THE UNIVERSITY OF AUCKLAND
BUSINESS SCHOOL

Retirement Policy and Research Centre

Literature Review: New Zealand Superannuation and Overseas Pensions[1]

By

M.Claire Dale[2], Annette Lazonby[3], Susan St John[4], Michael Littlewood[5]

[1] Part One of a two part project by the Retirement Policy and Research Centre for the Human Rights Commission.
[2] Dr M.Claire Dale, Research Associate, RPRC, University of Auckland.
[3] Annette Lazonby, Research Assistant, RPRC, University of Auckland.
[4] Associate Professor Susan St John, Co-director, RRPC University of Auckland.
[5] Michael Littlewood, Co-director, RRPC, University of Auckland.

The Retirement Policy and Research Centre

The Retirement Policy and Research Centre is pleased to publish this Literature Review on New Zealand Superannuation and overseas pensions. It provides essential information on a difficult and contentious area. We hope it will inform the policy development process.

We thank the Human Rights Commission for sponsoring and supporting the development of this Literature Review and the forthcoming Working Paper that builds on the research.

The RPRC welcomes comments and criticisms of this paper.

Comments should be addressed to Dr M.Claire Dale: m.dale@auckland.ac.nz

Dr Susan St John

Michael Littlewood

June 2009

Table of Contents:

Literature Review: New Zealand Superannuation and Overseas Pensions.

Introduction

This literature review surveys recent academic and government publications in New Zealand and overseas relating directly and indirectly to pension portability and migration. The purpose of this Review is to provide the foundation for the forthcoming Retirement Policy and Research Centre (RPRC) Working Paper: *New Zealand Superannuation and Overseas Pensions: A first principles approach to developing options to improve equity*. That Working Paper, which draws on Lazonby (2007),[6] an earlier RPRC Working Paper, will analyse the existing complaints, policy, legislation and recommendations regarding the treatment of overseas pensions.

The primary focus of this literature review is the treatment of public pensions in relation to migration. Cash incomes for retired people in developed countries can be grouped into three major categories: public pensions, private and occupational pensions or superannuation, and income from private investment and savings. There are three different types of public pensions: social insurance based on individual contributions which pays earnings-related pensions; social assistance which is means-tested and is for poverty alleviation; and universal pensions which are paid at the same basic rate to all regardless of wealth or contributions (for further discussion see Preston, 2008). While public pension schemes are essentially pay-as-you-go schemes whereby current contributions meet current outgoings, they may also be partly "funded" as in the US where contributions are paid into a trust fund. There may be other public involvement in privately managed schemes, either through compulsion or subsidisation.

This literature review sets out the economic, social and theoretical issues as portrayed in the general literature; and provides a summary of policy developments in New Zealand. The exercise is timely in view of new legislation currently before Parliament. The Social Assistance (Payment of New Zealand Superannuation and Veteran's Pension Overseas) Bill, introduced on 22 August 2008 with its first reading on 31 March 2009, is discussed in detail in the final section of this Review. It will alter many aspects of the existing laws regarding pension payments overseas.

A preliminary analysis of complaints received by the Human Rights Commission (HRC), the Ministry of Social Development (MSD), the RPRC, and the New Zealand PensionAbuse website (to be summarised in the forthcoming Working Paper) highlights the problems of language and understanding for academics, professionals, and the general population. There are no internationally agreed definitions of the terms used in the sector, and problems emerge from perceptions of "eligibility" and "entitlement" to "unfunded" and "contributory" pensions. A private saving scheme, perhaps referred to as "funded", may or may not be mandatory, but delivers benefits that relate to the accumulated funds. "Pay as you go" (PAYG) state schemes, whether or not there is some prefunding, are often described as "unfunded". They may have a contributory basis with individual specified contributions, or they may be paid out of general tax deductions.

---

[6] RPRC's Working Paper, *Passing the Buck*, 2007, examined New Zealand's retirement income system, and reviewed the origins of the direct deduction policy, its rationale, and its impact on those receiving overseas pensions.

New Zealand's retirement income system comprises New Zealand Superannuation (NZS), a universal Tier 1 pension,[7] paid at a rate unrelated to previous earnings, depending only on marital status and living arrangements.[8] NZS is supplemented by KiwiSaver, a voluntary, quasi-Tier 2 government-subsidised scheme,[9] implemented in 2007, with compulsory employer contributions up to 2% of member's gross pay. There are also Tier 3 superannuation schemes that are voluntary, usually workplace-based, some of which are subsidised by employers. All other voluntary saving arrangements are unsubsidised.

Administrative simplicity is a major advantage of New Zealand's universal, non-means-tested old age pension. Other advantages of such pensions are that they directly address the poverty issues faced by the old; they are easy to administer; and they are transparent. Yet only nine countries plus one city pay a universal pension with no test other than citizenship, residence and age. They are New Zealand, Mauritius, Namibia, Botswana, Bolivia, Nepal, Samoa, Brunei, Kosovo and Mexico City. "These universal non-means-tested pensions automatically protect an entire population, in a way that contributory, earnings-related pensions never can." (Willmore, 2007, p. 24)

New Zealand's regime, with the current interpretation of the Social Security Act 1964 (SSA) and the direct deductions policy (DDP) set out in section 70 of that Act,[10] reduces NZS dollar for dollar against government administered, unfunded overseas derived pensions. NZS eligibility and entitlements are set out in The New Zealand Superannuation and Retirement Income Act, 2001 (NZS Act 2001). As with government-administered basic pension arrangements in many other countries, entitlement to NZS is conditional on reaching a given age (65) and a minimum residence requirement. However, unlike most other countries there are no specific contributions or work-related requirements. At least 10 years must be lived in New Zealand over the age of 20, with at least five of these after the age of 50 ("the 10(5) Requirement"). The recipient must also be resident in New Zealand at the time of application. The NZS Act 2001 states: "the purpose of this Act is (a) to continue current entitlements to New Zealand Superannuation"; and in Part 1: "(1) Every person is entitled to New Zealand superannuation who attains the age of 65 years...(3) subject to the provisions of this Part and of the Social Security Act 1964." It is therefore not surprising that many in New Zealand have a sense that they are entitled to NZS once they reach the age of 65.

Universal entitlement to NZS may be viewed as a recognition of the paid and unpaid contributions of older citizens (TeAra.govt.nz, 2006); it is not dependent on contributions out of income from paid work, nor is it intended to be a poverty-alleviation device (though it serves this purpose well). However, although NZS is termed "universal" not everyone who is eligible prima facie is entitled to receive it. The NZS Act 2001 provides for the NZS "entitlement" to be reduced against benefits received under the Injury Prevention, Rehabilitation and Compensation Act 2001, and in accordance with the DDP.

---

[7] Definitions of the pension "Tiers" are discussed fully in the Working Paper. For the purposes of this Review, Tier 1 (e.g. NZS) are basic state pensions. Tier 2, earnings-related pensions, with mandatory contributions by employees, employers or both, can be complicated by the addition of state subsidies and tax concessions. Tier 3 covers all other voluntary savings, whether through the workplace or directly; through formal saving plans, by direct investment or by paying off debt. Tiers 2 and 3 are often referred to as "supplementary pensions" (for example, Hunt & Wallace, 2006).

[8] The three basic NZS rates are "married", "single sharing", and "single living alone".

[9] KiwiSaver is a Tier 3 scheme: employee contributions are voluntary, however their membership in the scheme makes employer matching contribution of 2% mandatory, thus making KiwiSaver quasi-Tier 2. KiwiSaver is often a concern for recipients of overseas pensions as they note its similarity to the pension systems of their own country as a means of retirement saving.

[10] See Appendix 7 for Section 70 of the Social Security Act 1964.

The application of the DDP may seem inconsistent with the otherwise universal nature of NZS, and may seem to infringe human rights legislation. The human rights framework shapes the approach and method employed in this literature review and in the subsequent Working Paper. Particular attention is given to identifying discrimination and inequity in the associated policy, legislation and practice. As Table 1 (below) shows, more than 10% of the approximately 500,000 New Zealanders over age 65 are entitled to the public pension, NZS, and at least one other public pension from abroad. Numerous complaints received annually by the HRC, the MSD, the Minister of Finance, and RPRC, or published on www.pensionabuse.co.nz, indicate that the DDP under section 70 of the SSA has produced a sense of injustice in many of the affected pensioners.

Table 1. Trends in Work and Income Clients receiving overseas pensions, by source country.

	Number of Work and Income clients receiving an overseas pension[1]				
	2003 Number	2004 Number	2005 Number	2006 Number	2007 Number
Argentina	0	0	1	1	2
Australia	15	914	2,549	3,960	3,928
Austria	0	0	4	6	10
Barbados	1	3	3	3	3
Belgium	3	4	4	8	8
Bulgaria	0	3	4	10	13
Canada	210	306	387	554	647
Chile	0	1	0	0	3
China, People's Republic of	77	166	153	131	337
Cook Islands	0	0	0	2	2
Croatia	0	0	1	4	6
Czechoslovakia, former state of	0	2	2	4	5
Denmark	29	62	71	80	80
Egypt	0	1	0	0	1
Fiji	8	45	56	40	90
Finland	0	0	2	1	3
France	2	5	8	14	16
French Polynesia	0	0	2	1	1
Germany	55	87	108	153	171
Greece	17	19	19	12	15
Guernsey	44	49	51	69	78
Hong Kong	0	0	0	1	6
Hungary	0	1	1	3	5
India	4	24	20	26	43
Ireland	71	91	131	168	159
Isle of Man	23	24	26	37	37
Israel	1	1	1	1	1
Italy	2	2	3	4	6
Japan	0	4	5	14	18
Jersey	50	50	63	80	78
Korea, Republic of	0	0	0	2	5
Malaysia	0	2	3	13	20
Malta	0	1	1	0	0
Marshall Islands	0	0	1	0	1
Netherlands	1,989	2,400	2,709	3,027	3,146
New Caledonia	0	0	0	1	1
Norway	2	3	3	6	4
Peru	0	0	0	1	1
Philippines	12	20	22	45	53
Poland	0	1	2	4	6
Portugal	0	0	1	1	2
Romania	0	0	0	0	3
Samoa, American	0	0	0	3	3
Samoa, Western	0	0	0	4	5
Singapore	0	2	2	1	1
South Africa, Republic of	9	26	36	14	62
Sri Lanka	31	57	53	22	34
Sweden	1	3	2	7	9
Switzerland	40	82	110	138	150
Tahiti	1	1	1	1	1
Union of Soviet Socialist Republics, former	0	13	22	29	31
United Kingdom	35,111	37,754	40,193	42,521	40,417
United States of America	53	98	150	223	274
Yugoslavia, former state of	2	7	9	12	15
Zimbabwe	1	2	2	2	0
Total	37,864	42,336	46,996	51,464	50,019

Notes
1 Numbers of Work and Income clients recorded as receiving an overseas pension as well as a pension or benefit at the end of June. This table excludes people who are not receiving financial assistance from Work and Income.

(Source: Ministry of Social Development, 2008c, p. 176)

In New Zealand, pension system and policy issues, problems and complexities are exacerbated by a lack of clear policy intent; by the lack of international agreement on the definitions of the three different pension "Tiers", and hence on the nature of the pensions that should be subject to the DDP; and by the lack of clarity in the information provided to immigrants regarding pension portability and entitlement.

Pension systems in other countries tend to be complex amalgams of the tiers and provide a sharp contrast to the simple Tier 1 New Zealand pension system. For example Canada's system comprises: a universal, flat-rate, income-tested pension known as "old-age security" which can be topped up with the second Tier 1 component, an income-tested benefit, the "guaranteed income supplement", and a third Tier 2 layer of state-delivered earnings-related benefits called the "Canada Pension Plan" or the "Quebec Pension Plan" (Whitehouse, 2003, p. 13). The US system is just as complex, while the UK system's complexity makes it almost incomprehensible to all but pension specialists (O'Connell, 2006). The complexity of, and wide variation between pension systems makes establishment of reciprocal agreements between countries difficult. It also makes it difficult for individuals to determine the benefits or fairness of any particular pension system, and to make their decisions on whether or not to emigrate, and if so, to where.

This review of the local and international literature begins with economic issues related to migration and public pensions. Attention is given to emerging pension portability and policy issues,[11] and recent European experience provides some useful examples. This section is followed by an overview of the Australian pension system. Focus then shifts to New Zealand, with an outline of a human rights framework preceding a discussion of equity, administrative simplicity and transparency, and demographic (including gender) issues. A selection of New Zealand's pension policy and legislative documents are provided in the Appendices. Finally, a short history of recent overseas pension reviews and proposed changes, including the 2009 Social Assistance (Payment of New Zealand Superannuation and Veteran's Pension Overseas) Amendment Bill, are outlined with some commentary on the progress to date.

Economic issues

This section examines the literature on the economic efficiency of labour mobility with respect to different pension systems; the role that preferences and rationality play in migrants' decisions; and the impact of labour mobility on the ability of a country to determine its own policy settings. The issue of private pension portability is also explored and issues discussed in the literature that pertain specifically to Europe and the US.

As people have become more mobile, the economics of migration has become a recurring theme in the academic literature on inter-country pension portability issues and policy. The motivations for and consequences of inflows and outflows of migrants are complex. From the perspective of the individual, households may migrate for lifestyle reasons, because of family connections, or because of economic motivations. The economic benefits of migration may include higher wages from employment, lower taxes or greater social benefits. The nature of the welfare system, including the pension system, is sometimes referred to as the 'indirect wage' or 'social wage' that workers receive when migrating to another country (Freeman, 1986 p.55). Workers may migrate to a country

[11] See Appendix 1: Special portability of NZS or Veteran's Pension.

which pays them a higher social wage, even when it does not pay them a higher wage from employment.

Factors that affect migrants' decisions include not only the institutional set-up of the country, the taxation and benefit regime, but also the physical environment; the pace and nature of the employment environment; the schooling system; the presence of family in the destination country; and a number of individual preference factors that are difficult to measure. Individuals take account of "their access to the labour market, relevant net amounts of (household) income to be earned, local costs of living, and the existence of networks of co-nationals or members of their ethnic groups who moved to the host country at an earlier stage"; and individuals also migrate from low-wage countries to high-wage countries (Munz & Werding, 2005, pp. 204 - 205) .

Although it may appear that wages (net of taxes) are the main driving force behind migration decisions, Wildasin (1999, p.16) notes that differentials in public pension provision between countries are not an insignificant motive. On the other hand, Munz and Werding (2005, p. 205) note that public pensions can entail an "entrance fee" for potential migrants, and therefore can "create a barrier for voluntary migration, even where it would be beneficial in terms of an optimal factor of re-allocation". In the case of migration to New Zealand, the DDP may be considered by some as a fairly steep "entrance fee".

Migration and economic efficiency

From a country's policy perspective, countries may encourage free labour mobility in order to make economic gains from importing skilled labour (Andersen, 2003); or to change the age structure of the population through importing younger, typically lower-skilled workers (Kemnitz, 2003; Razin & Sadka, 2000). However, labour mobility may pose challenges for a country in terms of reducing the efficiency of a country's policies; or reducing the degree of determination a country may have over its own policy settings.

A pension system is "economically efficient" if it does not distort decisions; that is, if people have no incentive to alter their behaviour based on pension benefits they may potentially receive from taking a particular course of action. "Internal efficiency" requires efficiency within the country (assuming no labour mobility) while "external efficiency"[12] allows for labour to be fully mobile between countries.

An internally efficient pension system does not distort the decisions of people who live and work within a country all their lives. For example, NZS is generally internally efficient, as the flat-rate entitlement is almost universally available to all at age 65. There is no distortion of the retirement decision, as people receive it regardless of whether or not they choose to retire at age 65. There is no incentive for individuals to shift their assets around, or to reduce their income, as the pension is not means-tested.[13]

When a country's labour market is open to migration, as in New Zealand, the pension system (which includes the treatment of overseas pensions) may be considered

[12] The first examination of external efficiency was in Oates' (1972, cited in Wildasin, 1997) work on decentralisation of public goods' provision. Wildasin (1991) and (1994) expanded on this and applied it to broader issues of a common labour market, and later (1997, 2000) to pension provision, suggesting that pension systems in different countries may give rise to adverse selection.

