



24 July 2023

Tēnā koe

On 9 June 2023, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

- *Please supply the information on how a client who is not in receipt of New Zealand Superannuation would calculate their foreign income to be charged against a main benefit.*

*If a client receives private pensions from the UK.*

*I have provided the link below to show I am asking about pensions that are not UK government pensions.*

[\*Treatment of UK "Contracted Out" Pension Benefits - a Official Information Act request to Ministry of Social Development - FYI\*](#)

*IRD has tables on their website so a person calculates the exchange rate each month themselves.*

*How is a client of MSD on a main benefit meant to calculate the exchange rate themselves as there are fluctuations in the exchange rate.*

[\*Rolling 12 month average 2023-2024 \(ird.govt.nz\)\*](#)

*Please also supply the information on how the private pensions should be added on for chargeable income if a person receives one pension every 4 weeks i.e. 13 payments within a 12 month period, the other pension monthly.*

*The payments are paid into a UK bank account and are not transferred to NZ every month or on the date the payment goes into the UK bank account.*

UK pensions not covered by the definition given to 'overseas pension' in [Section 187](#) of the Social Security Act 2018 (i.e., private and occupational pensions) are still considered chargeable income for benefit purposes.

The calculation method the Ministry uses to charge income from private and occupational pension schemes depends on whether the pension is paid into an overseas bank account or a New Zealand bank account.

To reduce the likelihood of over or underpayment, clients must notify the Ministry of any changes to their income that affects their benefit rate. When a client's income increases or decreases and the Ministry is unaware, their benefit will be paid at an incorrect rate.

The Ministry understands that each client's financial circumstances are unique. If clients have questions or new information about changes in their financial circumstances, they should contact the Ministry without delay to ensure they receive their full and correct benefit entitlement.

Clients can notify the Ministry of changes to their income by calling Work and Income on 0800 559 009 or visiting their local service centre. Clients can also upload verification of the change in their income to our online system, MyMSD, after they contact the Ministry to have the upload function enabled.

The step-by-step calculations are provided below as Appendix One and Appendix Two. In addition to this, should you wish to, we would be happy to discuss this with you over the phone to explain our process as we appreciate this is a lot of information. Please email [international\\_services@msd.govt.nz](mailto:international_services@msd.govt.nz), attention the email with your name and advise us of a convenient time to contact you.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter on the Ministry's website. Your personal details will be deleted, and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact [OIA\\_Requests@msd.govt.nz](mailto:OIA_Requests@msd.govt.nz).

If you are not satisfied with this response regarding charging private and occupational pensions paid into overseas bank accounts against main benefit

payments, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or 0800 802 602.

Ngā mihi nui

A handwritten signature in blue ink, consisting of several loops and a long horizontal tail.

George van Ooyen  
**Group General Manager**  
**Client Service Support**

## Appendix

The following appendices provide step by step guidance for how private overseas pensions are calculated.

### ***Appendix One: One pension paid into an overseas bank account***

When a client receives a private or occupational pension (e.g., the National Health Service pension) that is paid to their UK bank account in pound sterling, the Ministry needs to know the payment amount, date, and frequency.

Following confirmation of these details, the Ministry calculates the NZD amount by which each benefit payment is reduced in accordance with the formula below:

$$A \times B$$

where—

**A** is the payment amount in the currency of the country paying the pension; and—

**B** is the applicable exchange rate provided to the Ministry by the nominated bank, Westpac, for the currency of the country paying the pension.

