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25 FEB 2009

Submission

TO

THE HENRY REVIEW

ON

RETIREMENT INCOMES

**From : The Association of New Zealand
Retirees in Australia**



INTRODUCTION

Each year, some 34,000 Kiwis leave New Zealand and move to Australia (see Attachment "A").

Along with their dreams and ambitions, they also bring with them their entitlement to the New Zealand Superannuation.

This entitlement is also due to Australians who have lived in New Zealand.

Come retirement, many will miss out, due to a now out-dated and obsolete agreement between the two countries.

Currently, in order to receive the NZ Super in Australia, the retiree must first apply for an Australian age pension, and pass the income and asset tests.

This barrier effectively denies many from claiming their entitlement, initially forcing them to live on their savings, and eventually to seek government assistance.

Compare that with the treatment of those who have worked in the UK, when, upon retirement and moving back down under, receive their UK age pension without deduction, directly into their Australian bank account where it is simply counted as income.

There is no reason why this transparent and free (to the Australian government) arrangement could not apply to those entitled to receive the NZ Super.

PROPOSAL

To scrap the requirement to apply for an Australian age pension as a prerequisite to receiving the NZ Super in Australia.

BACKGROUND

The New Zealand Superannuation scheme is administered by the NZ Government. It is funded by way of a dedicated NZ Superannuation Fund, and topped up through the tax system. Beneficiaries are not income or asset tested, and full entitlement (in NZ) is based on age and a 10 years residence.

The NZ Government also allows retirees to take their Super with them to some 30 countries, as diverse as Greece and Guam, or Canada and Kiribati, through Social Security agreements and Special Portability arrangements (see Attachment 'B'). In these cases, entitlement is calculated on years of residence in NZ as well as age.

Australia is also included in the list of countries where the NZ Super can be paid, but there's a catch. To receive the NZ Super, the retiree must first apply for the Australian age pension, whether he wants to or not, and the Australian age pension is income and asset tested.

Australia is the only country where this requirement applies, and is a carry-over from a very different period in the past when the Australian

Government paid the age pension to NZ retirees who had moved to Australia.

This all changed in June 2002, when a new agreement came into effect between Australia and New Zealand intended to provide more equitable cost sharing in respect of welfare, including superannuation, for migrants.

Unfortunately, the requirement for a NZ superannuitant to first apply for the Australian age pension was retained, so whilst NZ agreed to reimburse the cost of the actual age pension, Australia was left with all the expenses associated with the Centrelink administration, plus the not inconsiderable pensioner's concessions. On top of that, retirees who were entitled to NZ Super got nothing until their retirement savings had gone, and the money that could and should have been spent in Australia remained in the Treasury coffers in Wellington.

(I wrote to Steve Mahary, the NZ Minister for Social Services in 2003 (see Attachment 'C') pointing out the fundamental unfairness of the

situation, and received a couple of letters back, (see Attachments 'D' and 'E') which basically said that the reason that the Superannuation entitlement was not paid in full was because it might allow a NZ retiree who moved to Australia to receive more than an Australian resident in a similar situation. Apparently, this argument holds good solely for Australia, and does not apply to any other of the 29 countries to which the NZ Super is paid).

Currently, the NZ Government pays only what the superannuitant is entitled to after assessment for the Australian age pension, and keeps the rest. There is no other instance where the NZ Super is subject to another country's criteria.

2008

This year began with great promise and ended with much disappointment.

The Australian Government granted portability to superannuation funds accumulated in Australia by New Zealand workers who had returned to NZ (see Attachment 'F').

In return (or so it was naively assumed at the time), the NZ Government announced steps to ensure that New Zealanders who retire overseas – and this would include Australians who had worked in NZ – would receive up to 100% of their NZ Super entitlement based on how many years they have worked (lived?) in New Zealand (see Attachment 'G' & 'H').

This was great news, because it appeared to show the Minister's commitment to true portability of the NZ Super, with entitlement based on NZ criteria. The dreaded barrier of the Australian age pension with its income and asset testing seemed about to be consigned to the dustbin of history, but, as so often is the case with Ministerial announcements, once reality sets in and the Treasury *bean counters* have worked out how much it will cost, backtracking becomes the order of the day.

In this case, the Minister had to fall back on the reason given by her predecessor, namely, that a New Zealand superannuitant who moved to Australia may receive more than a resident (see Attachment 'I'),

but she forgets to mention that the reverse may also hold true – that the resident with access to Australian Government tax breaks and the 9% employer contributions available to workers in Australia will probably be much better off than the NZ retiree.

CONCLUSION

Both the Australian Government and the NZ Superannuitant have every right to feel aggrieved.