[13] An exception occurs in the case of the non-qualifying spouse provision. This is where an NZS recipient may have a spouse who is under 65 but wishes to receive the pension; they may do so subject to an income test. The household therefore has an incentive to reduce their direct income until it is under the threshold (portfolio investment income (PIEs) or other super scheme income will not count).

externally efficient if it does not distort labour market flows. On the other hand, a pension system may be externally inefficient if it gives rise to adverse selection, attracting those who are most expensive to the system and discouraging those who could subsidise the system. When a country opens its borders, adverse selection may arise if the country's system attracts net beneficiaries (typically low-skilled, low-productivity workers) and repels net contributors (typically high-skilled, high-productivity workers).

A body of literature has emerged from the EU devoted to examining the extent of adverse selection in the operation of countries' welfare states in the presence of labour mobility (Andersen, 2003; Geddes, 2003; Razin & Sadka, 2000; Razin, Sadka, & Swagel, 2002; Wildasin, Markusen, & Winters, 2000). The adverse selection theory is thought to have implications for the sustainability of welfare systems: redistributive countries attract low productivity workers who intend to benefit from the system, leading to an outflow of high productivity workers who would typically subsidise the system, thus the attainable degree of redistribution is reduced.

Much of the research mentioned above relates the adverse selection effect to welfare systems in general, but a subset of this literature examines it with respect to pension systems (Cremer & Pestieau, 2003; Geide-Stevenson, 1998; Kolmar, 2007; Poutvaara, 2007). The "conventional wisdom" in these papers suggests that Beveridgian pension systems (flat-rate pensions) will "select out" the highest productivity workers whilst Bismarckian systems (earnings related pensions) will "select in" the high productivity workers. Consequently the conventional wisdom suggests that Beveridgian pension systems would not survive in competition with Bismarckian systems (Kolmar, 2007).

New Zealand has a redistributive pension system with Beveridgian principles (pension benefits are paid at a flat-rate). The "conventional wisdom" regarding the efficiency of such a system holds that New Zealand, therefore, ought to attract lower-productivity workers, and overall have lower gross domestic product (GDP) growth. Fully-informed, forward-looking individuals and households are expected to take into account lifetime income when they make their migration decisions; hence they include the retirement income system of their destination country as a parameter in those decisions. However it is called "conventional wisdom" for a reason: an emerging subset of literature argues against pure adverse selection in public pension provision. For example, Poutvaara (2007) notes that the migration decision is not based solely on wage differentials. She suggests that, where people have formed family connections, or face other potential barriers to migration that may arise during early working life, they are unlikely to migrate.[14]

Informal institutional factors appear to pose one of the biggest challenges to the adverse selection story. Kolmar (2007) notes that evidence on migration patterns between EU countries shows that overall migration, or labour mobility, is still relatively low despite the reduction of formal institutional barriers. Andersen (2003) suggests that, even within the EU, cultural and linguistic barriers are the likely reason for the relatively low labour mobility. However proximity to the destination country may also play a role. Lucas (2008) argues that, at least for low skilled labour from developing countries, distance is the largest barrier to migration.

[14] The potential for migration to a country that gives a higher return on labour (that is, a less redistributive country) could induce people to invest more in human capital and becoming skilled than they may otherwise do. Thus the model suggests that free labour mobility may make both countries better off: the Bismarckian country attracts higher skilled workers from the Beveridgian country, but keeps those workers who invested more in their human capital due to the possibility of migration, who then found themselves unable to move.

"Proximity" and "similarity" arguments have relevance for New Zealand which attracts migrants for both reasons, although those reasons may operate separately. Migrants from the Pacific and possibly Asia may be attracted for proximity reasons,[15] and migrants from the UK and Europe for similarity reasons, yet the human and physical capital levels of these three different groups of migrants tend to be different.

The degree to which migrants rationally take the prevailing pension system into account when they choose to migrate to a particular country is open to question. Households can be myopic; or they can heavily discount returns received in the future compared to those received more immediately. There would also be a degree of uncertainty with the migration decision due to incomplete information. Migrants must rely on testimonials from friends and/or family, and publicly provided information. Testimonials from friends and/or family are unlikely to be impartial, and as will be shown in the following sections, publicly provided information is unlikely to be either accessible or comprehensible.

Migration's challenge to a country's policy settings

The literature notes that a country's ability to determine the nature of its welfare state can be threatened by the level of immigration (Andersen, 2003; Freeman, 1986; Razin & Sadka, 2000). Razin et al (2002, p. 176) suggest that external pressures can result in a "race to the bottom". Whereas low income migrants initially support the low income native-born population in voting for more redistributive policies, they find that eventually, as more low-income migrants enter the country, the low income native-born (where benefits are spread more thinly) start to vote for lower benefits. Razin et al (2002) support this claim with data from 11 OECD countries showing that an increased share of low-skilled migrants in the population results in lower taxes and transfers.[16]

Some households will prefer a more egalitarian system, such as that in New Zealand, whereas others will prefer a system where "you get out what you put in". The latter type of individuals may be psychologically repelled by a system such as New Zealand's, and the equalisation of income in retirement may seem like a penalty on high earners.

The persistence of New Zealand's welfare state and NZS, a universal, flat-rate pension scheme, may simply reflect the preferences of most New Zealand voters. People who prefer a system that better equates retirement income to earnings during working years can choose to emigrate; and people from overseas who have such preferences would be expected not to migrate to New Zealand. If they do migrate to New Zealand in spite of the pension system, many other features of New Zealand may have been attractive enough to merit the move. However such immigrants may still exert pressure on the government, including through the legal process, to alter the system to align with their preferences. To the extent that such migrants are seen as desirable (in terms of being high-skilled) the pressure they exert may be successful. Consequently there may be a threat to sovereignty over policies from migrants who have entered the country.

Another possible threat to a country's sovereignty is pressure to alter its system exerted by other countries' governments. In 2008, New Zealand's MSD reported that the Swedish government refused to continue negotiations towards a social security agreement until treatment of Swedish pensions (particularly under the DDP) was altered.

[15] The expansion of the Pacific community, and the localising of many Pacific migrants to Auckland, where the Pacific community is most visible, may reflect similarity bias in Pacific People's migration choice.
[16] After controlling for size of government, degree of openness to trade, dependency ratios and growth rates in GDP per capita.

In this case, the Swedish government's suggestion of a proportional accruals package was rejected "for equity reasons" (Ministry of Social Development, 2008a).

Though immigration can be advantageous in bringing human capital and diverse skills to an economy, or in changing its age structure to reduce dependency ratios, access of new immigrants to existing benefit provisions can be viewed negatively. A system where redistribution is agreed to (voted on) by citizens would be expected to generate resistance to outsiders. Migration generates "pressures to demarcate more tightly a community of legitimate receivers of welfare state benefits" (Geddes, 2003, p. 150). This can result in citizens exerting pressure on the government to tighten immigration policies (Freeman, 1986), or using their ability to migrate to avoid redistributive taxes (Andersen, 2003), or remaining within the country and exerting downward pressure on the degree of redistribution (Razin et al., 2002).

The degree to which a welfare system attracts net beneficiaries depends on the degree to which benefits are decoupled from marketplace performance (Freeman, 1986). Low-skilled outsiders pose less of a threat to the sustainability of a welfare state when healthcare and pension benefits are based on employment, because without employment there are no benefits, and they return to their home countries (Freeman, 1986). This has implications for countries like New Zealand with a "gateway" approach: once the minimum number of years' residence is achieved, the migrant is eligible for full benefits. Also, the "welfare" system in New Zealand provides the (admittedly less generous) Emergency Benefit to those aged 65+ who do not qualify for NZS.

Inequities arise when the welfare system's design enables migrants who contributed less to end up with equal or greater benefits than the country's other citizens (Andersen, 2003; Cremer & Pestieau, 1996, 2004; Freeman, 1986; Lucas, 2008; Razin & Sadka, 2000; Razin et al., 2002).

> *These tax/transfer/public service 'wedges' can cause inefficient locational choices, create deadweight welfare losses, and alter the distribution of income through changes in equilibrium factor prices. The prospect of such effects may constrain countries in their policy choices. In particular, they may find it advantageous to limit the redistributive dimensions of their policies in order to reduce the extent of fiscally-induced migration and to limit the fiscal impact of such migration as it does occur. Alternatively, they may choose to tailor their fiscal policies in order to select for immigrants with favourable attributes and to encourage emigration of households with unfavourable attributes.* (Wildasin, 1999, pp. 15 - 16)

The manner in which public pensions are accumulated can significantly affect an individual's lifetime wealth. Wildasin (1999) estimates that, through differentials in public pension systems among EU countries, some migrant workers could have their lifetime wealth reduced by 10-15%, whereas others, particularly workers who migrate at older ages, could be made 5-15% better off.

The key message from the literature is that the migrant's decision is complex and the relative redistributive nature of different states is but one of the many economic factors involved. Migrants will rarely be aware in advance of all the costs and benefits of the move. Thus questions remain regarding the weight migrants give to the pension system in their destination country; and regarding whether this weighting is correct. Clearly, coherence of policy and communication are critical for the potential migrant's choices.

Portability of pensions – the EU experience

While the focus of this review is on public pensions, some insights can also be gained from the literature on private pension portability. Private pension portability is defined as: "the capacity of workers covered by an occupational pension plan[17] to preserve the actuarially fair value of their accrued rights while moving to a different employer and possibly to a different pension scheme" (Andrietti, 2001, p. 60). Portability of pensions can raise equity issues where those in the same circumstances receive different pension rights or amounts due to some feature such as national origin, or where they spent their working lives. Lessons can be drawn from the EU experience where, as part of the creation of a single market, barriers to labour mobility had to be reduced. This is an issue for statutory pensions (Wildasin, 1999), but is also applies to occupational, or supplementary, pensions (Hunt & Wallace, 2006; Mortensen, 2003).

European pensions

European basic Tier 1 pension schemes are financed through contributions levied on wages, through a payroll or income tax, but they differ in the level of the contribution rate, and in the benefit rule that determines the redistribution performed by the system. With the removal of legal barriers to labour mobility in the EU, voluntary and supplementary occupational pension plans that were designed in the context of little labour migration must also become mobile, but vesting periods and different rules around tax-deductibility have posed administrative challenges.[18] Mortensen (2003, p.1) suggests this has resulted in mobile workers facing "a bewildering complex of acquired (or pending) pension rights or, worse, the loss of pension rights", and he notes that some multinational firms have redesigned systems and met the shortfall themselves in order to entice workers to relocate. Tye and Latrémolière (2007) also note that the UK's 2004 Finance Act simplified certain aspects of pension provision for the majority of UK employees, but complicated the rules for overseas employees.[19]

In 2006, the European Commission (EC) saw it as a restriction on workers' freedom of movement that in some EU countries, accrued pension benefits were lost when workers changed jobs. Unable to persuade the member countries to address the problem, the EC issued a draft directive with the following five key elements relevant for pension portability generally:

- The *eligibility* provision required employers operating pension plans (at Tier 3) to allow employees to join after one year's service, or after reaching the age of 21;

[17] Tier 2 in Bismarkian Europe; Tier 3 in Anglo-influenced countries.

[18] In the search for a solution to the problem of pension portability given labour mobility between firms, and between countries, Demange (2008) explores the possibility of allowing European Union citizens free access to, or *free choice* of, all the different "first pillar" social security systems. Like Wildasin (1999), Demange compares pension and education provision. Although there are national and regional variations in the financial regimes and the quality of provision of education, the Bologna Process, launched in 1999, "aims at removing obstacles to mobility for students by establishing the so-called European Higher Education Area" by 2010, giving students access to the education system of a foreign country under the same conditions as natives (Demange, 2008, p. 213). She suggests "letting any EU citizen choose the system of any EU country *without* moving", would be an indirect but powerful way of influencing social security systems; and could trigger a drastic change in the allocation of individuals between the various systems (Demange, 2008, p. 213). While she suggests various ways to diminish the barriers to worker mobility caused by the limited portability of the EU's differing unfunded pension schemes, she recognises that the extent of the differences, and the problems of transition, mean that agreement on a common system or "harmonisation" would be slow. Her research also shows that free choice does not necessarily lead to the selection of the more efficient system (Demange, 2008, p. 219).

[19] There are also collections of cautionary tales for UK pensioners transferring to New Zealand (eg, Scott, 2009) as discussed in the forthcoming Working Paper.

- The *vesting period* provision required that if employees left prior to 2 years membership, all contributions must be refunded or transferred to another plan. Employees who leave after belonging to a plan for 2 years would keep the full value of their accrued pension benefits;
- The directive on *value protection* requires that pension plans must be fair when adjusting the value of the benefits left behind when a worker moves to a new job;
- The *transferability* requirement is that each employee can transfer their pension benefits to the new employer's pension plan within 18 months of leaving; and
- *Communication* requires that pension plan members be told how their pension rights would be affected should they leave their job (Towers Perrin, 2006, p. 154).

Given no unforeseen crises and given greater compliance with the European Pensions Directive, (EDP)[20] some researchers suggest it is likely that by 2010 there will be a free market in voluntary pensions in the EU and the EEA, "so that there will be a free choice for employers (in occupational arrangements) and other providers (in non-occupational arrangements) to decide where they would most like to register their schemes, to administer their schemes, and to invest their backing assets" (Ellison, 2006, p. 162). In theory, the outcome will be competition among member states to play host to pension systems. Ellison (2006) suggests that an early indication of this intention to compete is publication of pension legislation in English by Austria and Iceland.

A possible disadvantage for cross-border schemes is that the EPD requires that they are "better" funded than single-jurisdiction-only schemes, "a trap which seems to be able to be overcome by adjusting the terms of a scheme to avoid a formal DB promise, although there may be contractual issues in some cases" (Ellison, 2006, p. 163). Ellison suggests that possible advantages for UK schemes[21] are that cross-border schemes would avoid the levy required by the Pensions Protection Fund; they would not be subject to general compliance requirements in relation to disputes, member representation and statutory trustee obligations; "the constraints on the kinds of DB scheme that are offered are limited under UK law, but not under other jurisdictions"; and tax costs in some jurisdictions are much lower than others,[22] as well as offering the possibility of recovery of withholding taxes on equity dividends (Ellison, 2006, p. 163).

The five elements in the EDP of eligibility, vesting period, value protection, transferability, and communication (Towers Perrin, 2006, p. 154), relate to pension portability between countries as much as between jobs. In particular, the focus on communication, and worker rights, has relevance for NZS and overseas pensions policies and agreements. The minimum contributing period necessary to give pension rights in most countries is long and thus limiting to pension portability. "This limitation constitutes a barrier to workers' mobility, which may slow down labour integration, a major objective of the EU." (Demange, 2008, p. 213)

Integrating with our closest neighbour

Whether "globalisation" is driven by a formal or informal treaty or agreement, under its force, existing and out-dated concepts and institutions need to be revised. Well-being

[20] The European Pensions Directive set a framework for cross-border regulation, and removed some of the investment restrictions. It also requires domestic compliance with social and labour law (Ellison, 2006).
[21] The UK has an unusual mix of Tier 1; Tier 2 (S2P); and a private equivalent that is not managed by the government but is "contracted-out" to private managers, that stretches into Tier 3.
[22] The complexity of tax legislation in the UK, and in New Zealand, adds to the cost of compliance for cross-border schemes, and is thus a disincentive to establishment of such schemes.

increasingly depends not only on the provision of public goods by national governments, but also "on the provision of global public goods that only international co-operation can secure" (Deneulin & Townsend, 2007). The portability of pension rights straddles the borders between public goods, global public goods, and individual goods. Australia, our nearest neighbour, provides a useful example of how integration has been attempted.

Australian pensions

The old age pension was initiated in New Zealand in 1898 and taken up in different forms in the Australian colonies of New South Wales and Victoria in 1900. Debates about pensions were inextricably linked with discussions about poverty and charity as Royal Commissions in both colonies in the late 1800s had revealed clear evidence of poverty among the aged, "particularly amongst elderly women" (Murphy, 2008, p. 34). The early legislation in New Zealand, New South Wales and the Commonwealth for pension provision included property and income tests, and "restrictions based on racism, length of residency, spouse desertion and criminal convictions; and most had vaguely defined tests of character, particularly sobriety" (Murphy, 2008, p. 44). While many of the restrictions have since been dropped, some remain. For Tier 1 pension eligibility, Australia still has an income- and asset-test, and both Australia and New Zealand have residency requirements. To claim the Australian Age Pension, a claimant must be a citizen or hold a permanent resident's visa (Centrelink, 2007).

