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## United Kingdom pensions paid in New Zealand

### FREQUENTLY ASKED QUESTIONS

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The United Kingdom (UK) has a state pension scheme that is available to men aged 65 years or over and women aged 60 years and over.

#### ***What state retirement pensions are available in the UK?***

There is the basic State Pension and an additional state pension called the State Second Pension (SSP). The SSP replaced the State Earnings Related Pension Scheme<sup>1</sup> (or SERPS) in April 2002. Together, the basic State Pension and the SSP are referred to as the State Pension.

UK residents can choose to join a private pension scheme instead of remaining in the SSP scheme. This is called 'contracting out'.

#### ***Who's entitled to a State Pension?***

If you have worked in the UK and made social security contributions to the UK National Insurance scheme for the required number of qualifying years<sup>2</sup>, you will be entitled to the basic State Pension (you can also receive National Insurance credits for periods when you were a carer or claiming certain United Kingdom benefits). You may also be entitled to a State Second Pension (SSP).

The amount of basic State Pension that you will receive is based on the number of contributions you have made. Men need 44 qualifying years to get a full basic State Pension and women need 39 qualifying years. To get the minimum basic State Pension (25%) you normally need 10 (for women) or 11 (for men) qualifying years.

UK employees and their employers pay what are called Class 1 contributions to the UK National Insurance scheme. National Insurance contributions are calculated as a percentage of your gross pay. Your employer collects your Class 1 National Insurance contributions out of your earnings via the Pay as You Earn (PAYE) scheme.

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<sup>1</sup> The Graduated Retirement Benefit scheme was replaced by SERPS in April 1975.

<sup>2</sup> A person has to have paid, or be treated as having paid, enough national insurance contributions on their earnings in any given tax year for it to be counted as a qualifying year.

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The Class 1 contributions together with tax on your earnings are passed to the UK HM Revenue and Customs (HMRC), the government department responsible for updating an individual's National Insurance record.

If you are a married woman and cannot get a full basic State Pension because you do not have enough qualifying years based on your own National Insurance contributions, you may be able to get a basic State Pension based on 60% of the amount of your husband's basic State Pension. You can only do this if your husband is already getting a basic State Pension and you are aged 60 or over.

SSP is related to a person's annual earnings. Payments are based on the amount of Class 1 contributions paid, or treated as having been paid, on earnings between the Lower and Upper Earnings Limit in each tax year. If you want further information about the SSP rules you can contact The Pension Service, the UK government department that administers the UK pension scheme.

## ***How to apply for a State Pension?***

If you are not already getting a State Pension, we need you to apply for this by filling in an application form. We will forward your application to The Pension Service in the UK. The Pension Service will decide whether you are entitled to a State Pension and will tell you what their decision is. This may take a few months.

## ***Why do I need to apply for a State Pension?***

You are required to apply for any overseas state pensions that you may be eligible for under Section 69G of the Social Security Act 1964. If you or your partner do not apply to receive any State Pension you may be eligible for, you risk losing your entitlement to a New Zealand benefit or pension.

## ***How much State Pension will I receive?***

This depends on how long you paid into the UK National Insurance scheme and how many National Insurance credits you may have for periods when you were not working. If you qualify for the State Pension, The Pension Service will advise you of the amount you will receive.

## ***Will the amount of my State Pension be increased while I live in New Zealand?***

The amount of State Pension paid to pensioners living in New Zealand and some other countries is "frozen". This means that your State Pension is paid at the same rate as it was when you first became entitled to it, or at the rate you were being paid when you left the UK for New Zealand, if you were already receiving your UK pension on that date.

## ***How often will I receive my State Pension?***

You can choose to have your State Pension paid every four weeks or every 13 weeks. If your UK pension is less than £5 per week, you will be paid every 52 weeks.

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## ***Where can I get further information about State Pensions?***

Further information on State Pensions can be obtained from The Pension Service. Their website address is: [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

## ***Will my State Pension affect the amount of New Zealand Superannuation or Veteran's Pension I get?***

If you are entitled to a State Pension or another UK state benefit, generally your New Zealand Superannuation or Veteran's Pension payments will be reduced by the amount of that State Pension or state benefit. Article 15 of the Social Security Agreement between New Zealand and the UK (the Agreement) requires the rate of New Zealand Superannuation or other benefit to be adjusted by the amount of any benefit received under UK social security legislation.

This ensures that all New Zealanders – regardless of whether they've lived overseas and are entitled to an overseas pension – get an equitable amount of state retirement pension.