The superannuitant who may receive nothing after a lifetime of work in New Zealand will be even more miffed to realize that had he chosen to retire to any of the other 29 qualifying countries instead of Australia, his entitlement to the NZ Super would have been paid in full into his local bank account, regular as clockwork, once a month.

Australia also misses out, with literally millions of dollars which should have been spent in Australia, held back by the New Zealand Treasury, and left with the burden of an ever increasing number of age pensioners, many of whom could have remained financially

independent, if they had received their entitlement to the NZ Superannuation.

The Commonwealth Government would be more than justified in withdrawing from the present agreement, and insisting that all persons living in Australia entitled to receive the NZ Super be treated no differently to those living in any of the other countries where the NZ Super is paid.

The New Zealand Government has done remarkably well under the current arrangements, holding back huge sums of money that by rights should have been paid out to superannuitants.

The Australian Government has not done nearly so well, being left with all the rapidly increasing administration and secondary costs without any degree of financial compensation.

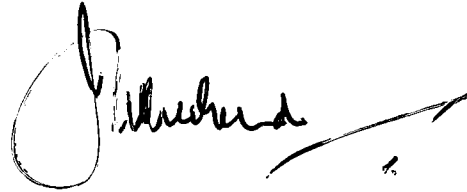
With the global economy in melt-down, the time is ripe for a change.

The New Zealand Government has obligations to its senior citizens, and should not seek to avoid its responsibilities by discriminating

against those who choose to spend their twilight years in the warmth of the Australian sun.

This document has been researched and prepared by:

John Malcolm Shepherd

A handwritten signature in black ink, appearing to read 'John Malcolm Shepherd', with a long horizontal flourish extending to the right.

Chairman

**Association of New Zealand Retirees in
Australia**

Phone / Fax : (07) 5525 1732

Address: 24A Baileys Road, Tallai, 4213, Qld.

Kiwi exodus at new high

THE number of New Zealanders leaving their recession-bound country to live in Australia has hit a new high.

Figures released by Statistics New Zealand show there was a net outflow of 33,900 migrants to Australia, higher than the record set in January 1989 when it hit 33,700.

"As far as we can tell, it is the highest net outflow to Australia ever," said Ian Richards from Statistics New Zealand.

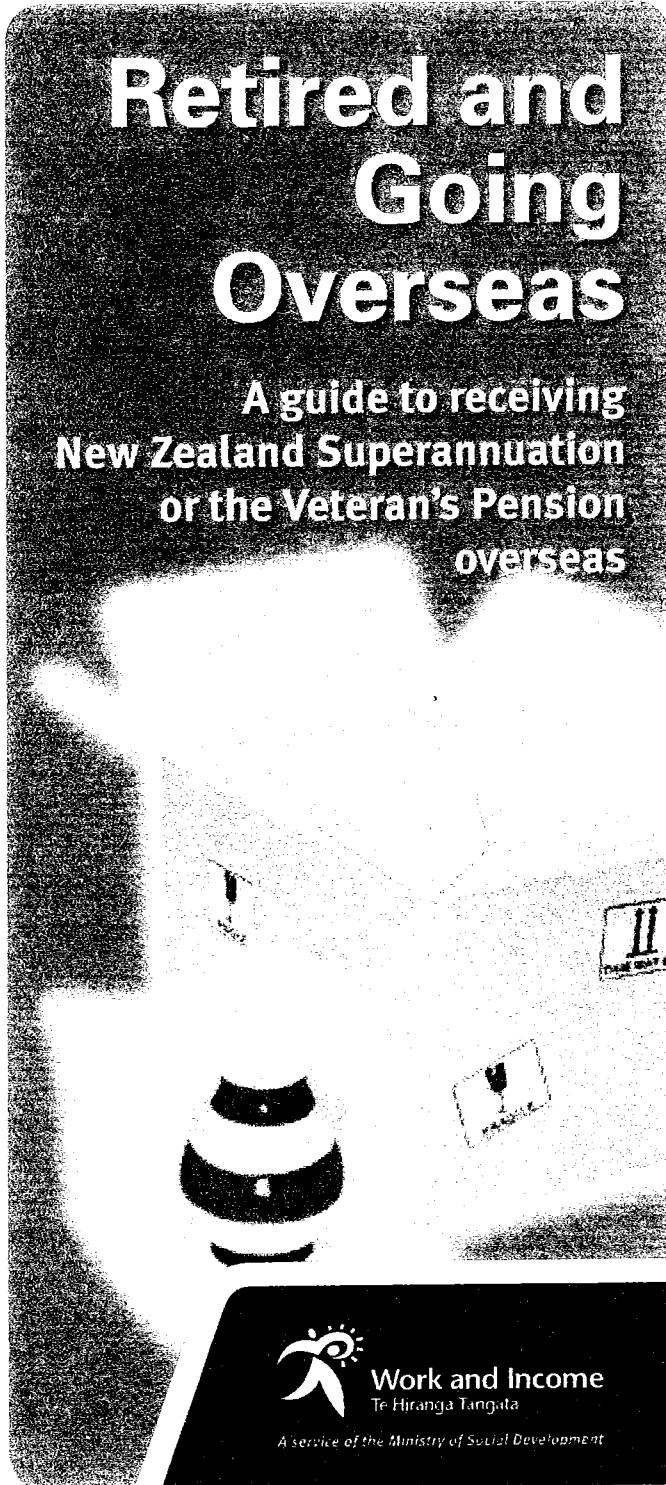
He said the figures had been steadily rising since 2003.