Australia's retirement income system is often described as a "three pillar" system, equivalent to the three Tier system discussed in this paper. Pillar 1 (Tier 1) is a means-tested public age pension; Pillar (or Tier) 2 is based on compulsory superannuation contributions for almost all employees; and Pillar (Tier) 3 is based on voluntary superannuation contributions and other private savings (Harding, Keegan, Kelly, & Percival, 2009, p. 20). The age of entitlement to the Australian Age Pension, the flat-rate, means- and asset-tested Tier 1 payment funded out of general taxation revenue, is 65 years for men and is gradually being increased to that age for women.[23] Residence requirements include either citizenship; holding a permanent resident visa; or being a New Zealand citizen who was in Australia on 26 February 2001, or for 12 months in the 2 years immediately before that date, or assessed as "protected" before 26 February 2004. Also, unless claiming under an international Social Security Agreement, or a refugee, a claimant needs to meet the 10 year permanent residence requirements (Centrelink, 2009). The number of years spent working in Australia and the amount earned during working life have no direct impact on the amount of entitlement. An income- or asset-test applies[24] (Centrelink, 2009).

Australia has a long history of Social Security Agreements with New Zealand starting in 1944, with revised agreements implemented in 1949, 1987, 1989, 1995 and 2002. Under the Agreement implemented on 1 July 2002, Australia and New Zealand share responsibility for paying age benefits, according to the time a retiree has lived in Australia and New Zealand between 20 and 65 years of age. A person will generally be

[23] In 2009 it is at 63.5 years for women. Also, in 2009 the Australian government announced a gradual increase to age 67 by 2023. See: http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/056.htm&pageID=&min=wms&Year=&DocType=0.

[24] A pensioner can earn approximately $140 per fortnight (or $240 for a couple) before the pension is reduced by 40 cents for each dollar earned (or 20 cents each for couples). The pension is reduced by $1.50 per fortnight for every $1,000 over the limit of $171,750 for a single home-owner, or $243,500 for a home-owner couple (Centrelink, 2009). The test that produces the larger deduction from the old age pension applies.

entitled to one pension from New Zealand and one from Australia, which, when added together, would equal the amount of pension they would have received had they lived all their life in one country. If they live in Australia, the proportion of the New Zealand pension will be based on periods of residence in New Zealand between age 20 and 65. It may then be 'topped up' by Australia to the amount of Australian pension they would be entitled to had they only ever lived in Australia (Centrelink, 2009).

The Australian age pension, set at 25% of male full-time average earnings, is designed to keep the elderly out of poverty, and "is not generous compared to that of many European nations" (Harding et al., 2009, p. 21). That pension contrasts with the contributions-based or Tier 2 compulsory superannuation scheme which was made mandatory in 1992 for employees earning over $450 per week. The initial 3% of a person's salary deposited in their separate superannuation account by their employer has, over time, been increased to 9%. From age 55, the money can be accessed with a tax penalty, and after age 60 it can be accessed without a tax penalty. The two aims of the compulsory superannuation scheme are reducing dependence on the age pension as the population ages; and improving the welfare of retirees (Harding et al., 2009, p. 22). Nevertheless, the tiers are poorly integrated so that even with the compulsory Tier 2 scheme, many people can access a full Age Pension (Ingles, 2009, p. 8). MacRae (2008) notes that the Age Pension remains uncoordinated with other arms of policy, and may be encouraging early retirement, and allowing people to double dip.

Bank deposits, shares, investment properties, businesses, or any other means of saving for retirement, do not receive the same tax advantages as superannuation savings. Tax concessions for voluntary superannuation saving schemes, Tier 3 of Australia's retirement income system, were first introduced in 1915, but by the 1980s only 30% of private sector employees were covered (Bateman & Piggott, 2001). Those same concessions now also extend to the compulsory Tier 2 schemes. Voluntary contributions are promoted by the federal government through matching schemes and tax advantages. Low income earners, for example, receive an additional $1.50 for every $1 they deposit; while moderate to high income earners pay reduced income tax on superannuation deposits. Like compulsory superannuation, these schemes are intended to promote saving and to reduce future pension burdens (Harding et al., 2009, p. 22).

The Human Rights framework

Pension policy has to "optimize – not minimize or maximize – across a range of objectives" because pension systems have multiple objectives including consumption smoothing, poverty relief, and insurance against adverse labour market outcomes; and these objectives cannot all be achieved fully at the same time (Barr & Diamond, 2008, p. 7). In New Zealand, the Human Rights framework may be used as an analytical tool in identification of policy development opportunities; and in the development and delivery of policy legislation and practice. McGregor (2007, p. 25) presents the framework with six elements emphasised as follows:

1. **Identification of all relevant human rights involved**, and a balancing of rights, where necessary, to maximise respect for all rights and right-holders;
2. **The linking of decision-making at every level to human rights norms** at the international level as set out in the various human rights covenants and treaties;
3. **Accountability** for actions and decisions, which allows individuals and groups to complain about decisions that affect them adversely;

4. **Empowerment** of individuals and groups by allowing them to use rights as leverage for action and to legitimise their voice in decision-making;
5. An emphasis on the **participation** of individuals and groups in decision-making; and
6. **Non-discrimination** among individuals and groups through equal enjoyment of rights and obligations by all.

Criteria for policy evaluation in this Human Rights framework may include efficiency, equity, administrative simplicity and transparency. As discussed previously, economic efficiency implies that a policy should not distort decisions; or, given a choice between two or more options, should distort decisions the least. Equity requires an absence of discrimination, with significant or severe disadvantage as the test for discrimination. In the Human Rights Act 1993, discrimination on the basis of gender, ethnicity, religion, nationality, employment, disability, or age is unlawful.

Equity issues

Equity can be divided into the categories of horizontal, vertical, and intergenerational equity. Horizontal equity requires that those of the same means receive the same benefits. Vertical equity requires that those of lower means receive proportionally greater benefits. Inter-generational equity requires that the previous forms of equity hold across generations.

Vertical equity is relevant to the functioning of welfare states. Welfare states develop because members of a society recognise that the distribution arising via the free market may leave some members in circumstances that are untenable to the other members of the community (Wildasin et al., 2000). It follows that welfare states may establish a minimum standard of living whereby any who fall below that standard are brought up to it via redistribution (Freeman, 1986). Freeman (1986, p. 52) describes welfare states as closed systems because "they establish a principle of distributive justice that departs from the distributive principles of the free market". Crucial to this definition and understanding of the welfare state is a sense of community, or society. "A community with shared social goods requires for its moral base some aspect of kinship and fellow feeling" (Freeman, 1986, p. 52). By definition there are some who are outside the community, and therefore excluded from the welfare state. In addition, certain outsiders, such as the high skilled, may be more likely to be invited in; and certain others, such as the low-skilled and refugees, may be resisted (Geddes, 2003; Samers, 1999).

Intergenerational equity problems could arise where older migrants choose to spend their later working years, and their retirement, in a country whose pension promises do not depend on an accumulation of entitlements based on contributions or periods of employment.[25] Migration of older individuals may pose a separate issue for redistribution, as it generates a situation where, even though the migrants are likely to be higher-skilled, they may end up being net beneficiaries of the welfare state if they choose to remain. It is also likely to raise different insider-outsider tensions. As mentioned in the political economy literature of the previous section (in particular, Geddes 2003), if older migrant workers are high-skilled they may be made more

[25] For example, Wildasin (1999) found that for a Belgian worker moving to Italy at age 40, there was an increase to lifetime income of ECU 23,000, almost 10 times greater than doing so at age 20 (which resulted in an increase of ECU 2,400). Note: the figures given relate to conversion rates applicable in 1986.

welcome, but where they are seen to disproportionately share the benefits of the welfare state while avoiding its fiscal burden, they may be resented.

The DDP persists because of the concern that differing pension systems could advantage those who distribute their working lives around different countries relative to those who stayed in one country all their lives (Ministry of Social Development, 2003b, 2004b, 2005). This horizontal equity concern was also the primary reason that the MSD has rejected the application of a proportional accruals approach to payment of NZS to those with overseas pensions (Ministry of Social Development, 2008a). In particular, the MSD saw this approach leading to a situation whereby those who had lived in New Zealand all their lives could receive a lower level of pension in retirement compared with those who had "had the opportunity" to work overseas (2008, p. 8). It is also noteworthy that the 2008 MSD Review rejected the DDP status quo because of "inequitable aspects of the policy" (2008a, p. 9).[26]

Migrants from many European countries dislike New Zealand's approach to pension portability. The DDP, in combination with the 10(5) requirement and universality, ensures that all those living in New Zealand receive an equal amount of pension, regardless of how much they contributed to the system via taxes paid, or non-financial contributions to society. This means that no consideration is given to the number of years over and above 10(5) a person has lived in New Zealand, much less their labour-productivity (as it may be reflected by their tax contributions). This approach to retirement income may be unsatisfactory to some from overseas, particularly where they have come from countries that emphasise contributions via earnings over redistribution.

Administrative simplicity and transparency

Administrative simplicity reflects the idea that policies should be as simple to administer as possible. Transparency, sometimes called political responsibility (Stiglitz, 2000), refers to the degree to which the burden and benefits of a policy are clear. The two goals of administrative simplicity and transparency interact with each other as more complex policies may make it difficult to understand who pays and who benefits from the policy. They also interact with the three forms of equity, as more equitable processes may be more complex to administer (Barr, 1998).

The Retirement Commissioner noted in the 2007 Review of Retirement Income Policies that for some people who migrate in or out of New Zealand, there is some confusion in the way in which NZS works, and suggested that part of the cause of confusion is New Zealand's difference from other countries in determining eligibility for NZS solely on the basis of residency; and with entitlement being "all or nothing" (Crossan, 2007, p. 6). Additional causes for confusion are complexity of the policy and the surrounding rules (as opposed to simplicity); a lack of transparency in the policy and rules; and inadequate information and communication.

The availability of information is important in determining the prospective migrant's evaluation of the costs and benefits of migration. Poor communication and lack of transparency, for example with complex rules and design, make it difficult for the potential migrant to make a rational and informed decision whether to stay or go. Lack

[26] The five proposals to deal with those inequitable aspects are dicussed in the section: "The 2007-2008 review of pension treatment in New Zealand and overseas".

of transparency and a high level of complexity add to the administrative costs of the system, and as the New Zealand experience has shown, result in confusion and complaints about the system.

Demographic and gender issues

The equity or fairness of NZS, New Zealand's universal pension scheme, is perhaps best demonstrated by the equal entitlement of those who participate in the formal (paid) workforce, and those who participate informally (unpaid). Historically, participation has tended to be split along gender lines, with more men contributing more hours to the paid workforce, and more women contributing more unpaid hours to the economy. Although more women in New Zealand than ever before are now in the paid workforce, the pay gap means they earn on average approximately 20% less per week than men (Hyman, 2007), thus they tend to accumulate lesser amounts of private superannuation savings.

"Together, the areas of earnings and participation mean that women as a group have less total income in their lifetimes and hence less ability to save for their retirement than men." (Hyman, 2007, p. 4) This diminished capacity for saving is exacerbated by the longer life expectancy of women, although the gap "is assumed to decrease to 3.5 years by 2051" (Dunstan & Thomas, 2006, p. 12). It follows that any private or occupational savings result in a smaller average annual payout for women that must last longer as decumulation must be spread over more years than for men.[27] Importantly, this diminished capacity for saving is partially offset by the equal payout and entitlement to NZS, and is therefore a redistributive aspect of New Zealand's social wage.

Currently, the universal and comparatively generous NZS would appear at least in theory to provide an incentive to working age women to migrate to New Zealand, despite the wages gap. As reliance on KiwiSaver as a supplement to NZS increases, the gender pay gap, and consequent lower accumulation of savings, will place New Zealand women, on average, at a disadvantage.

New Zealand's rapidly changing population mix is investigated in two major recent reports, *Immigration and Social Cohesion* (Peace, Spoonley, Butcher, & O'Neill, 2005), and *Diverse Communities - Exploring the Migrant and Refugee Experience in New Zealand* (Strategic Social Policy Group, 2008). These reports both emphasise the importance of public and social policy in ensuring the positive impact of the immigration transition on social cohesion. For example, the Strategic Social Policy Group's 2008 report noted that the overseas-born population increased by 180,000 between 2001 and 2006, by when they comprised 23% of the population, the highest proportion since 1926; and in 2005, New Zealand was estimated to have the fourth highest percentage of overseas-born people in the OECD (Strategic Social Policy Group, 2008, p. 10).

The overseas-born population who had been residing for less than 10 years in New Zealand in 2006 was comprised of 54% of people born in Asia, Africa, and the Middle East, compared to 23% born in Europe. As well as increasingly diverse ethnicity, this change in immigration has meant significant growth in numbers affiliated to non-Christian religions, including Buddhist, Hindu, Muslim, and Judaism (Strategic Social Policy Group, 2008, p. 10).

[27] In Foreman's (2008) proposed compulsory US scheme, unless either unisex annuitization or gender differentiation were mandated, the average-wage single woman retiree at 65 receives a smaller annual individual benefit from the suggested Tier 3 balances.

Perhaps most significantly, the median age of the overseas-born population is 40 years compared to 33 years for native-born (Strategic Social Policy Group, 2008, p. 10). Further, the lower than 100% take-up of NZS (approximately 93% of the age 65+ population) is primarily a reflection of those unable to meet New Zealand's residency qualification. The Emergency Benefit (EB) is the main social security benefit received by this group. It provides income- and asset-tested support to those who cannot receive any other benefit, suffering hardship, or unable to earn enough income for themselves and any family. "As at 13 June 2003 there were 4,274 people receiving EB aged 65 years or over." (Ministry of Social Development, 2003a, p. 10)

The development of a number of national and regional "settlement strategies" in New Zealand heightened awareness of the need for evidence that migrant and host communities are experiencing positive outcomes and settlement policies are effective. For example, as Peace et al (2005) report, the 2003 National Immigration Settlement Strategy identified six goals for migrants and refugees, including that they:

- *Obtain employment appropriate to their qualifications and skills;*
- *Are confident using English in a New Zealand setting, or can access appropriate language to bridge the gap;*
- *Are able to access appropriate information and responsive services that are available to the wider community (e.g. housing, education, and services for children);*
- *Form supportive social networks and establish a sustainable community identity;*
- *Feel safe expressing their ethnic identity and are accepted by, and are part of, the wider host community;*
- *Participate in civic, community and social activities.* (Peace et al., 2005, p. 1)

Peace et al. (2005) note that whether migrants are young or old, their experience and their contribution impact on their wellbeing, and on that of their host communities. Economic disadvantage, whether real or perceived, is a barrier to social cohesion. Although it is not discussed specifically in the Settlement Strategy, older migrants, particularly those approaching or at retirement age, are also impacted by pension policy. "Confidence in institutional arrangements in the host country in turn contributes to greater participation and inclusion." (Peace et al., 2005, pp. 3 - 7)

New Zealand's policy on overseas pensions

New Zealand was an immigrant-taking country for most of the 20th century, with migration flows principally to and from Australia and the UK covered by social security agreements negotiated after World War II. The DDP was introduced in 1938 so that a person with an overseas pension would not be advantaged over someone who had remained in New Zealand for their entire working lives. The "general portability provisions", introduced in the 1980s after migration patterns globally had increased and diversified, allowed a person to take 25% of NZS with them to a non-agreement country, increased to 50% in 1999.[28] The rate reflected the surcharge that applied in New Zealand, and the fact that portable private pensions were not taxed in New Zealand (Ministry of Social Development, 2003a, p. 14).

While there were various extensive pension reviews and task forces in New Zealand during the 1990s on retirement incomes policy, the MSD (2003) noted that: "*The policies*

[28] See: http://executive.govt.nz/96-99/minister/shipley/parliament99/super_qa.htm.

relating to the portability of NZS and the treatment of overseas pensions have been developed in an ad hoc manner over time, in response to particular pressures." Moreover, *"At no time have they been comprehensively reviewed."* (Ministry of Social Development, 2003a, p. 14)

An ambiguous portability policy meant a lack of equity between New Zealanders who retire overseas and those who remain in New Zealand (2004a).[29] The difficulty was exacerbated by the complexity of New Zealand's Social Welfare Reciprocity Agreements with other nations, beginning in 1990 with the updated Agreement with the UK government. The most recent agreement, yet to be ratified, was with Italy in 1998. New Zealand has been struggling for some time to establish an Agreement with the US, with the Social Assistance Bill (discussed below) signalling current intentions.

