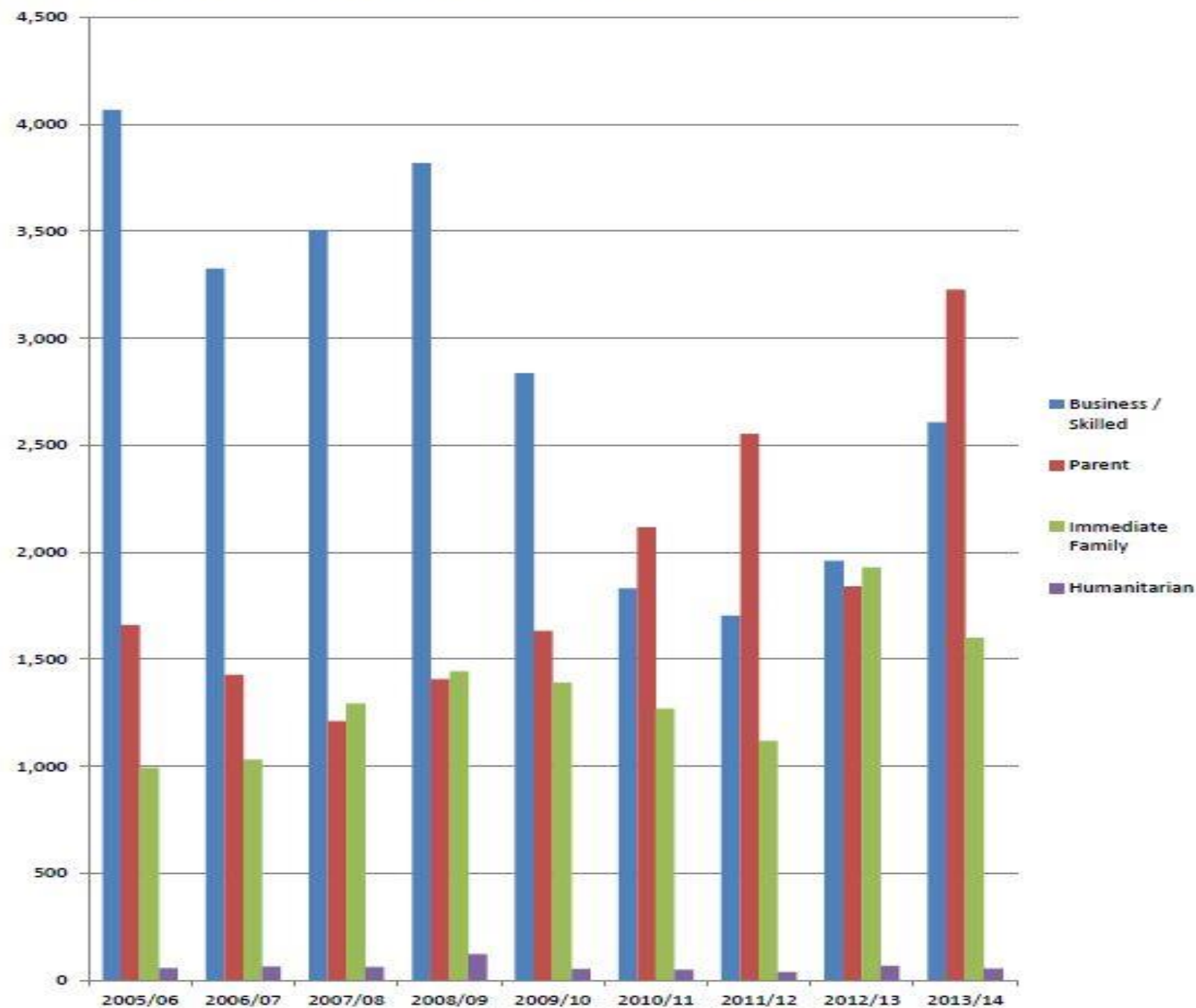


Option 1

Locates the problem in the low residency requirement

- Used to be 25 years
(and required 'good moral character and sober habits')
- 1940 universal super required 20 years
- Currently **only 10 years** required, with 5 after age 50

