



Cabinet Social Wellbeing Committee

Minute of Decision

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New Zealand Superannuation and Veteran's Pension: Modernisation and Simplification

Portfolio Social Development

On 8 May 2019, the Cabinet Social Wellbeing Committee, having been authorised by Cabinet to have Power to Act [CAB-19-MIN-0199]:

Assessing entitlements on an individual basis

Closing the non-qualified partner provision

- 1 **agreed** to amend legislation to:
 - 1.1 remove, with effect from 1 July 2020, the option for a qualifying recipient of New Zealand Superannuation (NZS) or Veteran's Pension (VP) to include their non-qualified partner in their rate of NZS or VP;
 - 1.2 provide that non-qualified partners who have been included in their qualifying partner's rate of NZS or VP prior to 1 July 2020 may be included in that rate until they qualify for NZS or VP in their own right or they no longer have a qualifying partner who wishes to include them;
- 2 **noted** the financial impacts of the decision in paragraph 1 above, as follows:

Vote Social Development	\$ million – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 and outyears
Operating balance impact	-	(13.050)	(42.233)	(67.499)	(90.867)
No impact (tax on NZS/VP and other benefits)	-	(1.796)	(5.889)	(9.406)	(12.652)
Total	-	(14.846)	(48.122)	(76.905)	(103.519)

- 3 **noted** that the Minister for Social Development intends to amend the Direction in relation to Emergency Benefit and Benefits on Grounds of Hardship to ensure that an Emergency Benefit is available to the non-qualified partner of a superannuitant, where that non-qualified partner:
 - 3.1 cannot qualify for Jobseeker Support due to their caring responsibility for that superannuitant, or because they are the principal caregiver for a child;

- 3.2 does not qualify for another main benefit;
- 3.3 is in hardship (as required for Emergency Benefit);

Removing the spousal deduction of government-administered overseas pensions

- 4 **agreed** to amend legislation, with effect from 1 July 2020, so that:
- 4.1 no portion of a government-administered overseas pension received by or entitled to be received by one person is deducted from the NZS or VP received by their spouse or partner who qualifies in their own right;
- 4.2 direct deduction of government-administered overseas pensions continues to apply across both partners in respect of rates of NZS and VP for a couple including a non-qualified partner, main benefits under the Social Security Act 2018, and supplementary assistance, regardless of which partner is entitled to the government-administered overseas pension;
- 5 **noted** that the recipient of a government-administered overseas pension will continue to have the value of that pension deducted from any New Zealand benefit or pension to which they are entitled;
- 6 **noted** the financial impacts of the decision in paragraph 4 above, as follows:

Vote Social Development	\$ million – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 and outyears
Operating balance impact	-	1.820	1.890	1.960	2.040
No impact (tax on NZS/VP)	-	0.260	0.270	0.290	0.300
Total	-	2.080	2.160	2.250	2.340

Additional policy proposals

More equitable treatment of overseas charitable workers

- 7 **agreed** to amend legislation with effect from 1 July 2020:
- 7.1 so that a period of absence from New Zealand, commencing on or after 1 July 2020, and during which an applicant was either a missionary or the partner of a missionary is treated as a period in which they were resident and present in New Zealand, provided that:
- 7.1.1 the applicant or the applicant's partner was engaged in missionary work on behalf of a religious body that is (or is affiliated to) a charitable organisation registered in New Zealand under the Charities Act 2005 during that absence;
- 7.1.2 the applicant was ordinarily resident in New Zealand immediately before leaving New Zealand to engage in the missionary work, or (as the case may be) to accompany or join their partner;
- 7.2 so that the existing version of section 10 of the New Zealand Superannuation and Retirement Income Act 2001 continues to apply in respect of absences that began prior to 1 July 2020;

- 7.3 so that a period of absence from New Zealand is treated as a period in which an applicant was resident and present in New Zealand, if:
- 7.3.1 during that absence the applicant was engaged in humanitarian work overseas on a full-time voluntary basis (or for token payment) on behalf of a charitable organisation, that has as its principal function the giving of aid and assistance to less advantaged communities, and that is (or is affiliated to) a charitable organisation registered in New Zealand under the Charities Act 2005;
- 7.3.2 the Ministry of Social Development is satisfied that during the absence when the applicant was engaged in humanitarian work they remained ordinarily resident in New Zealand;
- 8 **noted** that the financial impacts of the decision in paragraph 7 above are unknown but expected to be minor as applicants for the NZS or VP generally have well in excess of the minimum levels of residence;

Exempting any voluntary component of a government-administered overseas pension from 'direct deduction'

- 9 **agreed** to amend legislation to clarify that any portion of a government-administered overseas pension that derives from voluntary contributions is not deducted from a New Zealand benefit or pension (but may be included in income assessments for social assistance);
- 10 **noted** that the decision in paragraph 9 above will not have financial implications as it provides for current practice, but that the annual value of the portions of government-administered overseas pensions that derive from voluntary contributions is currently \$0.602 million;