Table 2 (below) shows the increasing numbers of New Zealand's main benefits, including NZS and Veteran's Pensions, paid out to emigrants from countries that New Zealand has Social Welfare Reciprocity Agreements with. The dates of the Agreements with each of those countries are: Australia (1994); the United Kingdom (1990); the Netherlands (2003); Canada (1996); Greece (1993); Ireland (1993); Denmark (1997); and Jersey and Guernsey (1995). The numbers of benefits are not insignificant, and as Table 2 shows, the overall numbers of people affected are steadily growing. In contrast to Table 2, Table 1 (on page 5) shows the numbers of pensioners in receipt of NZS, who also have an overseas pension. The forthcoming Working Paper will show that many pensioners perceive the New Zealand system of abatement of overseas pensions as inequitable.

Table 2. Trends in the number of clients qualifying for New Zealand pensions or main benefits under social security agreements, by country of reciprocity.

Country of reciprocity	Number of clients receiving New Zealand benefits or pensions who qualified by social security agreements[1]				
	2003 Number	2004 Number	2005 Number	2006 Number	2007 Number
Australia	1,800	3,822	6,331	8,870	11,706
Canada	235	282	320	390	447
Denmark	80	90	81	91	90
Greece	173	198	249	226	255
Ireland	106	138	140	123	143
Jersey and Guernsey	66	69	67	69	71
Netherlands	781	812	829	898	952
United Kingdom	3,693	3,899	3,782	3,860	3,959
Total	6,934	9,310	11,799	14,527	17,623

Note
1 Numbers recorded as receiving payments at the end of June who qualified through social security agreements.

(Source: Ministry of Social Development 2008c, p. 171)

Pacific provisions

"Special portability provisions" with Niue, the Cook Islands, and Tokelau were introduced in 1993 to reflect New Zealand's constitutional relationship; and to recognise their contribution to New Zealand's labour force, and their inability to provide reciprocal social security. The formula was more generous than the general portability provisions (in that a person retiring to these countries could receive full NZS after 40 years' residence in New Zealand), however, it meant that people with less than 20 years' residence in New

[29] See Appendices 1 and 2.

Zealand were receiving less than the 50% rate that applied under the general portability provisions. In 1999, the formula was amended so that a person could receive full NZS after 20 years' New Zealand residence (Ministry of Social Development, 2003a, p. 14). "This was, and remains, double what a person can receive under the general portability provisions, as they can only ever receive 50%, regardless of their New Zealand residence." (Ministry of Social Development, 2004a, p. 11)

Also, in 1999, with no noticeable consultation, the number of Pacific countries covered by these provisions was increased to 22 from the original 3.[30] The original intent of the policy was immediately obscured with the inclusion of American Samoa, Federated States of Micronesia, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, Northern Mariana Islands, Palau, Papua New Guinea, Pitcairn Island, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, and Wallis and Fortuna. Overseas territories of the US and France were now covered, where there was no special historical or present relationship with New Zealand, and nor was there a reciprocal social security agreement with the US or France, or their territories.

Ministry of Social Development's reviews of pension portability

The Background Report provided by the MSD for the 2003 Periodic Report Group listed the following problems regarding pension portability and equity:

- *The rate of portability differs, depending on the country in which a person intends to retire;*
- *The rate of general portability is now outdated, as the surcharge was abolished in 1998;*
- *The rate of general portability does not reflect genuine cost-sharing between the countries in which a person has spent their working lives (e.g. a person who has spent 35 years between the ages of 20 and 65 in New Zealand takes only 50% of NZS with them); and*
- *The criteria for a person to be ordinarily present and resident in New Zealand upon application for NZS, and for 5 of the 10 years residence required to be after age 50, impede migration flows, and the former is applied inconsistently because it is overridden by agreements.* (Ministry of Social Development, 2003a, p. 15)

The direct deduction policy generates the following problems:

- *There is no incentive for people to claim (or declare) their overseas pension, as they derive no real benefit from it;*
- *This generates a high degree of evasion of the policy, at an estimated cost of $150 million per annum to the Government;*[31]
- *Genuine cost-sharing is not achieved between the countries in which a person has spent their working lives, as the New Zealand Government essentially deducts a person's entire overseas pension from their New Zealand benefit entitlement, leaving New Zealand's contribution to be very minimal (if anything) or very large if the person has spent a short amount of time here and has a very small or no overseas pension;*
- *A number of countries balk at the direct deductions policy, and refuse to negotiate a social security agreement with us, at a significant cost to the government.* (Ministry of Social Development, 2003a, p. 15)

[30] See http://executive.govt.nz/96-99/minister/shipley/parliament99/super_qa.htm.
[31] The Report does not indicate the source or basis of this estimated cost of $150 million.

The MSD's 2004 Report on the Review of Pension Portability offered four different formulas for the calculation of NZS, depending on the country in which a person chooses to retire. After 20 years' residence in New Zealand, for example, a person would receive:

- *100% NZS if resident in NZ;*
- *50% under the general portability provisions if they retire to a non-Pacific, non-Agreement country (e.g. the US);*
- *100% under the "special portability provisions" if they retire to a Pacific Island country; or*
- *Either 20/40ths or 20/45ths NZS if they retire to an Agreement country.* (Ministry of Social Development, 2004a, p. 11)

In the 2004 Report, equity was the first of the ten criteria used to analyse the MSD's four proposed packages for NZS portability. The other nine measures for comparing the four possible packages were: genuine cost-sharing; single portability system; fiscally acceptable to the government; facilitate inbound and outbound migration flows; enhance negotiation of agreements; resolve obstacles to US agreement; resolve existing administrative difficulties; and ease of administration (Ministry of Social Development, 2004a, p. 32). The two packages that succeeded on all measures were the options that produced savings approaching $200 million in 2009/10, whereas the other two options were estimated to increase government costs by $13 to $53 million in that year.

International labour mobility and migration increases impact on the number of people with equity and pension portability issues, and the urgent need for a solution intensifies. In 2004, for example, only 573 of the New Zealanders who had retired overseas were receiving a portable NZS outside of an Agreement. Also, 26% of New Zealand's domestic population aged 65+ was foreign born (Ministry of Social Development, 2004a, p. 13). Many of these two groups of people were dissatisfied, particularly with the DDP, as evidenced by the correspondence received by HRC, MSD, and the Ministry of Finance.

The 2004 MSD Review of NZS Portability stated:

> *We believe that New Zealand's international social security policies are unsustainable in the medium-term for the following reasons. First, those who are potentially affected by these policies represent a sizeable proportion of the population... The second reason… is because the current system involves significant costs to the Crown*. (Ministry of Social Development, 2004a, p. 13).

The Social Security Agreements with eight countries - Australia, Canada, Denmark, Greece, Republic of Ireland, Jersey and Guernsey, the Netherlands, and the UK, all vary slightly,[32] and the MSD argued that this variation and lack of standardisation of Agreements in itself constitutes a degree of inequity.

In the 2005 Review, the MSD again raised the issues that many people choosing to live outside New Zealand for more than 26 weeks were receiving lower rates of NZS; many people were residing in countries that do not have a special security agreement with New Zealand and were thus only receiving 50% of NZS; and eligible persons in the Pacific Islands and in countries covered by social security agreements were receiving enhanced

[32] New Zealand's reciprocal social security agreements with other countries will be discussed fully in the Working Paper. See http://www.workandincome.govt.nz/individuals/travelling-or-migrating/getting-an-overseas-benefit-or-pension-in-nz.html#Guidesforgettingoverseasbenefitsorpensions5, and http://www.workandincome.govt.nz/individuals/travelling-or-migrating/getting-an-overseas-benefit-or-pension-in-nz.html#Guidesforgettingoverseasbenefitsorpensions5 for details of specific country arrangements.

payments. At that time, approximately 7,000 people were paid NZS overseas at a cost of $48 million per year.[33] Also, in 2005, the majority of the approximately 51,000 New Zealanders who were receiving overseas pensions had been in New Zealand for more than 30 years, and were living on modest incomes; and 7% of these people were New Zealand-born. The MSD reported that "the direct deductions policy produces annual savings for the government of $174 million" (Ministry of Social Development, 2005, p. 2). As will be discussed in the final sections of this paper, in 2008, the MSD, and the then Minister, Ruth Dyson, again acknowledged some of these inequities, and set aside funds and developed policies for change.[34]

The broad policy goal of NZS was "to provide a basic but adequate standard of living in retirement" (Ministry of Social Development, 2005, p. 19).[35] With some superannuitants in New Zealand and overseas receiving less than the full NZS entitlement, perceptions of inequity were inevitable. The difficulties were exacerbated by increasing international mobility, meaning more people were being affected by what were perceived as unfair rules. In particular, the DDP was problematic as "many of the overseas pensions that are directly deducted are not similar to NZS because they are contributory pensions under which workers contribute to their pensions, often through a social security tax" (Ministry of Social Development, 2005, p. 2).

As well as the DDP policy being difficult to administer because of the lack of clarity around what overseas pensions were "similar"; a significant amount of evasion of the DDP was perceived by government officials; and the original rationale for the 50% overseas rate was no longer applicable as it had been introduced in the 1980s as a balance to the surcharge which had since been abolished. Importantly, also, foreign governments "dislike the policy which presents risks for international relations and limits the government's ability to conclude social security agreements" (Ministry of Social Development, 2005, pp. 2 - 3).

The MSD recognised that the pension policies imposed hardship on many New Zealanders, preventing them from retiring to a country of their choice as the DDP meant they would have an inadequate pension for any level of comfort; and preventing them from extended travel, as entitlement to payment of NZS overseas was tied to the country for which the application was made. A further problem arises out of the requirement that a person must be "ordinarily resident" in New Zealand and age 65 to apply for the pension, which prevents early retirement and travel overseas (Ministry of Social Development, 2005, p. 19). In response to this acknowledgement of hardship, and other problems with existing policies, like the previous Reviews, the 2005 Review set out a range of options for changes to both DDP and pension payment overseas. The evaluation criteria paid particular attention to adverse selection, described in the Review as: "susceptibility to risks of migrants exploiting the relative generosity of the New Zealand social security system" (Ministry of Social Development, 2005, p. 3).

However, although the aim of the pension portability policies is to ensure New Zealanders are treated fairly in relation to each other, and in relation to immigrants, and to ensure that the comparatively generous NZS is not abused, the decision as to which overseas pensions could be regarded as similar to NZS, and therefore be deducted or abated, was

---

[33] The numbers of migrants, and associated costs etc provided in the different MSD reports and reviews vary for data collection and reporting reasons, and because some of the figures in each review are predictions.
[34] See Appendices 2, 3, and 4.
[35] See Appendix 5 for April 2009 rates of NZS and Veteran's Pension.

determined by the "opinion" of the Chief Executive of the MSD[36] (Ministry of Social Development, 2005, p. 13). Relying on opinion to determine matters of such enormous import has not always worked happily or consistently for those affected; nor has it ensured that all New Zealand residents receive an equitable level of pension.

The 2007 – 2008 review of pension treatment in New Zealand and overseas

The MSD's 2007–08 Review comprised two substantial papers: *Review of Treatment of Overseas Pensions and Payment of New Zealand Superannuation and Veteran's Pension Overseas: Paper One, Overview*, and *Paper Two, Proposals*. The MSD consulted with Treasury, the Ministry of Foreign Affairs and Trade, the Ministry of Pacific Island Affairs, the Department of Labour, Veterans Affairs New Zealand, and the Ministry of Women's Affairs, all of whom agreed with the recommendations contained in the paper (Ministry of Social Development, 2008, p. 13).

The overarching objectives of the Review were stated as:

- *To modernise the current policy for treatment of overseas pensions where a superannuitant has an overseas pension;*
- *To address issues associated with the payment of NZS overseas.* (Ministry of Social Development, 2008a, p. 2)

Secondary objectives of the Review were to ensure social security systems were providing both a fair sharing of social security costs between countries; and equitable treatment of New Zealanders who had lived and worked in New Zealand all their lives. The final objective was "to allow New Zealanders to retire comfortably in the country of their choice" (Ministry of Social Development, 2008a, p. 2).

The Review found that, "on the whole, the current policies operate well. The policies reflect the universal nature of the New Zealand system and provide very good protection for most New Zealanders." (ibid, p. 1). Consequently, the Cabinet Social Development Committee presented this Review to Parliament without proposing any fundamental changes to current policy settings, which they found "broadly appropriate for New Zealand's circumstances." (Ministry of Social Development, 2008a, pp. 1 - 2)

One proposal included in the range of proposals developed by Treasury and the MSD to make improvements to the treatment of overseas pensions paid in New Zealand, and the payment of NZS overseas, particularly in Pacific countries, was not pursued. This would have given superannuitants with overseas pensions the choice of receiving a proportional payment of NZS based on their years of residence in New Zealand between the ages of 20 and 65, or having their pensions treated under the existing policy. The Review stated: "This proposal would have made the NZS entitlement criteria more complex and less equitable." (Ministry of Social Development, 2008a, pp. 1 - 2)

The Review recognised that the differences between NZS and other countries' retirement systems make the interface with foreign pension systems problematic. While most retirement systems rely on life-time contributions or work-related periods, "NZS has a simple period of residence and presence requirement and an "all or nothing"

[36] For example "Section 70 (1) and Article 15 of the Social Security Agreement with the United Kingdom requires the Chief Executive of the MSD to reduce a beneficiary's entitlement to a New Zealand benefit by the amount of any overseas benefit or pension, or periodic allowance… that in the opinion of the Chief Executive forms part of a programme providing benefits or pensions, or periodic allowances administered by or on behalf of the government from which it is received for any of the contingencies for which New Zealand benefits are paid." (Ministry of Social Development, 2005, p. 13)

entitlement." Importantly, the residence requirement is extremely short at only 10 years. As well as it being difficult to "match", "the interface between the New Zealand system and other systems can be seen by some people as creating inequities". However, "The Review notes that while there may be differences in the way NZS and state pensions in other countries are funded, both pensions are nevertheless state social security pensions that are paid for the same purpose." (Ministry of Social Development, 2008a, pp. 3 - 4)

> *The Review therefore concluded that there should be no argument about <u>whether</u> receipt of another country's state pension affects entitlement to NZS, but there could be an argument about <u>how</u> NZS entitlement is affected.* (Ministry of Social Development, 2008a, p. 4)

The 2008 Review is adamant on this point which urges toward fairness and equity for New Zealanders, while it obscures the issue that some overseas pensions that appear to be "state social security pensions" may actually be private savings schemes, paid for by the employer and the employee as part of remuneration.

As time passed, the number of people affected by these policies had grown. The overseas-born proportion of New Zealand's working-age population grew from 18% in 1981 to 25% in 2006 (Ministry of Social Development, 2008a, p. 11). Between 2004 and 2008, the number of people aged 65+ receiving an overseas pension increased by more than 10,000 to 52,756 (Preston, 2008, p. 20). The number of complaints to the Minister of Social Development, the Minister of Finance, and the HRC, increased at a similar rate. Importantly, the 2008 Review notes that the current system "to some extent can be seen as inequitable for many migrants and other New Zealanders who have lived overseas or wish to spend their retirement overseas" (Ministry of Social Development, 2008a, p. 5). However, the Review acknowledged that compromising the existing system opened it up to the risk of exploitation by those seeking to access the generous provisions without making any contribution to New Zealand society (ibid).

Three specific issues identified with the current policy settings were: a) the treatment of overseas pensions; b) payment of NZS overseas; and c) payment of NZS to Pacific countries.

a) The policy regarding the treatment of overseas pensions is found in sections 69G, 69H and 70 of the Social Security Act, and in the reciprocal social security agreements with other countries, for example, in Article 15 of the Social Security Agreement with the UK. A superannuitant's NZS is reduced by the amount of his/her overseas social security pension, or by the amount of his/her partner's overseas social security pension (Ministry of Social Development, 2008a, p. 5). Reduction in the partner's entitlement conflicts with the principle of individual entitlement to NZS and has led to complaints to the HRC. Complaints have also emerged over the policy of taking into account both Tier 1 pensions (i.e. basic universal flat-rate state pensions) and Tier 2 pensions (i.e. compulsory, contributory earnings-related state or private pensions) paid into New Zealand by other governments (Ministry of Social Development, 2008a, p. 6). The distinctions made between such Tier 2 pensions, which are abated, and private pensions, which may be either voluntary or compulsory, and are not abated, are difficult for the policy-makers to clarify, and for the affected persons to accept. Complaints also emerged around partial entitlements to pension from other countries, brought in with new migrants, or those returning after working overseas. After only 10 years residence in New Zealand, immigrants are entitled to the full NZS, which financially advantages them over those who have lived, worked, and paid taxes in New Zealand all their lives. To ensure fairness and equality of treatment to New Zealanders, NZS is reduced by the amount of such social security-based overseas pensions (Ministry of Social Development, 2008a, p. 7).