To see how the formula works in practice, consider the step-by-step example below:

#### Step One

The Ministry checks the information provided by a client receiving the following payment into their UK bank account:

<b>Pension name</b>	<b>Pension amount</b>	<b>Payment date</b>	<b>Payment frequency</b>
National Health Service pension	£120.00	31 January 2023	Monthly

#### Step Two

The Ministry checks the applicable currency exchange rate provided by Westpac:

<b>Calculation period</b>	<b>Payment month</b>	<b>Applicable currency exchange rate</b>
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23 January 2023 – 26 February 2023	January 2023	1.87469702
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### Step Three

The Ministry calculates the NZD amount of the pension payment using the A x B formula above:

$$£120.00 \times 1.87469702 = \text{NZ\$}224.96$$

### Step Four

The Ministry calculates the weekly NZD amount of the monthly pension by (i) multiplying the monthly NZD amount by the total number of months in year, and (ii) dividing this amount by the total number of weeks in a year:

$$\text{NZ\$}224.96 \times 12 = \text{NZ\$}2,699.52 / 52 = \text{NZ\$}51.91$$

### Step Five

The Ministry calculates the amount by which each benefit payment should be reduced (note: the step five examples are for single clients):

<b>Weekly income</b>	\$51.91 (Pension)	\$451.91
	\$400.00 (Wages)	
<b>Less income allowed before benefit is affected</b>		\$160.00
<b>Equals income that will affect benefit</b>		\$291.91
<b>Benefit reduction is 30 cents per \$1.00 of income over \$160.00 but not more than \$250.00 (\$90.00 x 0.3)</b>		\$27.00
<b>And 70 cents from every \$1.00 of income over \$250 (\$41.91 X 0.7)</b>		\$29.33
<b>Total benefit reduction</b>		\$56.33

### ***Appendix Two: Multiple pensions paid into an overseas bank account***

The formula for clients with multiple pensions paid into UK bank accounts in pound sterling at different frequencies is as follows:

#### Step One

The Ministry checks the information provided by a client receiving the following payment into their UK bank account:

<b>Pension name</b>	<b>Pension amount</b>	<b>Payment date</b>	<b>Payment frequency</b>
National Health Service pension	£120.00	31 January 2023	Monthly
UK Cancer Research Pension Scheme	£100.00	29 January 2023	Four-weekly

#### Step Two

The Ministry checks the applicable currency exchange rate provided by Westpac:

<b>Calculation period</b>	<b>Payment month</b>	<b>Applicable currency exchange rate</b>
23 January 2023 – 26 February 2023	January 2023	1.87469702

#### Step Three

The Ministry calculates the NZD amount of the monthly pension payment:

$$£120.00 \times 1.87469702 = \text{NZ\$}224.96$$

The Ministry also calculates the NZD amount of the four-weekly pension payment (i.e., 13 pension payments within a 12-month period):

$$£100.00 \times 13 = £1,300.00 / 12 = £108.33$$

$$£108.33 \times 1.87469702 = \text{NZ\$}203.08$$

#### Step Four

The Ministry calculates the combined weekly NZD amount of both pensions by (i) multiplying each NZD amount by the total number of months in year, and (ii) dividing each amount by the total number of weeks in a year:

$$\text{NZ\$}224.96 \times 12 = \text{NZ\$}2,699.52 / 52 = \text{NZ\$}51.91$$

$$\text{NZ\$}203.08 \times 12 = \text{NZ\$}2,436.96 / 52 = \text{NZ\$}46.86$$

Step Five

The Ministry calculates the total combined amount by which each benefit payment should be reduced:

<b>Weekly income</b>	\$51.91 (Pension 1)	\$498.77
	\$46.86 (Pension 2)	
	\$400 (Wages)	
<b>Less income allowed before benefit is affected</b>		\$160.00
<b>Equals income that will affect benefit</b>		\$338.77
<b>Benefit reduction is 30 cents per \$1.00 of income over \$160.00 but not more than \$250.00 (\$90.00 x 0.3)</b>		\$27.00
<b>And 70 cents from every \$1.00 of income over \$250 (\$88.77 X 0.7)</b>		\$62.13
<b>Total benefit reduction</b>		\$89.13

*N.B. Please note that the payment amounts, dates, and frequencies stated in the above examples are fictional. Any resemblance to actual payment information is purely incidental.*