Pension injustices tarnishing our retirees' golden years

Susan St John and M Claire Dale

The Retirement Policy and Research Centre is hearing from an increasing number of unhappy, married superannuitants who find to their horror that they are affected by an obscure and unfair part of our social security legislation.

The latest example is married couple, Jan and Tom (not their real names). Jan has a good state pension from Norway, so it is understandable that she does not also get any New Zealand Superannuation, even though she has lived here for 20 years.

Tom has been a good citizen and lived here all his life and expects to get the married rate of New Zealand Superannuation at age 65. However he finds to his dismay that not only does Jan lose all her New Zealand Superannuation because her pension from Norway is too high, but any excess of her overseas state pension is deducted from his individual entitlement.

Application of the out-dated Section 70 of the Social Security Act means Tom gets a pension $10,000 lower than other married men simply because of whom he married. As have others in similar circumstances, he protests to the Ministry of Social Development, to the Social Security Appeal Authority, and to members of Parliament. He is told the Government expects married people to share resources and support each other.

Further protests elicit the stock response that the policy is designed to ensure that a couple with an overseas pension are not in a better position than a couple who have spent all their lives in New Zealand.

Had Tom been sensible enough to fall in love with a successful professional Australian woman with a large Australian company pension, compulsory superannuation, and other tax-subsidised funds, he would get the full gross married person rate of NZ Superannuation. She too, may even qualify for New Zealand Superannuation.
If Tom’s wife had been a new immigrant with no pension and had not even worked in New Zealand, after 10 years' residency she would qualify and both would get full NZ Superannuation. Is divorce an option for Tom maybe?

Perhaps the better option for Tom and Jan to leave New Zealand. Under the 2009 amendment to the retirement legislation, he is entitled to take the full gross NZ Superannuation, with no deduction for Jan’s pension to most of the countries in the world. Some of these will not even tax the New Zealand payment.

Leaving New Zealand, even leaving grandchildren and friends behind, may be preferable to a life with an apparent dependence on a wife after a lifetime of earning money and paying tax.

For the last 5 years the Retirement Policy and Research Centre and the Human Rights Commission have explored these and other kinds of inequities and anomalies that affect about 50,000 pensioners in varying ways. The Retirement Commissioner also notes the anomalies in her three yearly reports.

A private pension and any lump-sum superannuation, even when greatly subsidised by the foreign Government, escape this deduction treatment. Often these so-called state pensions are paid for by employee and employer contributions and in fact look suspiciously like KiwiSaver.

Many of those affected are not wealthy people. Many have suffered ill-health from the stress and injustice they have experienced. Many have spent years fighting their cases with officials and appeal authorities and by taking their cases through the courts.

These strategies have been stone-walled and have left an increasing feeling of alienation, bitterness and despair. Successive Governments have shoved the treatment of immigrants' overseas pensions into the "too hard" basket.

And so nasty surprises await many unsuspecting retirees. The Retirement Policy and Research Centre believes that the greater mobility of the workforce demands that there is a fundamental principles-based reform that restores these discriminated against pensioners as valued citizens of New Zealand.
This is election year. What do political parties have to say about this issue especially the very worst unfairness faced by spouses like Tom? The very least politicians should say is what they will do about this unjustified marital discrimination. When this issue could be fixed immediately at very little cost, to simply ignore it is bad for the health of our democracy.

*Associate Professor Susan St John is co-director of the Retirement Policy and Research Centre, University of Auckland Business School. Dr M. Claire Dale is a research fellow there.*