In 1938, when the DDP was introduced, the majority of immigrants to New Zealand were from the UK. That has changed, and in 2006/07, key permanent resident source countries were, in numerical order, the UK, China, India, South Africa, and the Philippines. "As overseas pension systems evolve and their nature changes, it can be very difficult to determine the deductibility of pensions. The Review found that this presents a number of policy and administrative issues", including inequity in the treatment of overseas pensions; administrative difficulties; and arbitrary aspects of the policy, particularly treatment of spouses or partners, and of voluntary components of overseas pensions (Ministry of Social Development, 2008a, p. 7). *Paper two - Proposals* of the 2007-2008 Review outlined five proposals to make a range of improvements to the treatment of overseas pension policy. These proposals were:

- *Clarify the wording of section 70 of the Social Security Act 1964 so it is in plain English and sets out the treatment of each country's pension in regulations;*
- *Remove the proportion of foreign state pensions built up by voluntary contributions from the scope of S.70;*
- *Update the Social Security (Overseas Pension Deduction) Regulations 1996,[37] which set out the mechanics of how the treatment of overseas pension policy works;*
- *Discontinue the policy of deducting a person's overseas pension from their spouse's NZS entitlement; and*
- *Amend the Special Banking Option legislation to allow for refunds.* (Ministry of Social Development, 2008a, p. 9)

b) In relation to payment of NZS overseas, the MSD's four proposals were:

- *Allow payment of NZS overseas based on a formula of 1/45th of the full rate for each year of residence in New Zealand between the ages of 20 and 65;*
- *Allow payment of NZS and Veteran's Pension to be made to superannuitants travelling to or residing in more than one country for more than 30 weeks;*
- *Undertake work that could facilitate the conclusion of a social security agreement with the US; and*
- *Allow a full NZS entitlement where a superannuitant is overseas and is a New Zealand taxpayer for the duration of his/her absence.* (Ministry of Social Development, 2008a, p. 11)

c) The Special Portability Arrangement for payment of NZS in Pacific countries was designed to "recognise the contribution Pacific people make to New Zealand and the inability of Pacific countries to fulfil the reciprocal obligations necessary to conclude social security agreements with New Zealand" (Ministry of Social Development, 2008a, p. 12). In 2008, this Arrangement was providing payment for 482 residents of Pacific countries (rising an average of two people per month), at an annual cost of $6.844 million. A major problem with current policy is that people are required to be resident in New Zealand when they apply for NZS, and this discourages older people from returning to their Pacific Island homes. This is exacerbating the problem of depopulation, particularly in Niue, Tokelau, and the Cook Islands (Ministry of Social Development, 2008a, p. 12).

[37] See Appendix 8 for the Social Security (Overseas Pension Deduction) Regulations 1996.

The Review recommended either a narrow option, relaxing the policy so that residents of Niue, the Cook Islands and Tokelau could apply for NZS from those countries, thus reflecting New Zealand's special constitutional relationship with them. The wider alternative option was to allow residents of these countries plus residents of Samoa, Tonga, and Fiji, to apply for NZS from those countries. This second option was prompted by the recognition that approximately 72% of the Pacific population in New Zealand identify themselves as being either Samoan, Tongan, or Fijian, and therefore make up the largest Pacific groups contributing to the New Zealand economy (Ministry of Social Development, 2008a, pp. 12 - 13).

Recent developments

Paper Two of the 2007-2008 Review, like *Paper One*, stated that consultation had been sought, and agreement with the recommendations had come from Treasury, the Ministry of Foreign Affairs and Trade, the Ministry of Pacific Island Affairs, the Department of Labour, Veterans Affairs New Zealand, and the Ministry of Women's Affairs. *Paper Two* added that the Retirement Commissioner's Office, the Department of the Prime Minister and Cabinet and the Inland Revenue Department had also been informed about the recommendations (Ministry of Social Development, 2008b, p. 8).

The 2007-2008 Review proposed a two-phase implementation. The first phase would involve those proposals that did not require amendment to legislation and did not have fiscal implications. These proposals involved work to facilitate the conclusion of a social security agreement with the US; and updating the Social Security (Overseas Pension Deduction) Regulations 1996. Phase two would comprise the remaining proposals which had fiscal implications and required amendments to the Social Security Act 1964, the New Zealand Superannuation and Retirement Act 2001, the War Pensions Act 1954, and the Income Tax Act 2004; plus amendments to various regulations and to the reciprocal Social Security Agreements (Ministry of Social Development, 2008b, p. 8).

The majority of proposals appeared to be consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993, while the proposal to allow only persons in certain Pacific countries to apply for NZS or Veteran's Pension from those countries "appears to be inconsistent with the right to be free from discrimination on the ground of ethnic or national origins" (Ministry of Social Development, 2008b, p. 8). However, the Ministry of Justice advised that the policy was justifiable in terms of the special constitutional relationship New Zealand had with the countries involved (ibid).[38]

The "recommendations" put forward in *Paper Two* of the 2008 Review reiterated the proposals:

- *Update the Social Security (Overseas pension deduction) Regulations 1996 relating to exchange rates and bank charges;*
- *Remove from the scope of section 70 of the Social Security Act 1964 foreign state pensions built up by voluntary contributions;*
- *Clarify the wording of section 70 of the Social Security Act 1964 so that it is in plain English, and set out the treatment of each country's pension regulations;*
- *Discontinue the policy of deducting a person's overseas pension from their partner's NZS entitlement, and make a consequential amendment to the Special Banking Option (SBO) so that only one partner needs to choose this option;*

[38] This justification was overturned by the 1999 extension of favourable treatment to the 22 Pacific nations.

- *Amend the SBO rules to allow for a refund;*
- *Proportional portability of NZS;*[39]
- *Allow superannuitants to travel to more than one country and continue to receive NZS;*
- *Payment of NZS in Pacific countries;*[40]
- *Allow superannuitants who are resident overseas and are New Zealand taxpayers to receive full NZS;*
- *Social Security Agreement with the USA.* (Ministry of Social Development, 2008b, pp. 13 - 21)

The recommendations from the Review were included in the 2008 Budget.[41] The Government changed its policy regarding superannuitants migrating to countries without a bilateral social security agreement, announcing that pension portability would be proportional to years of qualifying residence in New Zealand. This was a significant change from the existing policy which capped portability to such countries at 50% of gross NZS (Preston, 2008). The other recommendations, however, were put on hold pending the 2008 election. The Labour-led government was voted out in October 2008 and a National-led government was formed. The proposed legislation, the "Social Assistance (Payment of New Zealand Superannuation and Veteran's Pension Overseas) Amendment Bill" was carried over.

At the first reading of the Social Assistance (Payment of New Zealand Superannuation and Veteran's Pension Overseas) Amendment Bill[42] in Parliament on 31 March 2009, it was acknowledged that the current policies on treatment of overseas social security pensions and the payment of NZS overseas are contentious for a variety of reasons, including that affected superannuitants do not receive the full rate or any NZS amount; and some other governments consider that New Zealand is using their pensions to reduce its own pension liabilities. The proposed changes increase the rate of NZS received by certain superannuitants with overseas pensions and superannuitants receiving NZS overseas; allow people resident in certain Pacific countries to apply for NZS; and potentially remove the current barriers that preclude a Social Security Agreement with the US.

Although the Bill addresses many of the problems raised in the 2004, 2005 and 2007 Reviews, [43] the DDP reforms were a major omission. As Sue Bradford noted:

> *... this bill does not attempt to deal with the vexed issue ... relating to the operation and effect of the dollar for dollar deduction against New Zealand social security benefits imposed in respect of contributory pension schemes administered by Governments overseas. This matter has been raised time and time again by people aggrieved by the fundamental unfairness of arbitrarily missing out on the*

---

[39] With entitlement based on a 45-year denominator, one "would need 45 years of residence in New Zealand between the ages of 20 and 65 to receive full payment" (Ministry of Social Development, 2008b, p. 18).

[40] The proposed new rules would allow residents of the three Pacific countries of Niue, Tokelau and the Cook Islands, who have met the NZS residence rule of 10 years, 5 after the age of 50, to apply for NZS from one of those countries after they turn 65.

[41] See Appendices 3 and 4.

[42] See Appendix 6 for the text of Part 1 of the Bill.

[43] MP Te Ururoa Flavell raised a problem with pension policy, rather than this Bill. The Māori Party advocates lowering the NZS age of entitlement to 60 years for groups whose life expectancy is lower than average, including, as well as Maori, the populations of the Cook Islands, Fiji, Kiribati, Niue, Samoa, Tokelau, Tonga, Tuvalu, Vanuatu, and the other Pacific nations identified in the New Zealand Superannuation and Retirement Income Act 2001. The Māori Party argues that because the average mortality age for Māori is around 10 years earlier than for non-Māori, a lower entitlement age would allow more equitable uptake of NZS for all citizens (Hansard, 2009).

benefits of contributory pension funds that they have been part of—often for a substantial part of their working lives—because of the unfair provisions imposed by section 70 of the Social Security Act. (Hansard, 2009)

The Bill does not address a proposal and recommendation contained in the MSD 2007 – 2008 Review: "Discontinue the policy of deducting a person's overseas pension from their partner's NZS entitlement, and make a consequential amendment to the Special Banking Option (SBO) so that only one partner needs to choose this option" (Ministry of Social Development, 2008b, pp. 13 - 21). This is the source of many of the complaints received by MSD and HRC regarding the lack of equity in current pension policy. This particular issue is made doubly problematic because it is introduced in the Explanatory Notes to the Bill ("Social Assistance (Payment of New Zealand Superannuation and Veterans Pension Overseas) Amendment Bill," 2009, pp. 10, 12), but is not included in the Bill itself.

Another difficulty, raised by Sir Roger Douglas, is that a person born in New Zealand, who worked in New Zealand for 45 years then moved to Australia, could get zero superannuation payment as a result of the reciprocal Social Security Agreement we have with Australia (Hansard, 2009). A further issue is that the new section 26(4) of the Bill proposes that "gross" pensions will be paid to superannuitants overseas.[44] This creates a series of possible disadvantages for other New Zealanders and unfair advantages for those choosing to receive their NZS overseas. It adds a taxpayer penalty, since the unpaid tax on those pensions will need to be met by the rest of the population, or provision of other tax-funded goods will need to be reduced. In some countries, NZS will be taxed, and in some countries, it will not be taxed. This adds to the inconsistency in the treatment of superannuitants in New Zealand and overseas.

The Bill estimates that the total cost of the preferred option would be only $11.5 million a year ("Social Assistance (Payment of New Zealand Superannuation and Veterans Pension Overseas) Amendment Bill," 2009, p. 11). Should the Bill be passed, NZS potential entitlement for those living overseas will be increased from 50% to 100%; and NZS will be paid as a gross amount not a net amount. In 2005, of the 7,000 people paid NZS overseas at a cost of $48 million per year, only 190 people were affected by the special portability agreements (Ministry of Social Development, 2005, p. 2). In 2008, the existing arrangements were providing payment for 482 residents of Pacific countries (rising an average of two people per month), at an annual cost of $6.844 million (Ministry of Social Development, 2008a, p. 12). If the entitlement and eligibility provisions are loosened, and extended from Niue, Tokelau, and the Cook Islands to the 22 Pacific nations already covered by the special portability arrangement, it is conceivable that the current cost would increase dramatically.

Importantly, the Explanatory Note to the Bill states: "No consultation was undertaken with the public. The MSD receives a large amount of correspondence from the public on the issues and therefore it was considered that public feelings on the issues are already well known." ("Social Assistance (Payment of New Zealand Superannuation and Veterans Pension Overseas) Amendment Bill," 2009, pp. 13 - 14). Despite this statement, public submissions are now being invited on the Bill, with the closing date for submissions set as Friday, 29 May 2009.

[44] See MSD 2003a, p. 11 for discussion of change in 1980s from EET to TTE on superannuation. See the 2009 RPRC Working Paper for discussion on the effect of surcharge, and the inequity of retaining gross payments of NZS overseas after the surcharge was dropped. See MSD 2003a, p. 14 – 15.

Summary

A major factor for retirement and pension policies is the global trend for increasing labour mobility which in turn creates a need for suitable and equitable public pension portability policies. Ageing populations, falling birth rates, and the current recession add further urgency to policy decisions regarding migrant pensioners, although little of the recent research takes these factors into account. Table 1 shows an increasing number of retirees resident in New Zealand who have a foreign pension, and increasingly these retirees are from countries with which New Zealand does not a reciprocal agreement, including many Asian countries. As the numbers of migrant pensioners increase, so the numbers of those who perceive an inequity in their treatment can be expected to increase under current policy settings.

The academic and theoretical literature suggests that the decision to migrate to a particular country is complex. This decision will be influenced, at least to some extent, by the pension policies of both New Zealand and the country of origin. There is a tension between the long minimal contributing period necessary to give pension rights in most countries, and the comparatively short residence requirement for entitlement to NZS; as well as its relative generosity. The European Directive on eligibility, vesting period, value protection, transferability, and communication, for private pension portability between jobs and countries, also has relevance to public pension portability policies. In particular, communication and transparency have relevance for NZS and overseas pensions policies and agreements.

New Zealand taxpayers may resent the drain on public funds by those who do not appear to have contributed for a full working life in New Zealand and/or who have other pensions in addition to NZS. While the "Direct Deduction Policy" reduces this perceived inequity, it creates others.

The complexity and variability of pension systems within and between countries makes it difficult for individuals to determine the relative benefits or equity of different systems; and makes it difficult for the establishment of reciprocal agreements between countries. The small number of reciprocal pension agreements between New Zealand and other countries are complex and inconsistent. The separate relationship with 22 Pacific countries has become especially favourable for New Zealanders retiring to those countries. But the imminent legislative changes in the Social Assistance (Payment of New Zealand Superannuation and Veteran's Pension Overseas) Amendment Bill will also extend portability to all other countries as a unilateral policy change. This in turn raises new anomalies.

Despite the recommendations in many MSD reviews, and the 2009 Bill's Explanatory Notes and Preferred Option, the Bill does not correct the identified anomalies in the treatment of overseas pensions in New Zealand. It appears unresolved when, or even if, those issues will be addressed. A human rights framework as outlined in this paper can provide a starting point for a discussion on the ideal, or appropriate, relationship between NZS and overseas pensions. The forthcoming Working Paper will identify the inequities of the current arrangements and provide a principles-based approach to developing options to improve equity for all stakeholders in the New Zealand pensions system, including taxpayers. More immediately, this Literature Review provides a basis for understanding the issues of pension portability, and for RPRC's submission on the 2009 Bill (Dale, St John, & Littlewood, 2009).

Appendix 1: Special Portability of NZS or Veteran's Pension

http://www.winz.govt.nz/documents/taking-nz-superannuation-or-veterans-pension-pacific.pdf

Work and Income
Te Hiranga Tangata
A service of the Ministry of Social Development

New Zealand Government

International Services
Level 7, 109-125 Willis Street
PO Box 27-178 Wellington
Fax 04-918 0159
Email: international.services@msd.govt.nz

Special Portability of New Zealand Superannuation or Veteran's Pension

Last updated 17 July 2007

Special Portability enables you to continue to have your New Zealand Superannuation or Veteran's Pension ("New Zealand pension") paid to you when you move to one of the following Pacific countries.

American Samoa
Cook Islands
Federated States of Micronesia
Fiji
French Polynesia
Guam
Kiribati
Marshall Islands
Nauru
New Caledonia
Niue
Northern Mariana Islands
Palau
Papua New Guinea
Pitcairn Island
Samoa
Solomon Islands
Tokelau
Tonga
Tuvalu
Vanuatu
Wallis and Fortuna

To be able to receive your New Zealand pension in one of these Pacific countries you must:

- be entitled to receive the New Zealand pension before leaving New Zealand, and
- be entitled to the New Zealand pension in your own right. Non-qualified partners (eg those under 65 years) have no entitlement overseas, and
- be going to live in one of these Pacific countries for more than 52 weeks, and
- be resident in one of these Pacific countries when each payment is made to you, and
- be residing in and present in New Zealand on the date of application for special portability (see *Residency requirements for New Zealand benefits and pensions* fact sheet).

