



**BANK OF PAPUA NEW GUINEA**

**IMPORTANT EARLY NOTICE FOR PRIVATE SECTOR EMPLOYERS**

**EMPLOYEE & EMPLOYER CONTRIBUTION RATES INCREASE IN 2005**

I draw to the attention of Private Sector Employers that mandatory superannuation contribution rates will increase from 1 January 2005. This will require forward planning by Employers to ensure a smooth transition to the higher contribution rates.

At 1 January 2005, the private sector employee contribution rate will increase from 5 percent to 5.5 percent. The employer contribution rate (on behalf of the employees) will increase from 7 percent to 7.7 percent.

The schedule of changes to superannuation contributions is set out in Superannuation Regulation No. 4 of 2002 as certified on 9 April 2002. The scheduled increases are as follows:

| <b>Minimum Contribution Rates</b>       | <b>Current</b> | <b>1-Jan-05</b> | <b>1-Jan-08</b> |
|---|----------------|-----------------|-----------------|
| Private Sector – Employee Contributions | 5.0%           | 5.5%            | 6.0%            |
| Private Sector – Employer Contributions | 7.0%           | 7.7%            | 8.4%            |
| Public Sector – Employee Contributions  | 6.0%           | 6.0%            | 6.0%            |
| Public Sector – Employer Contributions  | 8.4%           | 8.4%            | 8.4%            |

Currently public sector workers have higher mandatory contribution rates than their private sector counter parts. This will start changing on 1 January 2005. Contribution rates will rise to a mandatory minimum of 5.5% from the employee and 7.7% from the employer – an increase of 1.2% in total. There will be a further rise in 2008 to bring the private sector into line with the public sector.

There are four months before the changes come into effect. This gives companies ample time to advise employees and to prepare for a smooth transition to higher contribution rates in January 2005.

The superannuation industry is a vital cornerstone for the development of Papua New Guinea. We need to maintain a broad consensus on the direction of superannuation going forward.

If you would like any further information or clarification, or if we can help in any other way, please contact:

The Manager  
Financial Systems Supervision Department  
Bank of Papua New Guinea  
P O Box 121  
PORT MORESBY

Telephone: 322 7200 or 3227 319  
Facsimile: 321 4548

**L. Wilson Kamit, CBE**  
Governor