

## 2016 Review submission

Dear Sir/Madam,

I am an immigrant to New Zealand and will soon qualify for the NZ state pension having lived in New Zealand for 10 years since turning 20, with five of those years being since turning 50. My wife, who arrived at the same time as me, will also soon qualify. We have both worked since arrival, myself full time, and my wife part time.

We are strong supporters of the current 'Universal Pension' for all New Zealanders which was one of the key reasons why we chose to come to New Zealand over Australia.

While my thoughts are focused mainly on my and my wife's situations, I do also consider the wider picture. My thoughts are in six keys areas as follows:

### **1. Exemptions from changes would be needed for people approaching retirement age**

The key point I would like to make here is that any change to the NZ state pension rules should **not** affect anyone aged 55 years or older, as there is now no time for such people to re-arrange their lives. These changes include such things as: qualification for eligibility; the age at which the pension is paid; and the application of means testing. These people have made historic life time decisions based on good faith and the best information available at the time. To make changes without providing exceptions/exemptions would neither be fair nor moral.

### **2. Any changes should be phased in**

As already stated, I believe people approaching retirement age should not be subject to any change at this late stage. However, this is not to say changes to the NZ pension arrangements are not necessary in the longer term, and if they are (and can be quantitatively justified), for the sake of fairness, they should be phased in over a period of time. So for instance, at the date any change becomes effective, the following illustrative % impacts could be applied: aged 55 or over (0% impact); 40-54 (33% impact); 30-39 (66% impact), and anyone younger than 30 (100% impact). A similar phasing could apply to any increase in the age at which people are eligible to receive the state pension (currently 65 years old). Not only does phasing respect older people's inability to make late changes, but it also reflects that younger people are the ones who will need extra funding as their life expectancy increases, consequently, they should bear the brunt of the impact of any changes made.

### **3. Means testing should not be introduced**

I believe that if an individual has worked hard and paid their taxes on time and in full, they should receive their state pension regardless of how well they have managed to invest or save money for their retirement. This is broadly how the UK model works and my wife and I are both in full support of this.

Looking at New Zealand, this is also how the model has worked for many years. However, the introduction of Kiwisaver in 2007 changed the landscape a bit, but it would still be fair to say

that private pension plans in New Zealand are still very much in their infancy, particularly with employer contribution rates at just 3% of employee's gross pay. Contrast this with Australia, where there is a means tested state pension scheme, but where employers contribute 9.50% of an employee's gross pay (and this is set to increase to 12% over the next 10 years to help fund increasing life expectancy) and where contributions have been flowing for the past 24 years (the scheme commenced in 1992). The net result is that through significantly higher employer contribution rates and fifteen extra years of contributions, Australian employees have, or will have, significantly larger private pensions on retirement than their equivalent New Zealanders. It is therefore totally inappropriate at this stage to introduce means testing into New Zealand as there is too big a discrepancy between the historic funding of New Zealand and Australian private pension schemes. In my opinion means testing should **not** (and never) be introduced. I believe the universal pension offered by New Zealand is a point of difference with Australia and I would like to keep it that way. If it is necessary to reduce the burden of funding on the state, I would consider raising the age of state pension qualification, as was done in the UK a few years back.

**4. If means testing is eventually introduced and disqualifies someone for an NZ state pension, any overseas state pension previously assigned to the NZ Government should be re-assigned back to that individual**

I appreciate that under the current rules, any UK state pension has to be assigned to the appropriate NZ Government department in order to receive the NZ state pension. However, if means testing subsequently makes the receipt of the NZ state pension ineligible, then it is my opinion that it would be only fair to re-assign the UK state pension back to the individuals concerned.

**5. Overseas Private Pensions should not be considered at all when looking at eligibility for NZ state pension**

It is not uncommon for people who have worked overseas to have contributed to private pension schemes. It is my opinion that these should not be considered in any assessment of eligibility for the NZ state pension or in the calculation of the amount thereof.

**6. NZ state pension should be claimable by NZ citizens living in Australia (and vice versa)**

Given the special relationship between NZ and Australia, I think NZ citizens who qualify for the NZ state pension should be entitled to live in Australia if they so want, and still be able to claim the full NZ state pension, provided they met the NZ state pension qualification requirements prior to moving to Australia. They should not need to live in NZ for at least 6 months of the year. This arrangement would be similar to the arrangement that allows free movement and settlement of pensioners across the European Union.

Name withheld on request