Your payment rate will be:

If you've lived in New Zealand...	You'll get...
for 20 complete years or more since age 20	the full basic rate
for between 10-20 complete years since age 20	1/20th of the basic rate for each year you have lived here since age 20
for 10 complete years since age 20	half of the basic rate

Extra assistance you may get in New Zealand cannot be paid overseas, including living alone allowances, disability allowances or accommodation supplements.

If you are receiving an overseas benefit or pension the basic rate payable will be adjusted first, then payment will be calculated according to the table above.

Tax is not deducted in New Zealand before payments are made overseas. You may have to pay tax on your payments in the country you have moved to. Please contact the tax authority in the country you are moving to for more information.

Australian Agreement
0800 777 227
Calling from Australia
1800 150 479

United Kingdom,
Jersey/Guernsey,
Republic of Ireland Agreements
0800 771 001

All other Countries
0800 777 117
Calling from outside New Zealand
00 64 4 978 1180

Treatment of overseas pensions or benefits payable in New Zealand

http://www.winz.govt.nz/individuals/a-z-benefits/nz-superannuation.html

Updated November 2008

If you're eligible for a pension or benefit from New Zealand and overseas, you need to apply with both countries.

You must contact Work and Income to apply for your New Zealand benefit or pension.

International Services is responsible for assessing the rate of your New Zealand benefit and pension payments if you are entitled to an overseas pension.

Will an overseas benefit or pension affect payment of my New Zealand pension or benefit?

It can. This depends on what type of overseas payments you receive.

What types of overseas payments affect the New Zealand Superannuation or benefit rate?

Benefits, pensions, or periodical allowances paid under a programme that:

- pays benefits, pensions and periodical allowances for similar purposes as those paid in New Zealand, e.g. old age/retirement, survivor's and disability pensions; and
- is administered by or on behalf of an overseas government.

You can contact International Services to find out whether your overseas pension will affect your New Zealand payment.

How much will I get paid?

Generally, you will get paid the same amount as those who have lived all their lives in New Zealand. This amount may be made up of a combination of your New Zealand and overseas benefit or pension payments – it depends on your circumstances.

Why are New Zealand payment rates adjusted when someone receives overseas social security payments?

This makes sure all New Zealanders – regardless of whether they've lived overseas and are entitled to an overseas pension – get an equitable amount of state retirement pension.

How are New Zealand payment rates adjusted when someone receives overseas social security payments?

Your New Zealand Superannuation or benefit payment will be reduced to take into account the total amount you get paid in overseas state social security based pensions or benefits. This is done under Section 70 of the New Zealand Social Security Act which sets out the requirement that payment rates of New Zealand Superannuation and benefits must be reduced when a client also receives state social security payments from overseas.

Other overseas pension payments may not affect your payment rate of New Zealand Superannuation or benefit, but may affect any extra assistance you can get. Extra assistance payments depend on the level of income you receive and the assets you have.

What about overseas pensions or benefits funded by voluntary contributions?

If you think your overseas state social security pension is made up of voluntary contributions please contact International Services. You will need to provide proof of your state social security pension so we can determine whether payment rates of New Zealand Superannuation or benefits will be affected by it.

How do you get more information?

Please contact International Services for more information about the affect of overseas pensions and/or benefits on the rate of New Zealand benefit payable. Our International Services team will answer your call between 8am and 5pm Monday to Friday.

Further information can be found at: Going overseas or moving to New Zealand

Appendix 2. Press Release from the Minister 2008

http://feeds.beehive.govt.nz/release/more+help+nz+superannuitants

Ruth Dyson, the Minister for Social Development and Employment

11 June, 2008

More help for NZ Superannuitants

"Legislation will be introduced to Parliament that will ensure that New Zealanders who wish to retire overseas are able to do so comfortably in the country of their choice," said Ms Dyson.

"In Budget 2008 we announced an investment of $6.7m to provide more flexibility in the rules governing the payment of New Zealand Super overseas.

"The first step is to ensure New Zealanders who retire overseas, receive up to 100% of their NZ Super entitlement based on how many years they have worked in New Zealand. This would be an improvement on the current flat rate of 50% of the NZ Super for all those retiring overseas.

"In addition, the legislation will ensure portability between a range of countries, in contrast to the current rules where New Zealand Super is only available to retirees overseas while they are resident in one particular country.

"The legislation follows the government's review of the treatment of foreign state pensions paid into New Zealand and payment of NZ Super overseas. The review formed part of the confidence and supply agreement with New Zealand First.

"The review looked at balancing access to retirement provisions between the country where a person has worked and where they retire. It found that current policies reflect the universal nature of the New Zealand system and they provide very good protection for most New Zealanders, but there is nevertheless some room for improvements," said Ms Dyson.

"NZ Super is unique because it is paid in full after a person has lived in New Zealand for 10 years. The Government invests around $7.8 billion annually to fund those entitlements. In most countries the level of a pension is based on the contributions a person has made during their working life.

"The Ministry of Social Development has already begun work to develop a social security agreement with the United States of America, and are making changes to regulations to update how exchange rates and bank fees are handled, said Ms Dyson.

"The government has also agreed to technical changes to the treatment of overseas pensions which will be implemented as funding and legislative opportunities allow," said Ms Dyson.

Related Documents
Superannuation additional information.doc (doc, 58 Kb) (See Appendix 3)
NZ Superannuitants Press Q&A.doc (doc, 47 Kb) (See Appendix 4)

Appendix 3. Budget 2008 Initiatives: Payment of NZS and Veteran's Pensions overseas

http://www.msd.govt.nz/about-msd-and-our-work/newsroom/media-releases/2008/pr-2008-06-12.html

Q. Under what conditions can New Zealand Superannuation currently be paid overseas?

A. New Zealand Superannuation and Veteran's Pensions may be paid outside New Zealand under five separate legislative provisions. These are:

- **Temporary Absence:** Payment may continue at the full rate for a period of absence of up to 26 weeks provided the superannuitant returns to New Zealand within 30 weeks of the date of their departure
- **Aid Agency work:** Payment may continue at the full rate for a period of absence of up to 156 weeks where a superannuitant is working unpaid and voluntarily for a recognised aid agency that provides humanitarian assistance to less advantaged communities
- **Social Security Agreement:** Payment may be made at up to 100% depending on the period of the superannuitant's residence in New Zealand over 40-45 years (depending on the Agreement). A superannuitant can apply for payment before they leave New Zealand or after their arrival in a country with which New Zealand has a social security agreement. New Zealand has agreements with the Australia, the Netherlands, the Republic of Ireland, Greece, the Islands of Jersey and Guernsey, Canada and Denmark. New Zealand also has a social security agreement with the United Kingdom which does not allow for payment of NZS to be made to residents of the UK. Instead, the agreement allows New Zealand superannuitants residing in the UK to receive UK State Pension which is the UK equivalent of NZS.
- **Special Portability Arrangement:** Payment may be made at a rate between 50% and 100% where a superannuitant intends to live for 52 weeks or more in one of 22 specified Pacific countries[45]. The actual rate paid depends on the superannuitant's residence in New Zealand over a 20 year time frame. A superannuitant must be resident and present in New Zealand when they apply to take payment of NZS to a specified Pacific country.
- **Payment Overseas (General Portability):** Payment may be made at the flat rate of 50% where a person intends to live in an overseas country with which New Zealand does not have a social security agreement or a Pacific country covered by the special portability Arrangement. A superannuitant must be ordinarily resident and present in New Zealand when they apply to take payment of NZS overseas.

Q. What has the Budget done to make things easier for superannuitants travelling overseas?

A. The Government is implementing two changes to the Payment Overseas (General Portability) provisions: Amending the general portability rules so that New Zealand Superannuation and Veterans Pension can be paid overseas based on a formula of 1/45th of the full rate for each year of residence in New Zealand between the ages of 20 and 65. Allowing payment overseas of NZS and Veteran's Pension to be made to superannuitants travelling to or residing in more than one country for more than 30 weeks.

Q. How will this new formula work?

A. Currently qualifying superannuitants who wish to live overseas in a non-agreement country or a country which is not covered by the Special Portability Arrangement receive a flat rate of 50% of NZS or Veteran's Pension. This proposal means they will be able to receive up to 100% depending on the number of years they have lived in New Zealand between the ages of 20 and 65.

Q. What are some of the key non-Agreement countries where NZS is currently being paid?

A. The key countries, by number of superannuitants, are the US, India, South Africa, Thailand and China.

Q. Will all superannuitants going overseas to a non-agreement country get 100%?

A. Superannuitants who have lived in New Zealand for 45 years between the ages of 20 and 65 will receive full payment. If a superannuitant has lived in New Zealand for less time, they will receive a proportion based on the number of years they were in New Zealand. For example, if a person has lived in New Zealand for 30 years between the age of 20 and 65, they will receive 30/45ths of the full payment instead of 50%.

Q. Can superannuitants going overseas to countries with which New Zealand has a social security agreement also get 100%?

A. The rules for social security agreements generally allow superannuitants to receive up to 100% depending on the years they lived in New Zealand between the ages of 20 and 65.

---

[45] The 22 specified Pacific countries are: American Samoa; Cook Islands: Federated States of Micronesia; Fiji; Guam, Kiribati; French Polynesia; Marshall Islands; Nauru; New Caledonia; Niue; Northern Mariana Islands; Palau; Papua New Guinea; Pitcairn Island; Samoa; Solomon Islands; Tokelau; Tonga; Tuvalu; Vanuatu, Wallis and Futuna.

Q. Does this change need to be negotiated with other countries?
A. No. It is a unilateral change to New Zealand legislation.

Q. How will the rules change for people travelling to multiple countries?
A. Currently payment of NZS and Veteran's Pensions overseas is limited to superannuitants or veterans who intend to reside in one particular country overseas. Superannuitants who want to visit more than one overseas country are not entitled to payment of NZS or Veteran's Pension during their absence unless they return to New Zealand within 30 weeks. This change will allow qualifying superannuitants to be able to move between multiple countries for more than 30 weeks and continue to receive NZS or Veteran's Pension.

Q. What about the rest of the General Portabilty rules for payment of New Zealand Superannuation or Veteran's Pension overseas?
A. The other rules applying to the general portability provisions have not changed. A person still needs to qualify for New Zealand Superannuation or Veteran's Pension (eg meet the age and residential criteria) and be ordinarily resident and present in New Zealand when they apply for payment overseas of New Zealand Superannuation or Veterans Pension.

Q. What will happen to those people who are already overseas and receiving a 50% payment
A. Once the new general portability rules take effect, the rate of payment will be reviewed for those people that receive 50%. If entitled, they will receive a higher rate of payment but will not receive less than the 50% rate they currently receive.

Q. Will there be any changes to the Special Portability Arrangement (Pacific Countries)?
A. No. Superannuitants are already able to receive up to 100% under this Arrangement. Payment of 50% can be made to superannuitants who have lived in New Zealand for 10 years and the full rate can be paid to those who have lived in New Zealand for 20 years. A proportional rate between 50 and 100% can be made to those who have lived in New Zealand for between 10 and 20 years.

Q. Will there be any changes to social security agreements?
A. No. Superannuitants are already able to receive up to 100% under all social security agreements, except that with the United Kingdom[46]. Superannuitants who have lived in New Zealand for 45 years between the ages of 20 and 65 receive full payment. If a superannuitant has lived in New Zealand for less time, they receive a proportion based on the number of years they were in New Zealand. For example, if a person has lived in New Zealand for 30 years between the age of 20 and 65, they receive 30/45ths of the full payment.

Q. When can we expect to see the adopted changes take effect?
A. The legislation needs to be changed before the proposals can take effect. It is likely that the law change will take effect in the first half of 2009. The date the changes will be implemented will depend on the date that legislation is enacted.

Q. How much will the changes cost?
A. The costs are shown as follows:

	2008/09	2009/2010	2010/2011	2011/2012	Total
Administrative and IT costs	$1.74	$0.23m	$0.23m	$0.23m	$2.43m
Increases to NZS and Vets Pensions	$0.3m	$1.27m	$1.33m	$1.37m	$4.27m
Total cost of changes	$2.04m	$1.5m	$1.56m	$1.6m	$6.7m

Q. What will the $6.7 million fund?
A. The $6.7 million will fund additional pension payments and implementation and ongoing administration costs, a significant proportion of which identified in the 2008/2009 year is required for IT changes.

Q. How many people are currently paid New Zealand pensions or benefits overseas?
A. There are a total of 16,344 people living overseas who are receiving NZ Super or a New Zealand benefit. Of this number 223 are covered by the general portability rules.

Q. How many people will benefit from the change to the general portability rules.
A. We estimate that up to 500 people per year will benefit from the changes.

[46] New Zealand also has a social security agreement with the UK which does not allow for payment of NZS to be made to residents of the UK. Instead, New Zealand superannuitants residing in the UK receive the UK State Pension which is the UK equivalent of NZS.

Appendix 4. Overseas Pensions and payment of NZS and Veterans Pension

http://www.msd.govt.nz/about-msd-and-our-work/newsroom/media-releases/2008/pr-2008-06-12.html

12 June 2008
The Government is investing an additional $6 million over the next four years into the payment of New Zealand Superannuation and Veterans Pensions overseas.
The change will provide New Zealanders with a greater choice about where they live or travel abroad in retirement.
Superannuitants wanting to move overseas will now be able to receive up to 100% of the full rate of payment rather than the current flat rate of 50%. Superannuitants who wish to travel to multiple countries will still be entitled to payment during their absence from New Zealand.

Review of the Treatment of Overseas Pensions and Payment of New Zealand Superannuation and Veterans Pensions Overseas (the Review) - Questions and Answers

Q. ***Why was the Review established and when?***

A. The Review was established to examine the policy settings for the treatment of overseas pensions and payment of New Zealand Superannuation and Veteran's Pensions overseas to ensure that they were still relevant to the needs of all New Zealanders. The Review began in 2002 and was completed in October 2007.

Q. ***How many people are affected by the policy on the treatment of overseas pensions?***

A. Approximately 10% of people receiving New Zealand benefits or pensions also receive an overseas pension.

Q. ***How much money does the government spend on people with overseas pensions?***

A. The amount of overseas pensions that are paid into New Zealand is approximately $200 million per year. However the amount of New Zealand social security payments made to that same group of people is approximately $700 million each year.

Q. ***Who was involved in the Review?***

A. The Review was undertaken by the Ministry of Social Development and the Treasury. Other government agencies such as the Ministry of Foreign Affairs and Trade, the Ministry of Pacific Island Affairs, Inland Revenue and the Department of Labour were consulted and provided advice throughout the Review.

Q. ***Did any other people have input into the Review?***

A. The Review took into account the views expressed in correspondence to the Ministry of Social Development and to various Ministers on the treatment of overseas pensions and payment overseas provisions.

Q. ***What were the objectives of the Review?***

A. The overarching objectives of the Review were: to modernise the current policy for treatment of overseas pensions where a superannuitant has an overseas pension and to address issues associated with the payment of NZS overseas.
The secondary objectives were:

- to provide an interface between New Zealand and overseas social security systems that provides a fair sharing of social security costs between countries;
- to ensure that the treatment of overseas pensions paid to New Zealanders is equitable for New Zealanders who have lived and worked in New Zealand all their lives;
- to allow New Zealanders to retire comfortably in the country of their choice.

Q. ***What were the findings of the Review?***

A. The Review found that the overall policy approach for the treatment of overseas pensions and payment of New Zealand Superannuation and Veteran's Pensions overseas is sound and provides very good protection for older New Zealanders. The Government has however agreed to make changes to some policy settings.

Q. ***What changes were agreed to?***

A. The following recommendations were accepted by government:

1) Updating the Social Security (Overseas Pension Deduction) Regulations 1996 which set out the mechanics of how the treatment of overseas pensions policy works
2) Removing from the scope of section 70 of the Social Security Act 1964 foreign state pensions built up by voluntary contributions
3) Clarifying the wording of section 70 of the Social Security Act 1964 so that it is in plain English, and set out the treatment of each country's pensions in regulations
4) Discontinuing the policy of deducting a person's overseas pension from their partner's NZS entitlement, and make a consequential amendment to the Special Banking Option (SBO) so that only one partner needs to choose this option
5) Amending the Special Banking Option rules to allow for a refund
6) Proportional portability of New Zealand Superannuation Allowing superannuitants to travel to more than one country and continue to receive NZS
7) Payment of NZS in certain Pacific countries
8) undertaking work to facilitate the conclusion of a social security agreement with the United States.

