

New Zealand Superannuation

- an overview

March 2017

New Zealand residents, who meet the eligibility criteria, are entitled to receive a universal old age pension (NZ Super). The pension is paid fortnightly.

Eligibility criteria

New Zealand residents must satisfy all of the following conditions. They must:

- have reached State pension age (currently age 65);
- be a New Zealand citizen or permanent resident;
- live in New Zealand;
- have lived in New Zealand for at least 10 years since age 20;
- have lived in New Zealand for at least 5 years since age 50.

Residence in a country with which New Zealand has reciprocal social security arrangements (eg Australia and the UK) counts as residence in New Zealand.

Level

The benefit is linked directly to the national average wage and is reviewed each year (1 April) against changes in wages. The target level for a married couple is referred to as “65 at 65” i.e. a net 65% of the net national average wage from age 65. The current level is 66% of the net national average wage for a married couple, i.e. approximately 33% each.

Taxation

The pension is taxed as income in the normal way under the PAYE system.

Income test

There are no income or asset tests applied to NZ Super. However, if one partner of a couple qualifies and the other does not, both may receive the benefit, but an income test applies in respect of the benefit paid to the partner that does not qualify in their own right.

Application

The pension when payable is not backdated. Also, an application can only be made when you are within 2 months of being eligible. Therefore, an eligible person should apply (make an appointment) in the 2 months before turning 65.

Cost

There are no specific social security contributions or “working life period” based requirements. The pension is funded out of general taxation.

Payable from age 65.

- A universal state pension is paid to all NZ residents who qualify.
- The main qualification requirement is for 10 years' residence after age 20, of which 5 must be after age 50.
- The pension is taxed as income.
- The pension level is linked to the net national average wage.
- The pension level changes each 1 April and when PAYE tax rates change.
- Except for a base level of tax subsidies under KiwiSaver, NZ operates a tax neutral environment (though limited concessions are available with Salary Sacrifice), under which New Zealanders can accumulate other savings.

Private superannuation

The payment of the NZ Super benefit does not affect the private superannuation and savings of an individual. This includes benefits payable under KiwiSaver.

However, entitlements to an overseas social security pension (like the UK's Basic State Pension) but not work-related, employer-provided pensions, reduce the New Zealand pension by the equivalent amount.

Potential changes

March 2017, the National Party announced that should it be re-elected and form the government after the 23 September 2017 general election, it would change the rules for NZ Super, such that:

- The age of eligibility would increase gradually from 65 to 67 between 2037 and 2040;
- The 10-year residency requirement would increase to 20 years.

There were no proposed changes for making retirement withdrawals from KiwiSaver. This will remain age 65, subject to the 5-year minimum membership requirement.

Under the announcements, if you were born before 1 July 1972, age 65 would still apply for NZ Super. If you were born on or after 1 January 1974, age 67 will apply. The transition from 65 to 67 is:

Born in	Age of eligibility
Pre 1 July 1972	65.0
1 July 1972 to 31 December 1972	65.5
1 January 1973 to 30 June 1973	66.0
1 July 1973 to 31 December 1973	66.5
1 January 1974 onwards	67.0

New Zealand Superannuation rates – from 1 April 2017

	Before tax (gross)		Post-tax (net)	
	- a year	- a week	- a year	- a week
Single, living alone	\$23,405.20	\$450.10	\$20,290.40	\$390.20
Single, sharing	\$21,507.20	\$413.60	\$18,729.36	\$360.18
Married person (<i>each</i>)	\$17,721.60	\$340.80	\$15,607.80	\$300.15
Married couple	\$35,443.20	\$681.60	\$31,215.60	\$600.30

Note

The current (December 2016) national average ordinary-time wage is \$58,745 a year before tax (\$47,286 a year after tax and ACC) from 1 April 2017. There are no additional social security or health taxes. Social security benefits are all met from ordinary tax. All health, social services and education expenses are financed centrally. Local authority rates meet the cost of only local services, such as roads, refuse, reserves and planning.

The after-tax NZ Superannuation for a couple is equal to 66% of the after-tax national average wage. New Zealand Superannuation is paid fortnightly. The next change is due 1 April 2018.