rates usually applying to long-service or senior-status employees.

Employee Contributions

Generally 2% to 5% of salary or the rough equivalent, but expressed in terms of pensionable salary in an integrated plan. Non-contributory plans are not very common.

“Total remuneration” packages have become more common. With these types of packages, the employee chooses the nature of the savings instrument and how much to save in it, while the employer’s role may be minimal or only advisory.

Retirement Benefits

Retirement Age

This varies between age 60 and 65. Over 90% of the funds allow early retirement from age 50. Retirement ages, either as of right or with the consent of the employer, have been reduced in recent years. By law, retirement ages must be identical for both sexes.

Benefits

A large and growing majority of private superannuation schemes are designed to pay out a lump sum at retirement. Of those that pay pensions, most allow for a full conversion to a lump sum.

Vesting

The minimum benefits upon leaving service tend to be a refund of employee contributions with interests at the rate earned on the fund's assets. Most plans provide for vesting of some portion of the employer's contributions. This usually commences after two to five years of service and increases proportionately until the equivalent of 100% of the employer's contributions is payable, typically after 10 to 20 years of service. For newer plans the trend is to immediate full vesting over three to five years starting from the first year.

Disability Benefits

Normally a lump sum equal to the death benefit.

Death Benefits

Death benefits may be provided through a superannuation scheme or through a group policy.

Lump Sum Death Benefit

Either a multiple of salary (3 to 5 times) or a percentage of salary (10% - 15%) for each year of prospective membership. All KiwiSaver savings are paid to the estate of the deceased.

Widow's Pension

Most pension plans provide a lump sum benefit on the member's death before retirement. Less than 50% of pension plans provide a widow's death-after-retirement pension. Many of the other plans provide an annuity certain or for life and, just before retirement, give the retired person the option to elect a different pension type instead.

Orphan's Pension

Rare.

Sickness Benefits

Mandatory minimum paid sick leave is five days each year. Benefits may be provided through a superannuation scheme or through a group policy. Some companies provide for short-term sickness benefits through salary continuance plans. The benefits are commonly set at 75% of the employee's salary, before deduction of tax.

Medical/Health Benefits

Many companies operate medical insurance plans for their employees. It is common for such schemes to cover 80% to 100% of medical expenses to specified maximums set by the medical insurer. The majority of medical plans are financed by employee's contributions only, with the employer limiting its costs to arranging a group discount rate for the premiums. However, it is not unusual for the cost of medical insurance for executives to be met by the employer.

Other Benefits

Fringe Benefits

The use of fringe benefits by New Zealand companies is generally restricted to a relatively small group of beneficiaries. With the exception of private superannuation, fringe benefits are usually restricted to management staff.

These benefits include:

- A motor vehicle for private use;
- Low interest loans;
- Subsidized transport, if the business is public transportation;
- Subsidized or discounted goods and services;
- Non-financial contributions to superannuation funds; and
- Financial contributions to unregistered superannuation funds.

Taxation

Contributions to Superannuation Schemes

Saving in a superannuation scheme is supposed to be treated the same for tax purposes as saving in a bank account. Employer contributions to both pension and lump sum plans are tax-deductible for the employer and are not taxed as income in the hands of the employees. However, these contributions are subject to the Employer Superannuation Contribution Tax (ESCT), formerly specified as the Superannuation Contribution Withholding Tax, SSCWT. Since April 1, 2004 it is at the employer's discretion to apply the previously flat rate of 33% or a progressive rate related to the income derived by the employee in the previous income year as per scale below. The employers can make their decisions on an employee by employee basis. Since the introduction of withholding tax on employer contributions in April 1990, the rate has been a flat 33%. It is more tax effective to make contributions to superannuation on behalf of the employee rather than paying directly. Individual personal tax rates are at least the same but mostly higher.

Rates from April 1, 2009 to March 31, 2010

Income in NZD	ESCT Rate
0 - 16,800	12.5%
16,801 - 57,600	21%
57,601 +	33%

Compulsory employer contributions to KiwiSaver schemes and compliant funds are exempt from ESCT. As of April 1, 2009 the compulsory employer contribution rate is 2% of the employee's gross salary or wages.

Source: www.ird.govt.nz

Contributions to Life Insurance

Policy owner	Premium payment	Tax treatment of premium payments
Employee or Family Member	Employer	Taxable income for employee not subject to fringe benefit tax
Employer	Employer	Subject to fringe benefit tax (however, if the employer benefits from the policy and not the employee, the payments are neither subject to FBT nor taxable in the hands of the employee)

Contributions to Medical Plans

Health insurance premium payments for staff and for dependants are tax-deductible for the employer, but are subject to a fringe benefits tax, currently at 49%.

Contributions to Accident and Sickness Policies

Employer contributions are tax-deductible and subject to fringe benefits tax.

Tax on Benefits

All proceeds from pension schemes are tax-free. Only 50% of the pension received from a registered superannuation scheme is included in other income. Retirement allowances are assessable income. Redundancy payments are included in assessable income.

Benefit Payments from Abroad

Pensions paid by countries with which New Zealand has a double taxation agreement are generally exempt from tax in the country of origin and subject to tax in New Zealand. If a pension is taxed in the country of origin, credit is allowed in a New Zealand income tax assessment for the tax paid overseas, to the extent that it does not exceed the New Zealand tax payable on that income.

Transfers to New Zealand

The situation regarding transfers of benefits to New Zealand schemes is particularly complex and each individual case should seek consultation.

Double Taxation Agreements

Australia, Austria, Belgium, Canada, Chile, China, the Czech Republic, Denmark, Fiji, Finland, France, Germany, India, Indonesia, Ireland, Italy, Japan, Korea (Republic), Malaysia, Mexico, the Netherlands, Norway, the Philippines, Poland, the Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, the United Arab Emirates, the United Kingdom and the United States of America.

Other Information

Financial Year

April 1 to March 31.

Annual Base Salary

12 times monthly salary, excluding variable earnings.

Pensionable Salary

Either the annual base salary over the last 3 years (non-integrated plan), or the annual base salary less 100% or 200% of a single person's New Zealand superannuation benefit. There is no maximum limit.

Pensionable Service

Pensionable service is considered as the years and complete months of plan membership service with the employer. Sometimes a maximum number of years apply.

Integration with New Zealand Superannuation

It is not customary to integrate defined pension schemes with New Zealand superannuation. Pensions payable on retirement due to ill-health (if work- or accident-related) can be integrated with accident compensation.

V FUTURE OUTLOOK

Trends in the Insurance Industry

KiwiSaver Evaluation Process

About 32,000 people are joining the KiwiSavers scheme monthly; overall membership stood at 1.2 million per September 2009. The government emphasised the surprisingly high number of young members (aged 19 to 25). Approximately half of all new members contribute 2% of their salary.

Inland Revenue, the Ministry of Economic Development and Housing New Zealand are working on a joint project to evaluate the impact of KiwiSaver on saving habits and whether the features of KiwiSaver are generating expected outcomes. Impacts on the financial market and the superannuation industry are of interest.

The evaluation process runs from 2007/08 until 2012/13 with results being published periodically. There is no intention to make immediate changes to the system as a result of the findings in evaluation reports.

Source: www.beehive.govt.nz