Extending the Living Alone Rates to people living in self-contained mobile homes outside a caravan park

- 11 **agreed** to replace, within six months of the enactment of legislation, the lists in the New Zealand Superannuation and Retirement Income Act 2001 and the Veterans' Support Act 2014 of places of residence in which a single person living alone can receive a living alone rate of NZS or VP, and the Ministerial Direction – Single Living Alone Rates, with a power to make regulations setting out a list of such places of residence;
- 12 **agreed** that the regulations setting out a list of places of residence in which a single person living alone can receive a living alone rate should include:
- 12.1 the current list;
- 12.2 self-contained mobile homes outside a caravan park;
- 12.3 the current definition of house or flat, but inclusive of residences with a supply of potable water that is not in the kitchen;

- 13 **noted** the financial impacts of the decision in paragraph 12.2 above, and that the financial impact of paragraph 12.3 is unknown but expected to be negligible, as follows:

Vote Social Development	\$ million – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 and outyears
Operating balance impact	-	0.009	0.011	0.013	0.015
No impact (tax on NZS/VP)	-	0.002	0.002	0.003	0.003
Total	-	0.010	0.013	0.015	0.018

Protecting the current level of wage indexation in legislation

- 14 **agreed** to amend the New Zealand Superannuation and Retirement Income Act 2001 and the Veterans' Support Act 2014 to specify that when rates of NZS and VP are adjusted, the net weekly rate of NZS or VP for a couple who both qualify must be set at no less than 66 percent (or more than 72.5 percent) of the net average ordinary time weekly wage per full-time equivalent employee;

Minor and technical amendments

- 15 **agreed** to make the minor and technical amendments to legislation outlined in Appendix Two to the paper under SWC-19-SUB-0050;

Operational costs and funding

- 16 **noted** that implementing the policy decisions above will incur implementation costs, as illustrated between 2019/20 and 2023/24 as follows:

Vote Social Development	\$ million – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 and outyears
IT changes	0.434	-	-	-	-
Other operational changes	1.138	-	-	-	-
Total	1.572	-	-	-	-

- 17 **noted** that on 15 April 2019, as part of Budget 2019, Cabinet considered the fiscal implications as a result of paragraphs 1, 4, 7, 12, and 16 above [CAB-19-SUB-0174.36], with the corresponding impact on the operating balance as follows:

Initiative	\$ million – increase/(decrease) – net impacts on the operating balance				
	2018/19	2019/20	2020/21	2021/22	2022/23
Removing the non-qualified partner provision	-	-	(13.050)	(42.233)	(67.499)
Removing the spousal deduction	-	-	1.820	1.890	1.960
Extending the Living Alone Rates to all people living in self-contained mobile homes	-	-	0.009	0.011	0.013
Operational costs	-	1.572	-	-	-
Total	-	1.572	(11.221)	(30.332)	(65.526)

Consultation with political parties

- 18 **agreed** that the Minister of Finance write to the leaders of the parties in agreement with Part 1 of the New Zealand Superannuation and Retirement Income Act 2001 seeking their support for the policy decisions above;

s 9(2)(f)(iv)

- 19 s 9(2)(f)(iv)

Legislative implications

- 20 **agreed** that the decisions above for amendments to the New Zealand Superannuation and Retirement Income Act 2001, the Veterans' Support Act 2014, and the Social Security Act 2018 be included in the New Zealand Superannuation and Veterans' Pension Legislation Amendment Bill (the Bill);
- 21 **agreed** that the Bill include any consequential amendments to other legislation necessary to give effect to the above decisions;
- 22 **agreed** to the development of new regulations containing the technical details required to determine access to the single living alone rate of NZS and VP;
- 23 **noted** that the Bill has a category 3 priority on the 2019 Legislation Programme (to be passed if possible in 2019);
- 24 **noted** that the Minister for Social Development intends to seek agreement from the Cabinet Legislation Committee to introduce the Bill in September 2019;
- 25 **invited** the Minister for Social Development, in consultation with the Minister for Veterans, to issue drafting instructions to the Parliamentary Counsel Office to draft the Bill and associated regulations, giving effect to the policy decisions above and to the minor and technical amendments set out in Appendix Two to the paper under SWC-19-SUB-0050;
- 26 **authorised** the Minister for Social Development, in consultation where necessary with the Minister of Finance and the Minister for Veterans, to take decisions on issues of a minor nature that may arise during the drafting of the legislation and regulations;
- 27 **agreed** that the Bill bind the Crown.

Gerrard Carter
Committee Secretary

Hard-copy distribution: (see over)

Present:

Rt Hon Jacinda Ardern
Rt Hon Winston Peters
Hon Kelvin Davis
Hon Dr David Clark
Hon Stuart Nash
Hon Tracey Martin (Chair)
Hon Peenie Henare
Hon Willie Jackson
Hon Aupito William Sio
Jan Logie MP

Officials present from:

Office of the Prime Minister
Office of the Chair
Officials Committee for SWC

Hard-copy distribution:

Minister for Social Development