Q. What changes are proceeding now?

A. Four of the recommended proposals that were agreed to by Government are being implemented. These are:

- undertaking work to facilitate the conclusion of a social security agreement with the United States
- updating some outdated regulations regarding the exchange rates to be used for calculating the amount of overseas pensions in New Zealand dollars and types of bank fees that can be exempted from deduction under section 70 of the Social Security Act
- amending the general portability rules so that New Zealand Superannuation can be paid overseas based on a formula of $1/45^{th}$ of the full rate for each year of residence in New Zealand between the ages of 20 and 65 ***(funded in Budget 2008)***
- allowing payment overseas of New Zealand Superannuation and Veteran's Pension to be made to superannuitants travelling to or residing in more than one country for more than 30 weeks ***(funded in Budget 2008)***

Q. What will these changes provide for superannuitants?

A. Qualifying superannuitants who wish to live overseas will be able to receive up to 100% of rate of NZS or Veteran's Pension instead of the current flat rate of 50%.

The other proposed amendment to the payment overseas rules will allow qualifying superannuitants to be able to move between countries and continue to receive New Zealand Superannuation or Veteran's Pension. The current rules specify that a superannuitant can only receive payment if they go to live in one particular country.

The change to the bank fee regulations will allow the amounts of some bank fees to be exempt from deduction resulting in a very small increased payment of New Zealand Superannuation for a small group of superannuitants with overseas pensions.

If New Zealand and the United States can agree on the terms of a social security agreement it will become easier for people to move between New Zealand and the United States and retain entitlement to social security benefits.

Q. When will the proposed changes take effect?

A. The legislation needs to be changed before changes to the payment overseas policies can take effect. It is likely that this will happen in the first half of 2009. The amendment to the exchange rate and bank fee regulations are likely to be finalised around the same time.

Q. When will the other changes take effect?

A. When funding is secured.

Q. Why were the two options on the payment overseas policies funded in the Budget but not the other proposals?

A. The rules governing the payment of New Zealand Superannuation and Veteran's Pension have been enhanced to make it easier for superannuitants to travel or retire overseas. The proposals funded were considered as a priority to ensure that New Zealand superannuitants are treated equitably regardless of where they live.

Appendix 5. New Zealand Superannuation and Veterans Pension rates at 1 April 2009

On 1 April, New Zealand superannuation and veterans pension payments rose by up to $15.64 a week for a couple who both qualify, to $478.38 a week, compared with 1 October last year. For a single person living alone, superannuation and veterans payments went up by $13.16 a week, to $310.95.
For previous NZS and Veterans Pension rates see: http://www.winz.govt.nz/manuals-and-procedures/deskfile/main_benefits_rates/new_zealand_superannuation_tables.htm

New Zealand Superannuation and Veterans Pension rates at 1 April 2009, net rates after tax at "M" or "S".

"M" tax code

Category		**Weekly rate**		**Fortnightly payment (net)**	**Annual rate (gross)**
		Net	**Gross**		
Single, living alone		$310.95	$364.50	$621.90	$18,954.00
Single, sharing		$287.03	$334.28	$574.06	$17,382.56
Married person or partner in a civil union or de facto relationship		$239.19	$273.63	$478.38	$14,228.76
Married or in a civil union or de facto relationship, both qualify	**Total**	$478.38	$547.26	$956.76	$28,457.52
	Each	$239.19	$273.63	$478.38	$14,228.76
Married or in a civil union or de facto relationship, non-qualified partner included **on or after** 1 October 1991	**Total**	$454.98	$519.72	$909.96	$27,025.44
	Each	$227.49	$259.86	$454.98	$13,512.72
Married, non-qualified partner included **before** 1 October 1991	**Total**	$478.38	$547.26	$956.76	$28,457.52
	Each	$239.19	$273.63	$478.38	$14,228.76
Partner in rest home, with non-qualified partner		$237.97	$272.20	$475.94	$14,154.40
Hospital rate		$34.87	$39.74	$69.74	$2,066.48

"S" tax code (Use this table if the superannuitant has other income and an "S" tax rate of 21%).

Category		**Weekly rate**		**Fortnightly payment (net)**	**Annual rate (gross)**
		Net (after tax at 21%)	**Gross**		
Single, living alone		$288.06	$364.50	$576.12	$18,954.00
Single, sharing		$264.14	$334.28	$528.28	$17,382.56
Married person or partner in a civil union or de facto relationship		$216.30	$273.63	$432.60	$14,228.76
Married or in a civil union or de facto relationship, both qualify	**Total**	$432.60	$547.26	$865.20	$28,457.52
	Each	$216.30	$273.63	$432.60	$14,228.76
Married or in a civil union or de facto relationship, non-qualified partner included **on or after** 1 October 1991	**Total**	$410.94	$519.72	$821.88	$27,025.44
	Each	$205.47	$259.86	$410.94	$13,512.72
Married, non-qualified partner included **before** 1 October 1991	**Total**	$432.60	$547.26	$865.20	$28,457.52
	Each	$216.30	$273.63	$432.60	$14,228.76
Partner in rest home, with non-qualified partner		$215.08	$272.20	$430.16	$14,154.40
Hospital rate		$31.55	$39.74	$63.10	$2,066.48

Appendix 6. Social Assistance (…) Amendment Bill

Hon Ruth Dyson

Social Assistance (Payment of New Zealand Superannuation and Veteran's Pension Overseas) Amendment Bill

Government Bill

301—1

The Parliament of New Zealand enacts as follows:

1 Title

- This Act is the Social Assistance (Payment of New Zealand Superannuation and Veteran's Pension Overseas) Amendment Act **2008**.

2 Commencement

- This Act comes into force on 2 November 2009.

Part 1
Amendments to New Zealand Superannuation and Retirement Income Act 2001

3 Principal Act amended

- This Part amends the New Zealand Superannuation and Retirement Income Act 2001.

4 Effect of absence from New Zealand on New Zealand superannuation

- Section 21 is amended by omitting "29" and substituting "35".

5 First 26 weeks of certain temporary absences

- Section 22 is amended by inserting "(other than a person who is receiving New Zealand superannuation overseas under section 26)".

6 New sections 26 and 26A substituted

- Section 26 is repealed and the following sections are substituted:

"*26 Payment overseas of New Zealand superannuation*
"(1) This subsection—
"(a) applies to a country if New Zealand has no agreement with it relating to reciprocity of social security monetary benefits; and
"(b) applies to a person if he or she has left New Zealand—
"(i) intending to reside for a period longer than 26 weeks in a country (or any 2 or more countries) to which this subsection applies; or
"(ii) intending to travel for a period longer than 26 weeks, but not intending to reside in any particular country.
"(2) A person to whom **subsection (1)** applies is entitled to be paid New Zealand superannuation at the appropriate rate stated in **subsection (4)**—
"(a) in the case of a person who has left New Zealand intending to reside for a period longer than 26 weeks in a country (or any 2 or more countries) to which **subsection (1)** applies, until he or she—
"(i) begins to reside in a country that is not a country to which **subsection (1)** applies; or
"(ii) begins to reside in New Zealand again; or
"(iii) begins to receive New Zealand superannuation otherwise than under this section; and
"(b) in the case of a person who has left New Zealand intending to travel for a period longer than 26 weeks, but not intending to reside in any particular country, until he or she—
"(i) begins to reside in a country that is not a country to which **subsection (1)** applies; or
"(ii) returns to New Zealand.
"(3) For the purposes only of **subsection (2)(b)(ii)**, a person does not return to New Zealand if—
"(a) he or she—
"(i) interrupts his or her overseas travel, and travels to and stays briefly in New Zealand, in order to attend an event (for example, a wedding or funeral) or to visit a person (for example, a sick or injured family member); and then
"(ii) resumes his or her overseas travel; and
"(b) he or she does not while in New Zealand begin to receive New Zealand superannuation otherwise than under this section.
"(4) The rates referred to in **subsection (2)** are,—
"(a) if he or she has not made and is not entitled to make an election under section 12,—

"(i) in the case of a person who is not married or in a civil union or in a de facto relationship, a rate that is a proportion (calculated under **subsection (5)**) of the gross rate of New Zealand superannuation (excluding any living alone payment) that he or she would be entitled to receive if he or she resided in New Zealand:
"(ii) in the case of a person who is married or in a civil union or in a de facto relationship, a rate that is a proportion (calculated under **subsection (5)**) of the gross rate of New Zealand superannuation (excluding any living alone payment) that he or she would be entitled to receive if he or she and his or her spouse or partner resided in New Zealand.
"(b) if he or she has made or is entitled to make an election under section 12, a rate that is a proportion (calculated under **subsection (5)**) of the gross rate of New Zealand superannuation payable under clause 1(c) of Schedule 1.
"(5) The proportion referred to in **subsection (4)** is to be calculated by—
"(a) treating each period during which the person concerned has resided in New Zealand while aged 20 or more and less than 65 as whole calendar months and (where applicable) additional days; and
"(b) adding the number of additional days (if any), dividing the total by 30, and disregarding any remainder; and
"(c) adding the number of calendar months and the quotient calculated under **paragraph (b)**; and
"(d) dividing by 540 the total calculated under **paragraph (c)**.
"(6) This section is subject to **section 26A**.
***"**26A Entitlement*
A person is not entitled to be paid New Zealand superannuation under section 26 unless he or she—
"(a) has made an application for the payment of New Zealand superannuation under that section stating either (as the case may be)—
"(i) the country or countries in which he or she intends to reside and the period for which he or she intends to reside there; or
"(ii) the country or countries to and in which he or she intends to travel; and
"(b) is ordinarily resident and present in New Zealand on the day he or she makes the application, and—
"(i) is entitled to receive New Zealand superannuation on that day; or
"(ii) will become entitled to receive New Zealand superannuation before he or she leaves New Zealand."

7 Relationship with other benefit provisions
(1) Section 29(1) is repealed.
(2) Section 29(2) is amended by inserting "living alone payment," after "receive any".
(3) Section 29(4) and (5) are repealed and the following subsection is substituted:
"(4A) Except as provided in this section, the Social Security Act 1964 (other than sections 69G to 69I, 70, 74(1)(a), 75, 75A, and 76) applies to New Zealand superannuation being paid under section 26."

8 Application of this Act and Social Security Act 1964
Section 35(1) is amended by omitting "21" and substituting "22".

9 Social Security Act 1964 consequentially amended
Section 70 of the Social Security Act 1964 is consequentially amended by inserting the following subsection after subsection (1):
"(1A) Subsection (1) does not apply to New Zealand superannuation payable overseas under section 26 of the New Zealand Superannuation and Retirement Income Act 2001."

10 Saving
(1) This subsection applies to a person who, immediately before the commencement of **section 6**, was entitled to be paid New Zealand superannuation under section 26 of the principal Act, between—
(a) that commencement; and
(b) the time he or she ceases to be entitled to be paid New Zealand superannuation under that section.
(2) While **subsection (1)** applies to a person, he or she is entitled to be paid New Zealand superannuation at the higher of the following rates:
(a) the rate at which he or she was entitled to be paid immediately before the commencement of **section 6**:
(b) the rate at which he or she became entitled to be paid on that commencement.

Appendix 7. Social Security Act 1964, sections 69, 70

Public Act 1964 No 136
Date of assent 4 December 1964

http://www.legislation.govt.nz/act/public/1964/0136/latest/DLM359107.html?search=ts_act_social+security+Act_resel&sr=1

Overseas pensions

Rate of benefits if overseas pension payable

- (1) For the purposes of this Act, if—
  - (a) Any person qualified to receive a benefit under this Part of this Act or under the Social Welfare (Transitional Provisions) Act 1990 or Part 6 of the War Pensions Act 1954 or under the New Zealand Superannuation and Retirement Income Act 2001 is entitled to receive or receives, in respect of that person or of that person's spouse or partner or of that person's dependants, or if that person's spouse or partner or any of that person's dependants is entitled to receive or receives, a benefit, pension, or periodical allowance granted elsewhere than in New Zealand; and
  - (b) The benefit, pension, or periodical allowance, or any part of it, is in the nature of a payment which, in the opinion of the chief executive, forms part of a programme providing benefits, pensions, or periodical allowances for any of the contingencies for which benefits, pensions, or allowances may be paid under this Act or under the Social Welfare (Transitional Provisions) Act 1990 or under the New Zealand Superannuation and Retirement Income Act 2001 or under the War Pensions Act 1954 which is administered by or on behalf of the Government of the country from which the benefit, pension, or periodical allowance is received—

  the rate of the benefit or benefits that would otherwise be payable under this Act or under the Social Welfare (Transitional Provisions) Act 1990 or Part 6 of the War Pensions Act 1954 or under the New Zealand Superannuation and Retirement Income Act 2001 shall, subject to subsection (3) of this section, be reduced by the amount of such overseas benefit, pension, or periodical allowance, or part thereof, as the case may be, being an amount determined by the chief executive in accordance with regulations made under this Act:
  Provided that if the chief executive determines that the overseas benefit, pension, or periodical allowance, or any part of it, is in the nature of, and is paid for similar purposes as,—
  - (a) Compensation for injury or death for which payment could be made under the Injury Prevention, Rehabilitation, and Compensation Act 2001 if the injury or death had occurred in New Zealand after the commencement of that Act; or
  - (b) A war pension or allowance granted under the War Pensions Act 1954 of a type which would not affect any recipients entitlement to a benefit in accordance with section 72 of this Act unless the pension or allowance is a pension or payment granted under Part 6 of the War Pensions Act 1954; or
  - (c) A disability allowance granted under this Act—

  such overseas benefit, pension, or periodical allowance, or part of it, as the case may be, shall be treated as if it were in fact such compensation, war pension or allowance, or disability allowance.
  (2) Nothing in subsection (1) of this section shall preclude the chief executive from deciding the date on which its determination under paragraph (b) of, or the proviso to, the said subsection (1) shall take effect, which date may be a date before, on, or after the date of such determination.
  (3) In any case where paragraph (a) and paragraph (b) of subsection (1) of this section apply and the proviso to subsection (1) of this section does not apply, the chief executive may—
  - (a) Make an arrangement with an overseas pensioner, in accordance with any regulations made under section 132C of this Act, to pay to the overseas pensioner the rate of the benefit or benefits that is payable under this Act or the Social Welfare (Transitional Provisions) Act 1990 or Part 6 of the War Pensions Act 1954 or under the New Zealand Superannuation and Retirement Income Act 2001 and to receive from the overseas pensioner an amount equivalent to the amount of the overseas pension that the overseas pensioner receives, if—
    - (i) The overseas pensioner agrees to make such an arrangement; and
    - (ii) The overseas pensioner has not previously made such an arrangement and voluntarily terminated it; and
    - (iii) The chief executive has not previously ceased to make payments under paragraph (b) of this subsection because of the overseas pensioner's failure to comply with such an arrangement; and
  - (b) Pay to the overseas pensioner, in accordance with an arrangement made under paragraph (a) of this subsection, the rate of the benefit or benefits that is payable under this Act or the Social Welfare (Transitional Provisions) Act 1990 or Part 6 of the War Pensions Act 1954 or under the New Zealand Superannuation and Retirement Income Act 2001, if the chief executive receives from the overseas pensioner, in accordance with the arrangement, an amount equivalent to the amount of the overseas pension that the overseas pensioner receives.

  (3A) The chief executive may from time to time, on behalf of the Crown, enter into contracts with 1 or more registered banks for the purpose of implementing arrangements under subsection (3)(a).
  (3B) No money in a bank account maintained, in accordance with regulations made under section 132C, to implement an arrangement under subsection (3)(a) can—
  - (a) Be attached or taken in execution under any order or process of any court:

- (b) Be made the subject of any set-off, charge, or assignment:
- (c) Be claimed or deducted under any notice or other instrument issued under any enactment (other than under regulations made under section 132C).

(3C) If the benefit referred to in an arrangement made under subsection (3)(a) is New Zealand superannuation, the chief executive must pay any amount received from the overseas pensioner under the arrangement into the New Zealand Superannuation Fund established under the New Zealand Superannuation and Retirement Income Act 2001, in accordance with arrangements made from time to time by the chief executive with the Guardians of New Zealand Superannuation.

(4) For the purposes of this Act and section CW 28 of the Income Tax Act 2007, a payment under subsection (3)(b) of this section shall, in respect of the period to which the payment relates, be deemed to be payment of—

- (a) The benefit or benefits that are payable to that overseas pensioner in that period under this Act or the Social Welfare (Transitional Provisions) Act 1990 or Part 6 of the War Pensions Act 1954 or under the New Zealand Superannuation and Retirement Income Act 2001, at the rate at which that benefit or those benefits are so payable but reduced in accordance with subsection (1) of this section; and
- (b) The amount of the overseas pension that that overseas pensioner is entitled to receive or has received in that period.