Census data from 2006 shows about 390,000 people born in New Zealand were living in Australia.

Bulletin 23/10/08

Retired and Going Overseas

A guide to receiving
New Zealand Superannuation
or the Veteran's Pension
overseas



Work and Income
Te Hiraanga Tangata

A service of the Ministry of Social Development

If you receive New Zealand Superannuation or the Veteran's Pension, you can go almost anywhere in the world and still receive payments. What you'll get depends on where you go to and how long you've lived here for.

Can I go overseas and still get paid?

New Zealand has **Social Security Agreements** with a number of countries so that you may still receive payments if you go to any of these countries...

- Australia
- United Kingdom (UK)
- Canada
- Denmark
- Republic of Ireland
- Greece
- Jersey and Guernsey
- The Netherlands.

The agreements differ for each country.

We also have a **Special Portability Arrangement** that allows people who are already getting New Zealand Superannuation or the Veteran's Pension to continue getting payments, if they 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 Futuna.

If you are deaf or find it hard to communicate by phone, you can send us a message on our Deaf Link free-fax 0800 621 621.

We'll make sure you get a quick reply.

The Hon Steve Maharey M.P.
Parliament Buildings
Wellington

Dear Mr Maharey

re: NZ Superannuitants in Australia

Thank you for your letter of the 19 March 2003, in which you state:

"The (new) agreement allows you to take a proportion of your New Zealand Superannuation (NZ Super) to Australia depending on the number of years you have lived in New Zealand. If necessary Australia will top up your NZ Super to the level of Australian Age Pension that you would otherwise be eligible for."

Unfortunately, as I understand it, this is not what happens in practice, particularly when a NZ superannuitant has saved throughout his or her working life in order to augment their NZ Super.

In Australia, the NZ Super segment is assessed along with any Australian entitlement according to Australian criteria, and the Australian Age Pension is both asset and income tested. Hence, the unfortunate NZ senior citizen is at risk of losing not only the Australian top-up, but the New Zealand component as well.

This is extremely unfair, as the New Zealand and Australian governments have taken a totally different approach to providing for their elderly, with Australians able to enjoy a wide selection of tax friendly employer contributing superannuation schemes to choose from which are just not available to their New Zealand counterparts. To use Australian criteria solely for determining pension eligibility puts the would-be NZ emigrant very much at a disadvantage.

If the intention of the new Social Security Agreement is, as stated, to share the cost of pensions fairly between the two countries based on the time an applicant had lived in each, then it would also be fair to use New Zealand criteria in determining the NZ entitlement, and Australian criteria for the Australian entitlement.

After all, this is basically what happens under the Special Portability Arrangements negotiated by New Zealand with twenty-two other countries whereby a NZ superannuitant simply takes his/her NZ Super with him/her after signing a declaration provided by Work and Income NZ.

I'm sure it was never intended when the new Agreement with Australia was signed that retirees to that country could end up being a lot worse off than those who moved to, say, Fiji or Samoa.

Otherwise, it could be seen as just a cynical exercise by the New Zealand Treasury to try and cut the costs of NZ Super by using a foreign government's regulations as a back door means to deny elderly New Zealand citizens the pensions to which they would otherwise be entitled.

Yours Sincerely

Malcolm Shepherd



Office of Hon Steve Maharey, M.P. for Palmerston North
Minister of Social Services and Employment
Minister of Broadcasting
Associate Minister of Education (Tertiary Education)
Minister responsible for Tertiary Education Commission

19 MAR 2003

Malcolm Shepherd
169 Warner Road
Oropi R.D. 3
TAURANGA

Dear Mr Shepherd

Thank you for your letter of 7 February 2003, to the Hon Margaret Wilson, Attorney-General, regarding pensions for people who wish to move to Australia. Your letter has been referred to me for reply.

