

Option 2 – apportioned basis

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Option 2 – apportioned basis

- Each country bears its own pension costs
- *Emigrants* now have a $1/540^{\text{th}}$ entitlement to NZS payments overseas....
- why not *immigrants*?
- Recognises a 45 year accrual (45 years from age 20 to age 65 $\times 12 = 540$ months)

Option 2: the suggested rule

- At State Pension Age, does applicant have a Basic Pension entitlement from another country?
 - **Yes:** NZS reduced by $1/540^{\text{th}}$ for each month of residence outside New Zealand between ages 20-65.
 - **No:** NZS
- No NZS if outside New Zealand between ages 20-65 (540 months).

Option 2 - issues

- Definition of 'Basic Pension' central:
 - Must be analogous to NZS
 - Generally Tier 1 but could extend into Tier 2
 - Some discretion needed but principles must be stated and adhered to
- Offset proportion calculated at age 65 stays fixed
- Separate offset for each of a couple
- If overseas State Pension Age is later, offset calculated at later age
- Current 10(5) residence rule could go

Option 2 – for

- Simple and transparent
- Reflects 'contribution' by immigrants to NZ
- Retirees keep each country's entitlements
 - Assures other countries of 'fairness'
- Sidesteps complexities of overseas schemes
...and their changing conditions
- Consistent with treatment of emigrants after age 65
- Limits 'gaming' against NZ taxpayers
- If Social Security Agreement, could unify payment – no impact on total entitlement

Option 2 ... and against

- Presence of any 'Basic Pension' an 'all-or-nothing' test
- 'Months of non-residence' may not relate to Basic Pension accrual
- 'Months of non-residence' a more exacting test (evidential requirements)
- Each immigrant will have a different NZS
 - but that is what happens now with section 70/DPP