## ***Why can't I receive a State Pension and full New Zealand Superannuation or Veteran's Pension?***

Article 15 of the Agreement ensures that the combined amount you receive from your New Zealand Superannuation or Veteran's Pension and your UK State Pension is equivalent to the amount you would receive if New Zealand Superannuation or Veteran's Pension was your only state pension source. It would take you 40 to 44 years to become entitled to the full amount of UK pension, whereas it takes only 10 years of living in New Zealand before you become entitled to the full rate of New Zealand Superannuation. If you received a partial UK pension as well as full New Zealand Superannuation or Veteran's Pension you would receive more state retirement pension than lifelong New Zealand residents, who have contributed through their taxes to the funding of New Zealand Superannuation for a longer period of time.

## ***Are there any instances where the State Pension does not affect the rate of New Zealand Superannuation and Veteran's Pension?***

The State Pension does not affect the rate of New Zealand Superannuation or Veteran's Pension in certain limited instances. You are able to receive both a State Pension and a New Zealand pension in full if you:

- qualify for New Zealand Superannuation or Veteran's Pension without the assistance of the Agreement; and
- were a permanent resident of New Zealand **on or before 1 January 1970**; and
- on or before that date, made contributions to the UK National Insurance scheme while living in New Zealand

This provision is in Article 15(3) of the Agreement.

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## ***How much New Zealand Superannuation or Veteran's Pension will I get paid?***

The amount paid depends on marital status and living arrangements. There are three basic rates: the married rate, the single sharing rate, and the single living alone rate. These three rates are not subject to an income or asset test.

A qualifying superannuitant can choose to receive a married rate which includes payment for a spouse who is under 65 years of age (the "partner included" rate). This rate is subject to an income test.

Generally, superannuitants and veteran's pensioners who receive a State Pension receive a lower rate of New Zealand Superannuation or Veteran's Pension. If your State Pension exceeds the amount of New Zealand Superannuation or Veteran's Pension you would have received if this was your only pension source, then you will continue to receive only your State Pension amount.

## ***Am I entitled to other New Zealand payments in addition to New Zealand Superannuation or Veteran's Pension?***

You may be eligible for extra help such as a Disability Allowance for medical costs or an Accommodation Supplement for accommodation costs. We encourage you to check with Work and Income whether you are entitled to extra help.

## ***Does my UK "contracted-out" pension affect the payment of New Zealand Superannuation or Veteran's Pension or other New Zealand benefits?***

Contracted-out pensions are regarded as private pensions which do not affect the rate of New Zealand Superannuation or Veteran's Pension. However, contracted-out pensions will count as income for any income tested benefits such as Accommodation Supplement or Disability Allowance that you might receive.

## ***Does my State Pension affect my partner's New Zealand Superannuation or Veteran's Pension entitlement?***

This depends on the amount of your State Pension. If the amount of State Pension you receive is less than your New Zealand Superannuation or Veteran's Pension, your partner's New Zealand Superannuation or Veteran's Pension is not affected.

If the amount of State Pension you receive is greater than your New Zealand Superannuation or Veteran's Pension, your partner's New Zealand Superannuation or Veteran's Pension will be reduced by the amount that your State Pension exceeds your New Zealand Superannuation or Veteran's Pension.

If you are receiving the "partner included" rate, the amount of State Pension will be deducted from this married rate and the remaining New Zealand Superannuation or Veteran's Pension amount will be divided equally between the two of you.

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## ***What options are available for payment of my UK pension in New Zealand?***

There are two payment methods for getting a State Pension paid into New Zealand - the direct payment method or the special banking option. To discuss the most suitable option for you, please contact our International Services team.

Under the direct payment method you can choose to have your State Pension paid directly into your own bank account. Your New Zealand Superannuation or Veteran's Pension is reduced by the amount of your State Pension. The two pensions together add up to an amount that is similar to the full rate of New Zealand Superannuation or Veteran's Pension.

Under the special banking option, you can choose to have your State Pension paid into a special bank account that only Work and Income and the bank can access. In return, you get the full amount of New Zealand Superannuation or Veteran's Pension.

## ***Do state pensions from other countries affect payment of New Zealand Superannuation or Veterans Pensions?***

Yes, people who have lived in other countries and who are also eligible for overseas state pensions will have their New Zealand Superannuation or Veteran's Pension reduced in the same way.

<b>Further information can be found at: <a href="http://www.workandincome.govt.nz/individuals/">www.workandincome.govt.nz/individuals/</a></b>		
<b>or call us...</b>	<b>From New Zealand...</b>	<b>from overseas...</b>
Australian Agreement	0800 777 227	1800 150 479
All other countries	0800 777 227	+ 64 4 978 1180
Veteran's Pension	0800 650 656	
Write to us at: PO Box 27-178, Wellington, New Zealand		
Email us at: <a href="mailto:international.services@msd.govt.nz">international.services@msd.govt.nz</a>		

If you are deaf or hearing impaired you can send a message to our Deaf Link free-fax 0800 621 621. A translator is also available to you when you contact us on 0800 777 227.