You may be aware that a new Social Security Agreement between New Zealand and Australia was implemented on 1 June 2002. The new Agreement covers payment of old age pensions and benefits for the severely disabled between the two countries. The agreement allows you to take a proportion of your New Zealand Superannuation (NZ Super) to Australia depending on the number of years you have lived in New Zealand. If necessary Australia will top up your NZ Super to the level of Australian Age Pension that you would otherwise be eligible for.

The new Agreement is part of a package of measures taken by Australia to reduce the social welfare costs associated with New Zealand immigrants. As part of this package Australia also introduced changes to the rules concerning New Zealanders access to social welfare benefits so that only New Zealanders who have Australian citizenship or permanent residence in Australia can access benefits other than those paid under the Social Security Agreement. The new rules include payments of partner allowance.

Both governments are happy with the way the new arrangements are operating and there are no plans to make any changes at this stage. While we have strived to make the arrangements work as well as possible for older people who wish to move between the two countries, both governments feel that the current Agreement and immigration and social welfare rules are necessary to ensure that costs are shared fairly between Australia and New Zealand.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steve Maharey', with a long horizontal flourish extending to the right.

Steve Maharey
Minister of Social Services and Employment



Office of Hon Steve Maharey, M.P. for Palmerston North
Minister of Social Services and Employment
Minister of Broadcasting
Associate Minister of Education (Tertiary Education)
Minister responsible for Tertiary Education Commission

10 JUN 2003

Malcolm Shepherd
169 Warner Road
Oropi RD 3
TAURANGA

Dear Malcolm Shepherd

Thank you for your letter of 6 April 2003, regarding the agreement on social security between New Zealand and Australia.

You are correct that the purpose of the new social security agreement between New Zealand and Australia is to fairly share the cost of social security entitlement for applicants between the two countries. Perhaps if I explain to you in general terms the rationale of the new agreement, this may help address your concerns.

The country that the person is residing in ensures that the client receives the core pension paid in that country, less the portable pension that the client is entitled to from the other country. For example, a client resident in Australia would be entitled to the Australian Age Pension (AAP), less the pension that the client is receiving from New Zealand based on their New Zealand residency. This is so that cost-sharing is achieved between the two agreement countries.

Because an income and asset test is used to establish entitlement to the AAP for a resident of Australia, it would not be fair for a New Zealand pensioner in Australia to receive the full AAP, less their payment of New Zealand Superannuation (NZ Super), without the income and asset test having been invoked when assessing the client's entitlement to AAP. This is because a New Zealand pensioner resident in Australia should not be able to receive more than other Australian residents who have potentially lived and worked in Australia all of their lives.

The same principle applies when assessing the NZ Super entitlement of a New Zealand pensioner in Australia. Once again, a New Zealand pensioner who is residing in Australia should not be able to receive an income which is larger than that of an Australian who has lived and worked in Australia all of their lives. Therefore, the NZ Super component of their pension is assessed under the Australian eligibility criteria. This is so that their total pension entitlement (being a combination of the AAP component and the NZ Super component) has been assessed in the same way that the whole AAP of an Australian citizen would have been determined. This reasoning accounts for the policy of capping the portable amount of NZ Super at the income and

asset tested rate of AAP. If the capping provisions were not in place, a New Zealand pensioner in Australia could potentially be receiving a larger income than an Australian citizen, thereby disadvantaging Australians.

A fair agreement has been negotiated by Australia and New Zealand that ensures the portability of social security pensions between these two countries. However, it is not possible to guarantee that the treatment of people in terms of private pensions will be the same in both countries. Differences in the treatment of tax on private pensions are issues that need to be taken into careful consideration by an individual when they are making a decision to settle in another country.

The Special Portability Arrangement with Pacific Island Countries is a separate piece of legislation and set of eligibility criteria to that of the New Zealand and Australian social security agreement. The key difference between the two instruments is that the agreement is a bilateral treaty that has been agreed between New Zealand and Australia, whereas the Special Portability Arrangement has been developed unilaterally by New Zealand. Consequently, the portable payment of NZ Super to the Pacific Countries is assessed solely on New Zealand residency with a sliding payment scale of between fifty percent and a hundred percent. Payments of NZ Super into Australia must also take into account the Australian eligibility rules and Australian payment.

Thank you for writing to me with your concerns.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steve Maharey', with a long horizontal flourish extending to the right.

Steve Maharey
Minister for Social Development and Employment

Move for Kiwis to access retirement savings from across the Tasman



A USTRALIA and New Zealand are to sign a memorandum of understanding allowing Kiwis to access their retirement savings from across the Tasman.