(5) Subsections (3) and (4) of this section shall come into force on a date to be appointed by the Governor-General by Order in Council.

Appendix 8. The Social Security (Overseas Pension Deduction) Regulations 1996

(SR 1996/259)

Note: These regulations are administered in the Department of Social Welfare.

PURSUANT to section 132C of the Social Security Act 1964, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, hereby makes the following regulations.

Contents

1 Title and commencement

(1) These regulations may be cited as the Social Security (Overseas Pension Deduction Regulations 1996.

(2) These regulations shall come into force on the 2nd day of October 1996.

2 Interpretation

In these regulations, unless the context otherwise requires,—

Act means the Social Security Act 1964

Cross rate means a currency exchange rate between the New Zealand dollar and the currency of a country paying an overseas pension in New Zealand computed from time to time by pricing the New Zealand dollar and the currency of that country against the United States of America dollar

Cross rate calculation period means a period—

(a) Beginning at the commencement of the 16th day of one month, and

(b) Ending at the close of the 15th day of the following month:

Instalment period means a period—

(a) Beginning at the commencement of the day on which a payment of a benefit is made; and

(b) Ending at the close of the day before the day on which the next payment of that benefit is made:

New Zealand bank means a bank in New Zealand to which an overseas bank transfers funds from an overseas country for payment of that country's overseas pensions in New Zealand

Nominated bank means a bank for the time being nominated by the Director-General

Overseas bank means an overseas bank used by the competent authority of an overseas country to transfer funds to a New Zealand bank for payment of that country's overseas pensions in New Zealand.

(2) Expressions defined in section 3(1) of the Act have the meanings so defined.

3 Average cross rate for purposes of regulation 5(b)

For the purposes of the calculation required by regulation 5(b) of these regulations, the term **average cross rate** means,—

(a) If the Director-General knows which overseas bank and which New Zealand bank are used by the competent authority of the country paying the overseas pension, a figure that is the average of the transacted rates at which the overseas bank transferred to the New Zealand bank, during the cross rate calculation period immediately preceding the month in which the calculation is made, the funds for payment of that country's overseas pensions in New Zealand:

(b) In any other case, a figure specified by the nominated bank to the Director-General, being a figure that is the average of the cross rates quoted by the nominated bank, during the cross rate calculation period immediately preceding the month in which the calculation is made, to buyers of the currency of the country paying the overseas pension.

4 Bank fee for purposes of regulation 5(b)

For the purposes of the calculation required by regulation 5(b) of these regulations, the term **bank fee** means,—

(a) If the Director-General knows which overseas bank and which New Zealand bank are used by the competent authority of the overseas country to pay its overseas pensions,—

(i) The total of the amount, in New Zealand currency, of any bank fees charged between those banks to pay the overseas pension in New Zealand, if the Director-General knows that total; or

(ii) An amount, in New Zealand currency, for the time being set by the Director-General to compensate for any such bank fees, in any other case:

(b) If the competent authority of the country paying the overseas pension pays the overseas pension directly to the overseas pensioner by cheque, an amount, in New Zealand currency, for the time being set by the Director-General to compensate for the bank fee for negotiation of the cheque.

5 Rate of reduction

Where section 70(1) of the Act requires a benefit to be reduced,—

(a) Each instalment of the benefit shall be reduced; and

(b) The amount by which each instalment is reduced shall be calculated according to the following formula: where—

a is the amount of the overseas pension, in the currency of the country paying the pension, payable to the overseas pensioner during the instalment period; and

b is the average cross rate, as defined in regulation 3 of these regulations; and

c is the bank fee, as defined in regulation 4 of these regulations.

6 Determination conclusive

Without limiting anything in section 81 of the Act, a determination made by the Director-General under section 70(1) of the Act in accordance with these regulations is conclusive.

Explanatory note: These regulations, which come into force on 2 October 1996, set out the formula to be applied by the Director-General of Social Welfare to determine the amount by which a benefit must be reduced to take account of the receipt by a beneficiary of a pension paid by another country. Authority to reduce a benefit for this reason is found in section 70(1) of the Social Security Act 1964.

References

Andersen, T. (2003). European integration and the Welfare State. *Journal of Population Economics, 16*(1), 1-19.

Andrietti, V. (2001). Portability of Supplementary Pension Rights in the European Union. *International Social Security Review, 54*(1), 59-83.

Australian Government. (1994). *Social Security Agreement between Australia and New Zealand*. Retrieved 16 April 2009. from http://www.fahcsia.gov.au/internet/facsinternet.nsf/international/nz-nz.htm.

Barr, N. (1998). *The Economics of the Welfare State* (3rd ed.). Oxford: Oxford University Press.

Barr, N., & Diamond, P. (2008). *Working Paper 2008 - 26: Reforming Pensions*. Boston: Centre for Retirement Research, Boston College.

Bateman, H., & Piggott, J. (2001). Australia's mandatory Saving Policy: A View from the New Millenium. *Social Protection Discussion Paper Series No.0108. Human Development Network, World Bank*.

Canadian Government. (1996). *Agreement on Social Security between the Government of Canada and the Government of New Zealand*. Retrieved 16 April 2009. from http://www.hrsdc.gc.ca/eng/isp/ibfa/countries/agreements/newzealand-a.shtml.

Centrelink. (2007). What residence requirements does age pension have. Retrieved 05/02/2007, 2007, from http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_res_agepens.htm

Centrelink. (2009). Payment rates for Age Pension (Publication. Retrieved April 20, 2009 http://www.centrelink.gov.au/internet/internet.nsf/payments/age_rates.htm

Cremer, H., & Pestieau, P. (1996). Distributive implications of European integration. *European Economic Review, 40*(1996), 747-757.

Cremer, H., & Pestieau, P. (2003). Social insurance competition between Bismarck and Beveridge. *Journal of Urban Economics, 54*(2003), 181-196.

Cremer, H., & Pestieau, P. (2004). Factor mobility and redistribution. In J. Henderson & J. Thisse (Eds.), *Handbook of Regional and Urban Economics*: Elsevier.

Crossan, D. (2007). *Executive Summary. 2007 Review of Retirement Income Policy*. Wellington: Retirement Commission.

Dale, M. C., St John, S., & Littlewood, M. (2009). *Submission to the Social Services Committee on the Social Assistance (Payment of New Zealand Superannuation and Veterans Pension Overseas) Amendment Bill, (2009)*. Auckland: Retirement Policy and Research Centre, University of Auckland.

Demange, G. (2008). Competition between unfunded systems: A European Union challenge *Pensions : An International Journal. London, 13*(4), 213 -220.

Deneulin, S., & Townsend, N. (2007). Public goods, global public goods and the common good. *International Journal of Social Economics, 34*(1/2), 19-36.

Denmark Government. (1997). *Social Welfare (Reciprocity with Denmark) Order 1997*. Retrieved 16 April 2009. from
http://www.legislation.govt.nz/regulation/public/1997/0135/latest/DLM235366.html.

Dunstan, K., & Thomas, N. (2006). *Demographic aspects of New Zealand's ageing population*. Wellington: Statistics New Zealand.

Ellison, R. (2006). What future for the Europension? *Pensions : An International Journal. London, 11*(3), 161 - 165.

Freeman, G. (1986). Migration and the political economy of the Welfare State. *Annals of the American Academy of Political and Social Science, 485*, 51-63.

Geddes, A. (2003). Migration and the Welfare State in Europe. *The Political Quarterly*, 150-162.

Geide-Stevenson, D. (1998). Social security policy and international labor and capital mobility. *Review of International Economics, 6*(3), 407-416.

Greece Government. (1993). *Social Welfare (Reciprocity With the Hellenic Republic) Order 1993*. Retrieved 16 April 2009. from http://www.legislation.govt.nz/regulation/public/1993/0347/latest/whole.html?search=ts_all%40act%40bill%40regulation_The+Social+Welfare+(Reciprocity+with+Hellenic+Republic)+Order+1993_resel#DLM183252.

Hansard. (2009). *Bills Digest 1665*. from http://www.parliament.nz/en-NZ/PubRes/Research/BillsDigests/7/c/1/49PLLawBD16651-Social-Assistance-Payment-of-New-Zealand-Superannuation.htm.

Harding, A., Keegan, M., Kelly, S., & Percival, R. (2009). *Population Ageing and Government Age Pensions. Using Microsimulation Models to Inform Policy-making.* Tokyo: University of Canberra for ESRI International Collaboration Project 2008.

Hunt, J., & Wallace, C. (2006). Improving the portability of supplementary pension rights. *Journal of Social Welfare and Family Law, 28*(1), 95-104.

Hyman, P. (2007). *Retirement Income - Issues for Women*. Wellington: Retirement Commission.

Ingles, D. (2009). The great superannuation tax concession rort. *Australia Institute Research Paper, 61*, 33.

Irish Government. (1993). *Social Welfare (Reciprocity With Ireland) Order 1993*. Retrieved. from http://www.legislation.govt.nz/regulation/public/1993/0251/latest/DLM180610.html?search=ts_all%40act%40bill%40regulation_Social+Welfare+(Reciprocity+with+Ireland)+Order+1993_resel&sr=1.

Jersey and Guernsey Government. (1995). *Social Welfare (Reciprocity with Jersey and Guernsey) Order 1995*. Retrieved 16 April 2009. from http://www.legislation.govt.nz/regulation/public/1995/0044/latest/whole.html?search=ts_all%40act%40bill%40regulation_Social+Welfare+(Reciprocity+with+Jersey+and+Guernsey)+Order+1995_resel#DLM199158.

Kolmar, M. (2007). Beveridge versus Bismarck public-pension systems in integrated markets. *Regional Science and Urban Economics, 37*(2007), 649-669.

Lazonby, A. (2007). *Passing the Buck: the impact of the direct deduction policy on recipients of overseas pensions in New Zealand*. Auckland: Retirement Policy and Research Centre at the University of Auckland.

Lucas, R. (2008). *International Labour Migration in a Globalising Economy*. Washington DC: Carnegie Endowment for International Peace.

MacRae, A. (2008). *Retirement Income Policies: Looking Both Sides of the Tasman*. Paper presented at the Looking Back and Looking Forward Conference, RPRC, University of Auckland.

McGregor, J. (2007). *Employment of Older Workers. Retirement Commissioner's 2007 Review of Retirement Income Policy*. Wellington: Human Rights Commission.

Ministry of Social Development. (2003a). *Background Paper. A Description of New Zealand's Current Retirement Income Framework for the Periodic Report Group, 2003*. Wellington: Ministry of Social Development.

Ministry of Social Development. (2003b). *Review of New Zealand Superannuation - treatment of overseas pensions and payment overseas*. Wellington: Ministry of Social Development.

Ministry of Social Development. (2004a). *Report to Ministers of Finance and Social Development: Review of New Zealand Superannuation Portability*. Wellington: Ministry of Social Development.

Ministry of Social Development. (2004b). *Review of New Zealand Superannuation - treatment of overseas pensions and payment overseas*. Wellington: Ministry of Social Development.

Ministry of Social Development. (2005). *Review of New Zealand Superannuation - treatment of overseas pensions and payment overseas*. Wellington: Ministry of Social Development.

Ministry of Social Development. (2008a). *Review of Treatment of Overseas Pensions and Payment of New Zealand Superannuation and Veteran's Pension Overseas: Paper One overview*. Wellington: Ministry of Social Development.

Ministry of Social Development. (2008b). *Review of Treatment of Overseas Pensions and Payment of New Zealand Superannuation and Veteran's Pension Overseas: Paper Two proposals*. Wellington: Ministry of Social Development.

Ministry of Social Development. (2008c). *"The Statistical Report for the year ending June 2007"*. Retrieved 10 April 2009. from http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/statistical-report/index.html.

Mortensen, J. (2003). *Cross-Border Portability of Pension Rights: an important condition for an integration market for pension provision*. Brussels: Centre for European Policy Studies.

Munz, S., & Werding, M. (2005). Public pensions and international migration: some clarifications and illustrative results. *Journal of Pension Economics & Finance. Cambridge, 4*(2), 181 - 208.

Murphy, J. (2008). The Poverty of Liberalism: the First Old Age Pensions in Australia. *Thesis Eleven, 95*(1), 33 - 47.

Netherlands Government. (2003). *Social Welfare (Reciprocity with the Netherlands) Order 1990 2003*. Retrieved 16 April 2009. from http://www.legislation.govt.nz/regulation/public/2003/0216/latest/whole.html?search=ts_all%40act%40bill%40regulation_Social+Welfare+(Reciprocity+with+the+Netherlands)+Order+2003_resel#DLM204684.

O'Connell, A. (2006). *Pension reform in the UK*. London: Pensions Policy Institute, Retirement Policy Research Centre, Breakfast. Feb 6th 2006.

Peace, R., Spoonley, P., Butcher, A., & O'Neill, D. (2005). *Working Paper 01/05. Immigration and Social Cohesion: Developing an indicator framework for measuring the impact of settlement policies in New Zealand*. Wellington: Ministry of Social Development, Centre for Social Research and Evaluation. Te Pokapū Rangahau Arotaki Hapori.

Poutvaara, P. (2007). Social security incentives, human capital investment and mobility of labor. *Journal of Public Economics, 91*(2007), 1299-1325.

Preston, D. (2008). *Retirement Income in New Zealand: the historical context*. Wellington: Retirement Commission.

Razin, A., & Sadka, E. (2000). Unskilled migration: a burden or boon for the Welfare State? *Scandinavian Journal of Economics, 102*(3), 463-479.

Razin, A., Sadka, E., & Swagel, P. (2002). Tax burden and migration: a political economy theory and evidence. *Journal of Public Economics, 85*(2002), 167-190.

Samers, M. (1999). 'Globalization', the geopolitical economy of migration and the 'Spatial Vent'. *Review of International Political Economy, 6*(2), 166-199.

Scott, S. (2009). Saving Works: Independent information about saving and investing in New Zealand. Retrieved 26 March, 2009

Social Assistance (Payment of New Zealand Superannuation and Veterans Pension Overseas) Amendment Bill, (2009).

Stiglitz, J. (2000). *Economics of the Public Sector*. New York: W.W. Norton and Company.

Strategic Social Policy Group. (2008). *Diverse Communities - Exploring the Migrant and Refugee Experience in New Zealand*. Wellington: Ministry of Social Development.

TeAra.govt.nz. (2006). *Te Ara (The Encyclopedia of New Zealand) Social Security - scope of the legislation of 1938*. Retrieved 13 February 2007, from http://www.teara.govt.nz/1966/S/SocialSecurity/ScopeOfLegislation/en.

Towers Perrin. (2006). Headlines: Worldwide pay and benefits. *Pensions : An International Journal. London, 11*(2), 153 - 160.

Tye, S., & Latrémolière, A. (2007). UK pensions simplification: Implications for overseas employees. *Pensions : An International Journal. London, 12*(3), 164 -171.

United Kingdom Government. (1990). *Social Welfare (Reciprocity with The United Kingdom) Order 1990*. Retrieved 16 April 2009. from http://www.legislation.govt.nz/regulation/public/1990/0085/latest/DLM137729.html?search=ts_all%40act%40bill%40regulation_The+Social+Welfare+(Reciprocity+with+the+United+Kingdom)+Order+1990_resel&sr=1.

Whitehouse, E. (2003). *The Value of Pension Entitlements: a model of nine OECD countries*. Paris: OECD.

Wildasin, D. (1991). Income redistribution in a common labor market. *American Economic Review, 81*(4), 757-774.

Wildasin, D. (1994). Income redistribution and migration. *Canadian Journal of Economics, 27*(3), 637-656.

Wildasin, D. (1999). Public Pensions in the EU: Migration Incentives and Impacts. In A. Panagariya, Portnoy, P.R., Schwab, R.M. (Ed.), *Environmental Economics and Public Policy: Essays in Honour of Wallace. E. Oates* (pp. 26). Chettelham, UK: Edward Elgar.

Wildasin, D., Markusen, J., & Winters, A. (2000). Factor mobility and fiscal policy in the EU: issues and analytical approaches. *Economic Policy, 15*(31), 339-378.

Willmore, L. (2007). Universal Pensions for Developing Countries. *World Development, 35*(1), 24 - 51.