

# **P.M.W. van Bussel**

P.O. Box 20 526

Bishopdale

Christchurch 8543

Ph. 03 359 3406

Email: [pmbussel@pbta.org.nz](mailto:pmbussel@pbta.org.nz)

4 November 2013

## **Submission on Focusing on the Future 2013 Review of Retirement Income Policies**

Dear reader,

This is a submission that supports the recommendation that something should be done about the deduction of overseas pensions from the spouse's independent entitlement to New Zealand Superannuation. This submission also points out that the direct deduction policy should not remain in its current form.

### **Background:**

For many years now, hundreds of superannuitants in New Zealand have advocated fiercely for changes to the direct deduction policy that determines that their individual entitlement to New Zealand Superannuation (NZS) may be affected by the "spousal undercut" of section 70 of the Social Security Act of New Zealand.

This "spousal undercut" mechanism, introduced in the 1985 Social Security Amendment (no (2)) (No. 159) allows for overseas pensions being paid to one partner of a married couple to be deducted from the other partner's "half" of the married rate of NZS.

This affects married couples where both partners are fully qualified to receive NZS "in their own right". It also affects married couples where one (younger) partner is not included as a non-qualified spouse but may be entitled to an overseas pension.

This is an extremely counter-productive and anti-social quirk of our universal pension system of New Zealand Superannuation – a pension that many people claim is paid regardless of income and assets and independent of lifetime earnings.

Unfortunately, the statistics held by the Ministry of Social Development do not show that there may well be hundreds of spouses who are affected by this spousal undercut.

My case work has shown that many people who are directly affected by this spousal undercut often decline to apply for NZ Superannuation because the result would be zero dollars paid. This is Section 70 at work.

## The “direct deduction policy”.

Retirement pensions are not paid solely due to reaching a certain age. If age was the only measure for the receipt of a pension then things would be a whole lot simpler and we wouldn't have to read discussion documents of over a hundred pages in length.

We would not need to tolerate rewritten pension-history and the slanted explanations of social security principles that brought us to this place at this time. We would not need to re-define first tier pensions as needs-based social transfers of benefits from rich to poor.

And we would not have to tolerate discussion documents that only support the status quo and provide misleading and flawed explanations of what has happened, how the system works and how it is supposed to work.

Take for example the page 96 statement that “*the direct deduction policy is applied to NZS in a very similar way as it is to benefits. Any overseas state pension payments (from a country with which New Zealand has no reciprocal social security agreement) are taken into account in assessing both partners' entitlement to NZS.*”

What a load of absolute rubbish. Many overseas pensions (including second tier contributory and voluntary pensions) are deducted from NZS regardless of the existence or not of a social security agreement. Dutch AOW pension (agreement country) German BFA pension (non-agreement country) Australian Age-pension (agreement country) US Social Security (non agreement country) Canadian or Quebec Pension Plan (agreement country). The deduction policy does not depend on the existence or not of a social security agreement but rather, on the opinion of our Chief Executive of MSD and his/her band of ever ready subordinates pouncing on any overseas pension that is paid to a New Zealand resident.

Similarly, the explanation on page 96 that “*Much of the frustration appears to arise from lack of understanding of the rationale for the direct deduction policy, or the decisions that are made.*”

I can assure you that many of the people affected by section 70 and its top-down policy of confiscating and capping retirement income do understand the MSD's explanation “*that migrants are not allowed to have more pension than New Zealanders because that would make life-long New Zealanders disadvantaged*” but they simply don't agree with it.

The frustration stems from the fact that we have now been listening to this excuse for several years and it is a wearisome and mischievous abuse of human rights. As beneficial owners of hard earned pensions (from here and from overseas) these people are targeted and abused due to their ethnicity, their absence from New Zealand or for simply marrying the wrong person.

To put it simply, New Zealand is the only country in the developed world that will deny a fair payment of its own pension to someone who married or lives with a foreigner.

Similarly, New Zealand is the only country in the world that has put a cap on retirement income for some easily identifiable migrants and their spouses but refuses to apply the same policy across the board to its New Zealand born citizens because “*that would be too hard to police*”.

## **Proportional New Zealand Superannuation:**

Most of the arguments for proportional payment of NZS are considered unacceptable (by the authorities) because “*that system would require a huge amount of administration. We would have to police the eligibility of 600,000 pensioners instead of only targeting 65,000 pensioners.*”

So the default position remains - Let's just leave it (the deduction policy) as it is and target people on the basis of their own or their partner's ethnicity – presumed guilty until proven innocent is the policy I am describing here.

And why do we tolerate that the Social Services Committee of Parliament recently received an explanation “*in evidence*” from MSD that Section 72 of the Social Security Act underpins the “one pension principle” in today's legislation. This is not a joke! This is an outrageous lie!

Section 72 of the Act has no bearing on overseas pensions and must not be used to imply that there is a one-pension policy in New Zealand.

The people affected by this malfeasance don't tolerate it but are powerless to do anything about it. They are powerless because no-one is listening to them and no-one seems to be prepared to make a stand on their behalf. And the MSD officials are lying.....

## **Closing remarks:**

It is a remarkable situation to discover that a tiny amendment to the act in 1985 will probably require an Act of Parliament to remove the insidious and obviously unfair treatment of those New Zealanders who by way of marriage to a foreigner or because of their spouse's overseas pension find themselves unfairly targeted by MSD.

After twenty years of watching this NZ Superannuation circus, I can only conclude that we are no closer to a system where all citizens have the same entitlement – whether they are rich or poor, male or female and regardless of ethnicity – that they are equally valued.

Although the writers say that the [pension] system needs to be seen as fair, so potential for resentment or envy is diminished and political stability and sustainability are enhanced, there seems to be little evidence in this discussion document that the writers will support any change to the direct deduction policy that goes further than removing the spousal undercut of section 70. In fact, they even suggest that the direct deduction policy should stay.

Here they had a great opportunity to explain in a few more words why the deduction of second tier and third tier overseas pensions from one's first tier NZS entitlement is unfair and why the law should be changed but unfortunately the opportunity has again been missed. We wrote to them in 2003 and 2007 and 2010 – they didn't listen then. They're not listening now.

Now we must celebrate that we have some wishy-washy suggestions that the Ministry of Social (Under)Development should improve its information to the public, including access to judicial decisions, and also explain the rationale behind each international pension scheme classification.

Wow, that certainly is a big step forward! NOT!

Once again the subject of direct deduction of overseas pensions has been given a tiny corner of yet another 104 pages of rewritten pension history and self indulged regurgitation of mashed up pension definitions and stupid prophecies of what it could be in 40 years time.

Not such excellent reading but a great source of fuel for my log-burner.

I welcome any challenge to my submission and remain,

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter van Bussel', with a horizontal line underneath.

Peter van Bussel  
Pensions Reform Advocate

**Pensions Benefits & Tax Agency**  
**P.O. Box 20-526**  
**Bishopdale**  
**Christchurch 8543**  
**Ph 03 359 3406**  
**Fax 03 359 3408**  
**Email: [pmbussel@pbta.org.nz](mailto:pmbussel@pbta.org.nz)**