NZ Trade Minister Phil Goff (left) yesterday said the proposed regime would free up billions of dollars which were locked in Australian retirement funds.

He said the MOU would be signed in October.

Mr Goff met with Australia's Trade Minister Simon Crean, Superannuation Minister Nick Sherry and Agriculture Minister Tony Burke when they marked the 25th anniversary of Closer Economic Relations between the two countries in Melbourne on Friday.

NZ Commerce Minister Lianne Dalziel and Agriculture Minister Jim Anderton also attended.

"Perhaps the most important single issue of agree-

ment for ordinary New Zealanders was that on progressing retirement savings portability between the two countries," Mr Goff said.

"A memorandum of understanding to formalise portability arrangements will be signed in October.

"Legislation in 2009 will then bring the proposed portability regime into effect."

Mr Goff said that in Australia, employers must contribute 9 per cent of wages into a locked-in retirement savings account under the Australian Superannuation Guarantee.

New Zealanders, who have worked in Australia and accumulated compulsory pension contributions under the ASG, were unable to repatriate their savings to New Zealand before reaching the Australian age of retirement.

He said the introduction of KiwiSaver in July,

2007, presented an opportunity to address this problem, because the scheme was judged as mutually compatible with the ASG.

This allowed savers to transfer their accounts between the two countries.

"Superannuation Minister Nick Sherry estimated that of the \$13 billion in 'lost accounts' under the ASG, a considerable amount of this money will belong to New Zealanders who have returned home," Mr Goff said.

"With portability, he has undertaken to have New Zealanders' accounts in the Australian system proactively identified. This would be a huge bonus for many New Zealanders."

Mr Goff said the ministers made progress in other areas of CER, including re-negotiation of the Australia-New Zealand Double Tax Agreement.

● NEW RULES**Super is changing**

THE New Zealand Government will introduce legislation allowing Kiwis living overseas to get 100 per cent of their superannuation entitlements.

Social Development Minister Ruth Dyson said entitlements would be based on how many years a person had lived in New Zealand and would be an improvement on the current flat rate of 50 per cent.

"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," she said.

The legislation follows a review of the treatment of foreign state pensions paid into New Zealand and the payment of New Zealand super overseas.

It looked at balancing access to retirement provisions between the country where a person worked and where they retired.

New Zealand super is paid in full after a person has lived in New Zealand for 10 years.

BULLETIN 14/6/08



Hon Ruth Dyson
Minister for Social Development

11th June 2008

Media Statement

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 percent 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 percent 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.

**Office of Hon Ruth Dyson**

Minister for Social Development and Employment
Minister for Senior Citizens
Minister for the Community and Voluntary Sector
Minister for Disability Issues
MP for Banks Peninsula

18 AUG 2008

Mr Malcolm Shepherd
24A Bailey's Road
Tallai 4213
Queensland
AUSTRALIA

Dear Mr Shepherd

Thank you for your letter of 28 June 2008 about the recent announcement relating to changes in the payment of New Zealand Superannuation and Veteran's Pensions overseas.

You ask in your letter whether superannuitants going overseas to countries with which New Zealand has a social security agreement also get 100% as a result of the announced changes. The changes announced that you talk about in your letter apply to countries without an agreement in place. Each agreement details the provisions in place for that particular country. There are no changes proposed in the short term for countries with existing social security agreements.

You say in your letter that the reason you have not received New Zealand Superannuation in Australia is because of the Australian income and asset test. If the amount of Australian Age Pension payable is reduced to nil due to a person's income and assets, this means that the amount of New Zealand Superannuation payable would also be nil.

Generally speaking reciprocal agreements aim to provide the newer residents of the two countries the same access to retirement payments as long term residents of this particular country. This means that Australian and New Zealand citizens who are living in New Zealand will be treated the same for retirement payment purposes and vice versa.

This ensures that New Zealanders resident in Australia get the same level of government-funded retirement income as lifelong Australian residents who are also subject to Australian income and asset rules but have not had the opportunity to acquire pension rights in New Zealand. Without this provision, New Zealanders resident in Australia would have the potential to be financially advantaged and such an outcome would be inequitable for lifelong Australian residents.

You have suggested in your letter that it was timely to make changes to the income and asset test in Australia through the 'Review of the Treatment of Overseas Pensions and Payment of New Zealand Superannuation Overseas'.

As already advised the review is completed and did not include any changes to social security agreements already in place in countries, such as Australia.

Thank you for writing.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ruth Dyson', with a stylized flourish at the end.

Hon Ruth Dyson
Minister for Social Development and Employment