The Treasury

Budget 2013 Information Release

Release Document

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[3] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand

[6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[8] 9(2)(h) - to maintain legal professional privilege

[9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[12] Not in scope

[13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue

[14] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Reference: T2012/2850 SH3-2-4-10

THE TREASURY
Kaitohutohu Kaupapa Rawa

Date: 2 November 2012

To: Minister of Finance
(Hon Bill English)

Aide Memoire: Speaking Notes on Overseas Pension Collection for SOC on 7 November

At SOC next week, the Welfare Reform Implementation and Funding Cabinet paper will be considered again, following a request from SOC on 24 October for further information on the criteria for testing overseas pensions.

The Cabinet paper now includes an appendix with information on the criteria.

Below are some points on overseas pensions that you could use to support Minister Bennett in SOC:

- **Savings options are crucial to meeting cost pressures:** MSD is facing additional cost pressures of at least $400 million over five years, driven primarily by welfare reform. This is on top of generic cost pressures (for example from salary pressures and efficiency savings) which amount to roughly $300 million over the forecast period. Easy savings options have largely been exhausted. Unlike many other potential savings initiatives, the overseas pension collection initiative is available under existing policy settings.

- **A threshold is applied:** A one year overseas residence threshold is currently applied before requiring people to apply for an overseas pension. This will continue to be applied.

- **Savings are made from clients who meet the minimum threshold:** Even for people who have been overseas for a minimum of one year and only return $0-$1 a week, we understand that MSD generally recoups the cost of testing and administration over time, so applying a higher threshold would result in fewer savings. Also, due to legislative changes in the UK (where 75 per cent of overseas pensions are from) we are seeing a decreasing trend in these low value pensions.

- **There are challenges with applying a different threshold (for example, excluding low-value pensions):**

  1. Many overseas state pension schemes are complex and even in the initial screening phase people are unlikely to remember their earnings from when they were overseas. This could create operational difficulties in implementation and possibly a larger number of complaints.

  2. Excluding low-value pensions (once the level of the overseas pensions has been established through the application process) would require legislative change and could create the following issues:

     - Exchange rate fluctuations could mean that some superannuitants volley between being eligible and ineligible.
     - Potential demand for the exemption to apply to all overseas pensioners (e.g. the first $5 per week of all overseas pensions to be exempt from deduction).
     - Complaints from those who are just above the level of exemption.
     - Previous superannuitants who have had to apply for an overseas pension considering the change unfair.

  3. As indicated above, applying a higher threshold is also expected to reduce savings.

[7]

Fiona Carter-Giddings, Team Leader, Labour Market & Welfare, [3]