Policy must change on overseas pensions

Following the release of our PensionBriefing *New Zealand’s treatment of pensioners whose spouses have overseas state pensions*, the RPRC is pleased to see NZ First raising the issues of section 70 in Parliament’s question time last week. “This is a controversial, tricky policy issue that cannot be swept under the carpet much longer” says co-director Associate Professor Susan St John.

Winston Peters asked

> What justification is there for the unfair application of section 70 to a spouse’s entitlement to New Zealand superannuation, and how would the Minister respond to the human rights class action in regard to spousal entitlement in New Zealand?

Paula Bennett’s reply to Winston Peter’s question: “those who have been overseas for some time should not get more than people who have been in New Zealand for over 45 years” skipped over the fact that under current policy, New Zealand sometimes deducts state-administered overseas superannuation savings that look very much like KiwiSaver.

“This is not just, and can leave some with retirement plans in tatters. Moreover, Paula Bennett does not address the anomaly of the spousal deduction” says St John.

Winston Peters also pointed out that “some people who have been here for only 10 years and may not have paid tax or make any contribution at all get New Zealand Superannuation”. He went on to ask:

> Has the Minister considered NZ First’s enlightened and fair solution of proportional entitlement to New Zealand Superannuation based on adult years of residence in New Zealand and leaving people’s overseas pensions alone, as considered by the retirement policy and research centre, to be a fair policy?

The RPRC has put the solution proposed by NZ First to this almost intractable problem of section 70 alongside two other policy options for discussion.

One of these options first establishes whether there is an overseas pension like NZS, and if so, bases NZS on adult years of residency in New Zealand. The pro rata treatment would be confined to only those with overseas pensions, in contrast to NZ First’s scheme.

The other option proposed by the RPRC offers a simpler solution. This option would raise the eligibility rule for NZS to 25 years of residency between the ages of 20-65. Any overseas pension is then likely to be small and would be ignored. This policy will also help perceptions of unfairness in the overly generous access to NZS by new immigrants.
All three options would automatically eliminate current discriminatory treatment for the spouse based on the partner’s overseas pension.

The Social Security agreements we have with countries like Australia need urgent review. Currently rules can disadvantage some better-off New Zealanders who retire in Australia, while advantaging better-off Australians who can retire in New Zealand.

In the meantime, the RPRC has a substantial and growing file of letters from married people caught by the unfair spousal deduction. “This policy is against the principle of universal individual entitlement to NZS and can and should be stopped immediately” says St John.

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