Media release

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**Time to scrap unfair spouse pension rule - experts**

A rule that means a person's pension can be docked if their spouse gets an overseas pension is unfair and needs to go, say University of Auckland economists.

Experts at the Business School-based Retirement Policy and Research Centre support the Retirement Commissioner's call for Government to change this.

Currently, if you receive an overseas pension, your NZ Superannuation will be docked by the same value. If the value of your overseas pension is greater than the New Zealand pension and you're married, then the excess is deducted from your spouse's pension.

"Some spouses find to their horror they get less or even no NZ Super, even though they have lived all their lives in New Zealand," says centre director Susan St John, who is an associate professor of Economics.

"For some, it may be a second or third marriage to someone who just happens to have an overseas pension."

Most usually, those affected have a spouse from the United States, Canada, Germany, The Netherlands, Norway or Italy, she says.

"One of the more egregious aspects is when a spouse may have the full amount of the partner's overseas pension deducted from their NZ Super even when the partner is not a NZ Super recipient."

She says the rationale for the so-called "spousal provision" is the outmoded assumption that one spouse's income is available to, and should be used to support, the other spouse.

The best estimate from the Ministry for Social Development is that in 2016 there were 500 couples affected by the spousal provision, and the average amount deducted is $4,000 per year - about $2m total per year.

"It is hardly a fiscal risk to remove it, yet the social costs of failing to address a clear injustice are enormous," says St John.

In the 1970s, then-Prime Minister Robert Muldoon's National Superannuation treated men and women independently. Each married person was entitled in their own right and paid tax on their pension along with their other individual income.

"Even when an indirect income test called the surcharge operated between 1985 and 1998, it was based on each individual's income," says St John.

"Today, while married superannuitants still get a lower rate than singles, NZ Super for those not affected by the spousal provision remains as an individual entitlement. Why should you lose this individual entitlement just because you're married to someone getting an overseas pension?"

St John and co-researcher Claire Dale wrote a report on issues around overseas pensions for the Retirement Commissioner's three-yearly review, now complete. The commissioner, Diane Maxwell, released the last of three sets of recommendations from the review yesterday.

St John and Dale's report is available here.

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