**Press release – section 8**

***The Missing 2016 Review* – We need to talk about overseas pension deductions**

**24 July 2017**

Michael Chamberlain and Michael Littlewood have launched what they say is the review of retirement income policies that New Zealand should have received from the Retirement Commissioner in December 2016. Their report is called *The Missing 2016 Review – building trust for life beyond work* and is available online at [www.alt-Review.com](http://www.alt-review.com/).

This press release describes the present mess created by overseas state pensions and the ‘Direct Deduction Policy’.

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**Summary:** Most, but not all, overseas state pensions should be deducted from NZS payments. The detail of how this works today is a mess and needs urgent review.

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Older New Zealanders who are entitled to an overseas state pension receive less New Zealand Superannuation than others. That’s because the government deducts those pensions from New Zealand Superannuation (NZS) under section 70 of the Social Security Act – the so-called ‘Direct Deduction Policy’ (DDP).

Michael Chamberlain and Michael Littlewood’s new report, *The Missing 2016 Review – building trust for life beyond work* agrees with the general principle of deducting equivalent state pensions from NZS:

“The DDP’s underpinning principle is that a New Zealand resident should not receive two Tier 1 age pensions and we support that principle. It does not matter if a pensioner has ‘contributed’ to the other country’s pension; nor does it matter if that pension has ‘accrued’ by years of residence or years of work in that country. As long as that pension performs a similar function to NZS in the other country then we agree that the overseas pension should be topped up to the level of NZS. Another way of expressing that is to deduct overseas pension from NZS.”

However, the authors argue that the detail of the way that policy is implemented is a mess and needs proper analysis.

The report says that, in older simpler times, it was possible to have one rule that covered all affected countries but, they say, that’s no longer good enough. With increasing global mobility of workers, life in this area is becoming progressively more complex. Pensions from 70 countries payable to 84,000 superannuitants are now caught by the DDP and that will only increase.

“New Zealand needs to look at every country’s pension arrangements and decide which of the pensions are truly equivalent to NZS. For example, Canada’s ‘Old Age Security’ is a Tier 1 pension like NZS but the ‘Canada Pension Plan’ at Tier 2 is not and should not be included in the DDP. The fact that section 70 gives the Ministry the power to say it should be included (as demonstrated by the unsuccessful appeals by affected pensioners) does not justify the Ministry’s position.”

Also, say Chamberlain and Littlewood, the current spousal deduction must be replaced by one that reflects the spouse’s own entitlements and not be based on social welfare’s concept of a ‘household income’ test.

The last two reviews by the Retirement Commissioner have recommended changes to the DDP – other commentators have called for change but nothing has happened.

*The Missing 2016 Review* finishes its analysis of the section 70 deduction issue with a list of five questions that the proposed review of retirement income policies will need to address.

A first-principles review of NZS, including section 70 and the DDP, is number four on Chamberlain and Littlewood’s list of the nine key elements that they think should form the framework of a sustainable, flexible, inclusive, successful retirement income framework. Greater economic growth and a new longitudinal survey of households’ financial lives are numbers one and two on that list.

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**Report accessible at:**

[www.alt-Review.com](http://www.alt-review.com/)

* Full report downloadable;
* Also, each of the 22 sections;
* And a press release for each of the 22 sections, including this one.