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Cabinet paper

Date: 20 May 2020 **Security Level:** Budget Sensitive

For: Hon Carmel Sepuloni, Minister for Social Development

File Reference: REP/20/5/498

Oral item: Delaying the implementation of the New Zealand Superannuation and Veteran's Pension Legislation Amendment Bill

Cabinet Committee	Cabinet Social Wellbeing Committee
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Date of meeting	27 May 2020, 9.30am
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Proposal	You are informing the committee that you will shortly table a Supplementary Order Paper in the House to delay the commencement of the New Zealand Superannuation and Veteran's Pension Legislation Amendment Bill (the Bill).
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Key issues	<ul style="list-style-type: none">• The Bill shifts assessment of entitlement to New Zealand Superannuation (NZS) and Veteran's Pension (VP) towards an individual basis by<ul style="list-style-type: none">◦ closing the option for superannuitants to include their partner (who does not qualify) in their NZS or VP◦ removing 'spousal deduction' – so superannuitants' entitlements are not affected by their partner's overseas pension.• The Ministry of Social Development (MSD) has had to reprioritise resources to respond to COVID-19. As a result, the Bill can no longer commence on 1 July 2020 as originally scheduled.• You are providing the Committee with a Supplementary Order Paper that you will soon table in the House to delay the commencement of the Bill until 9 November 2020.• Cabinet has funded the delay through the COVID-19 Response and Recovery Fund Foundation Package [CAB-20-MIN-0219.25 refers] (a <i>net</i> cost of around \$30 million).• The Bill should be passed prior to 6 August 2020 (the adjournment of Parliament for the election).
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Talking points

Delaying commencement of the Bill

- I will shortly table a Supplementary Order Paper in the House to delay the commencement of the New Zealand Superannuation and Veteran's Pension Legislation Amendment Bill until 9 November 2020.
- This Supplementary Order Paper is provided for the Committee's information. All that this Supplementary Order paper does is update references to the commencement date to 9 November 2020, and references to the day before the commencement date to 8 November 2020.
- A delay is necessary because MSD had to reprioritise resources to respond to COVID-19, including changes to its service model and introducing new policy such as the wage subsidy.
- As part of this reprioritisation, MSD halted work on implementing the Bill, meaning it can no longer be implemented by 1 July 2020.
- The financial impact of this delay – which is an increase in benefit expenditure – has been agreed to already as part of the COVID-19 Response and Recovery Fund Foundation Package. The *net* cost is around \$30 million.
- The delay will mean that superannuitants continue to have the option to include their non-qualified partner (NQP) in their NZS or VP until 8 November 2020 (and they can continue to include these NQPs until their circumstances change). This will result in around 1,500 to 1,900 additional grants of NZS to NQPs.
- It will also mean that superannuitants currently affected by 'spousal deduction' will continue to be affected until 9 November 2020. Around 400 couples are affected by spousal deduction.

Contents of the Bill

- The most significant aspect of the Bill is to shift toward assessing entitlement to NZS and VP on an individual basis.
- This includes closing the option for superannuitants to include an NQP in their NZS or VP – though existing recipients will be grandparented.
- It also includes removing 'spousal deduction' from NZS and VP. Spousal deduction currently occurs when one person's overseas pension amount is greater than their entitlement to a New Zealand benefit or pension, and the excess amount is deducted from their partner's New Zealand entitlement.
- The Bill also makes a number of smaller changes to improve the clarity and consistency of NZS and VP legislation and policy:
 - Clarifying that single people living alone in a self-contained mobile home can receive the single living alone rate, and allowing regulations to set out other residences where someone can receive that rate.
 - Treating people who have volunteered overseas for secular charitable organisations more equitably with missionaries.
 - Increasing the minimum amount of NZS or VP for a couple who both qualify to reflect long-standing practice.
 - Not deducting voluntary components of government-administered overseas pensions (as is the case for pensions that are entirely voluntary).

- Treating a person who has worked overseas as having been resident and present in New Zealand during that absence if the person's employer withheld New Zealand income tax on those overseas earnings.
- Consolidating provisions relating to special disability allowances in the Social Security Act 2018.
- Allowing the tax that MSD must withhold from NZS or VP to be determined by the Commissioner of Inland Revenue in consultation with MSD.

Additional information

NQP closure

- Around 1,500 to 1,900 more grants of NZS as an NQP are likely over the period of the delay, based on current trends of grants.
- The delay in closing the NQP provision will increase benefit expenditure overall by \$33.7 million over the four years 2020/21 to 2023/24.

	2020/21	2021/22	2022/23	2023/24
New Zealand Superannuation	\$7.329m	\$16.106m	\$12.562m	\$10.123m
Veterans Pension	\$0.046m	\$0.090m	\$0.071m	\$0.057m
Jobseeker Support	(\$0.909m)	(\$1.984m)	(\$1.525m)	(\$1.211m)
Supported Living Payment	(\$1.137m)	(\$2.480m)	(\$1.906m)	(\$1.513m)
Total Vote Social Development	\$5.328m	\$11.731m	\$9.203m	\$7.456m

- This increase in benefit expenditure is offset by an increase in tax revenue – so the overall net cost is \$29.6 million over the four years 2020/21 to 2023/24.
- Costs continue in outyears, but diminish over time.

Spousal deduction

- Around 400 couples will continue to be affected by spousal deduction for an additional four months.
- As a result, any couples who receive no New Zealand benefit or pension as a result of spousal deduction will also receive no Winter Energy Payment this winter. Other couples will receive Winter Energy Payment so long as they receive some New Zealand benefit or pension.

Publicity

- MSD will work with your office on a press release regarding the delay.
 - Accompanying this, MSD will publish a news story on its website about the delay, and update pages on the website that reference the planned changes in the Bill. MSD will also notify advocacy groups about the delay.
 - MSD will inform staff ahead of the announcement.
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