



Cabinet

Minute of Decision

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Changes to the Fair Residency Bill

Portfolio **Social Development and Employment**

On 12 July 2021, Cabinet:

- 1 **noted** that the New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Bill (the Bill) is scheduled to be considered at the Committee of the whole House on 4 August 2021;
- 2 **noted** that on 10 March 2021, the Cabinet Social Wellbeing Committee (SWC) agreed that the main residence requirement for New Zealand Superannuation (and Veteran's Pension) be increased from 10 years after age 20 to 20 years after age 20, as proposed by the Bill [SWC-21-MIN-0008];
- 3 **noted** that on 10 March 2021, SWC also agreed that:
 - 3.1 for every two complete years someone was born after 1 July 1955, that person must have met one additional year of residence and presence in New Zealand after age 20;
 - 3.2 anybody whose date of birth is on or before 30 June 1957 remains subject to the existing 10-year requirement;[SWC-21-MIN-0008]
- 4 **agreed** to delay by two years the start of the phased increase to the residence requirements for New Zealand Superannuation and Veteran's Pension, as currently proposed by the Bill, so that:
 - 4.1 for every two complete years someone was born after 1 July 1957, that person must have met one additional year of residence and presence in New Zealand after age 20;
 - 4.2 anybody whose date of birth is on or before 30 June 1959 remains subject to the existing 10-year requirement;
- 5 **noted** that the delay of the start of the phased increase will not change the overall approach referred to in paragraph 3, but will decrease the additional residence requirement for New Zealand Superannuation and Veteran's Pension for people born between 1 July 1957 and 30 June 1977 by one year;

- 6 **authorised** the Minister for Social Development and Employment to give effect to the policy in paragraph 4 and to provide New Zealanders the greatest clarity practicable regarding their New Zealand Superannuation or Veteran’s pension entitlements by:
- 6.1 issuing drafting instructions to the Parliamentary Counsel Office for a government Supplementary Order Paper to amend the Fair Residency Bill;
 - 6.2 releasing the Supplementary Order Paper;
- 7 **authorised** the Minister for Social Development and Employment to further clarify and develop policy matters relating to the proposals above in a manner consistent with the policy decisions;
- 8 **noted** that the government Supplementary Order Paper will be circulated before the Bill’s consideration by the Committee of the whole House on 4 August 2021;

Financial implications

- 9 **noted** that on 10 March 2021, SWC approved the following changes to appropriations to give effect to the phased approach to increasing the residence requirements for New Zealand Superannuation and Veteran’s Pension agreed on that date [SWC-21-MIN-0008]:

Vote Social Development	\$ million – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
Minister for Social Development and Employment					
Departmental Output Expenses:					
Income Support and Assistance to Seniors (funded by Revenue Crown)	-	2.548	-	-	-
Benefits or Related Expenses:					
New Zealand Superannuation	-	-	(0.954)	(1.972)	(4.231)
Supported Living Payment	-	-	0.194	0.399	0.850
Jobseeker Support and Emergency Benefit	-	-	0.157	0.322	0.686
Minister for Veterans					
Veterans’ Pension	-	-	(0.006)	(0.011)	(0.022)
Total Operating	-	2.548	(0.609)	(1.262)	(2.717)

10 **agreed** to increase spending to provide for costs associated with delaying the phasing of the Bill by two years agreed in paragraph 4 above, with the following impacts on the operating balance and/or net core Crown Debt:

Vote Social Development	\$ million – increase/(decrease)						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears
Operating balance impact	(2.548)	0.498	3.578	1.658	2.368	3.179	4.057
Crown Debt Impact	-	-	-	-	-	-	-
Operating Balance Only Impact	-	-	-	-	-	-	-
Net Core Crown Debt Only Impact	-	-	-	-	-	-	-
No impact (tax on benefits)	-	0.111	0.232	0.376	0.535	0.717	0.917
Total	(2.548)	0.609	3.810	2.034	2.903	3.896	4.974

11 **noted** that once the delayed phasing decision at paragraph 4 is incorporated:

11.1 the Bill will reduce overall benefit costs from the 2024/25 financial year onwards;

11.2 the fiscal impacts are likely to be at least neutral by the end of the 2026/27 financial year and positive thereafter, as shown in the following table:

Vote Social Development	\$ million – increase/(decrease)							
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears
Operating balance impact								
<i>NZS/VP and other benefits</i>	-	-	-	-	(0.557)	(1.168)	(2.510)	(3.989)
<i>IT costs</i>	-	-	-	1.340	-	-	-	-
<i>Other implementation costs</i>	-	-	-	1.208	-	-	-	-
No impact (tax on benefits)	-	-	-	-	(0.126)	(0.263)	(0.567)	(0.899)
Total	-	-	-	2.548	(0.683)	(1.431)	(3.077)	(4.888)

12 **noted** that as the fiscal impact at paragraph 9 above was included in the Budget Economic Fiscal Update 2021 fiscal forecasts, the difference between the fiscal impact at paragraph 11 and the fiscal impact at paragraph 9, as referred to in paragraph 10, will either need to be charged against the Between Budget Contingency or, if managed outside allowances, impact directly on the operating balance and net debt;

13 **approved** the following changes to appropriations to give effect to the policy decision in paragraph 4 above:

Vote Social Development	\$ million – increase/(decrease)						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears
Minister for Social Development and Employment							
Departmental Output Expenses:							
Income Support and Assistance to Seniors (funded by Revenue Crown)	(2.548)	-	2.548	-	-	-	-
Benefits or Related Expenses:							
New Zealand Superannuation	-	0.954	1.972	3.167	4.493	6.033	7.706
Supported Living Payment	-	(0.194)	(0.399)	(0.636)	(0.892)	(1.197)	(1.529)
Jobseeker Support and Emergency Benefit	-	(0.157)	(0.322)	(0.514)	(0.719)	(0.965)	(1.232)
Minister for Veterans							
Veterans' Pension	-	0.006	0.011	0.017	0.021	0.025	0.029
Total Operating	(2.548)	0.609	3.810	2.034	2.903	3.896	4.974

14 **agreed** that the fiscal impacts in paragraph 10 and the appropriation changes in paragraph 13 be managed outside of allowances, on the basis that the overall impact of the Fair Residency Bill is likely to be at least financially neutral by the end of the 2026/27 financial year;

15 **agreed** that the proposed change to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates.

Michael Webster
Secretary of the Cabinet