

Government Superannuation Fund

Schemes Administration Newsletter

January
2021

Member Update

This is an important update to members of the Government Superannuation Fund (GSF). It advises of a change to tax legislation which may impact you and your GSF entitlements

THE CHANGES OUTLINED IN THIS NEWSLETTER MAY AFFECT YOU IF YOU ARE ON A TOTAL REMUNERATION PACKAGE WHICH INCLUDES EMPLOYER CONTRIBUTIONS TO GSF. THAT IS, IF YOUR TAKE HOME PAY CHANGES WHEN THE EMPLOYER CONTRIBUTION RATE TO GSF CHANGES.

Changes to Employer Superannuation Contribution Tax (ESCT)

Legislation was passed in December 2020 increasing ESCT, that is the tax paid by employers on employer contributions to **defined benefit schemes**, such as GSF, from 33% to 39%. The change is effective 1 April 2021.

In isolation this change would increase the contribution rate payable by your employer to GSF.

Each year the Authority's Actuary is required to review the rate of contributions your employer must pay to GSF to meet the cost of providing benefits for its employees who are members. Any change to the rate normally applies from 1 July each year.

As a result of the tax change, the Authority has agreed that instead of implementing two changes, one at 1 April 2021 to accommodate the ESCT change, and one at 1 July 2021 as a result of the annual review, only one change will apply incorporating both changes.

The employer contribution rate to GSF will therefore change this year from 1 April 2021.

If you are on a total remuneration package with your employer which includes the employer contribution, any change to the employer contribution rate will not only affect your take home pay but also your superable salary for GSF purposes. This will in turn affect your entitlements.

If the new employer contribution rate applying from 1 April 2021 results in a reduction in your superable salary you may wish to consider making a Former Higher Salary (**FHS**) election. A FHS election must be made within 3 months of the reduction in superable salary. Further information can be found in GSF Booklet GSF21 available on the Authority's website www.gsfa.govt.nz or on request from Datacom.

Note: This newsletter outlines changes affecting GSF. Different changes apply to defined contribution superannuation schemes such as KiwiSaver.

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GSF information booklets and forms

Booklets and forms are available on request from Datacom and may be downloaded from the GSF Authority's website: www.gsfa.govt.nz under **Members > Forms and Booklets**. These booklets contain information and forms for GSF members and employers.