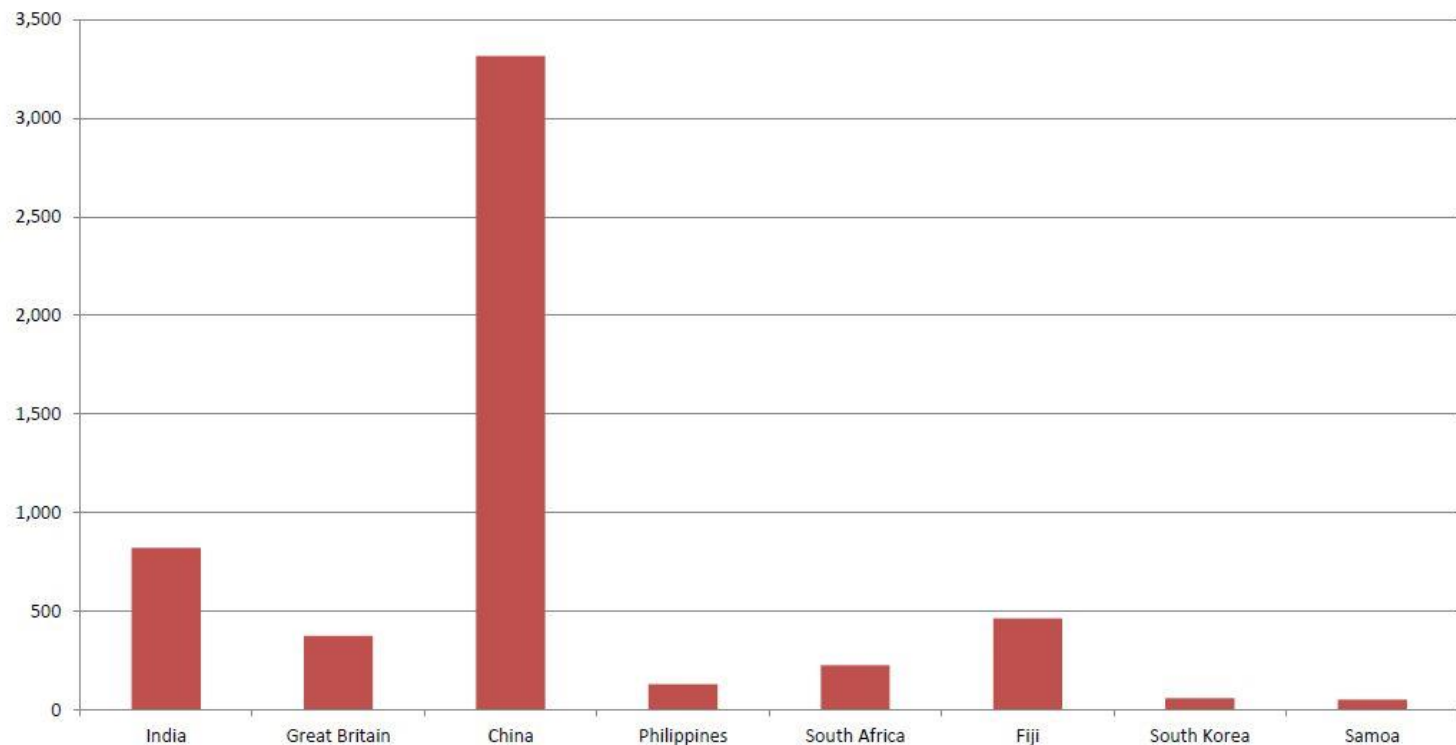
Immigration from China 2005-2014 (residence approvals), years ended 30 June



Source: Immigration New Zealand, Immigration New Zealand statistics. R1 - Resident decisions by financial year. July 2014.

Parent applications on hand

June 2014



Source: Immigration New Zealand, *Immigration New Zealand statistics*. R8 - Resident applications on hand by month. Includes Parent and Family Tier 1 & 2
Compiled by: Parliamentary Library
Date: 9 July 2014

Problems with options that pro-rata NZS

Option 3

- bad for women who haven't lived 45 years in NZ and don't have overseas pensions
- Many top ups needed but Welfare system unsatisfactory-
- May lead to calls for contributory basis

Option 2

- complex decisions for which pensions count - what about Chinese pensions?
- Can treat two people with same residency very differently

Option 1

- **Raises residency requirement for all to 25 years, achieved between ages 20 and 65**
- **Abolishes section 70**
- Where 25 years' residence is satisfied (**without totalisation**), any other 'state pension' entitlements are ignored, other than for tax purposes
- 85% of those caught by the DDP have lived in New Zealand more than 30 years (MSD)

If 25 years met

Chill out about other overseas pension entitlements!:

- over and above NZS, people need an extra \$10,000 pa to have a healthy retirement
- Extra income needed for health care
- Extra demand good for economy
- Cost to state of around \$240m from section 70 will offset by saving on residency requirement

Under social security agreements

- Totalisation may be allowed
- NZ has few agreements
- ***If and only if*** totalisation used, aim is to secure one basic pension only

eg

Australia

UK

Canada

Option 1

- Simplification and fairness improves

But transitional issues:

- Social security agreements may have to be redrawn
- Establishing 25 year residency record not much more complex than the present requirement for ordinary New Zealanders applying for NZS
- People who 'live in caravans' may need special provisions

How does it work in practice?

- 2015 new residency requirements come in
 - Solves problems for most existing retirees
 - No superannuitant is made worse off

New retirees who do not have 25 years and cant use totalisation

- 2015-2025 if residency 10-25 give income-tested benefit and include all overseas income and pensions in test. Allow chance to achieve residency requirement in retirement- eg 1 year over 65 to gain 6 months.
- 2025-2040 phase out accruals to residency after age 65