

# **Government Superannuation Fund Amendment Bill (No 2)**

Government Bill

## **Explanatory note**

### **General policy statement**

The purpose of the Bill is to remove inequities in treatment between members of the old schemes of the Government Superannuation Fund (**GSF**) and the new schemes.

Firstly, the Bill removes an inequity in the treatment of widows and widowers by—

- repealing the provisions of the principal Act that suspend the payment of benefits to a widow or widower in the event that the widow or widower remarries:
- providing for the restoration, effective from **1 July 2002**, of suspended benefits to widows and widowers who have remarried.

Secondly, the Bill aligns the allowances paid to children of deceased members by replacing the fixed annual allowance prescribed in the old scheme with an inflation adjusted allowance as provided for in the new scheme.

### **Clause by clause analysis**

*Clause 1* is the Title clause.

### **Part 1**

#### **Preliminary provisions**

*Clause 2* is the commencement clause. The Act comes into force on the day after the date on which it receives the Royal assent.

*Clause 3* states the purposes of the Act, which are—

- to entitle the spouse of a contributor under Part 2 or Part 5 or Part 6 of the principal Act to be paid an annuity after remarriage:
- to restore annuities currently suspended after remarriage:
- to align cost of living adjustments to children's allowances under Part 2 or Part 5 or Part 6 of the principal Act with those paid under Part 2A.

Part 2 refers to the old (pre-1985) government service scheme. Part 5 refers to the old (pre-1981) judicial scheme. Part 6 refers to the old (pre-1987) parliamentary scheme.

## **Part 2**

### **Spouses' annuities and children's allowances**

*Clause 4* amends section 45 of the principal Act. The effect of the amendments is that, with effect from **1 July 2002**,—

- (a) the remarriage of the spouse of a deceased contributor does not bar that person from continuing to receive an annuity; and
- (b) the payment of annuities currently suspended resumes as if those annuities had not been suspended.

The rule in section 45(7) against receipt of more than 1 annuity is unchanged. A person who has married twice, on each occasion to a GSF contributor who predeceases him or her, is not entitled to an annuity for each spouse, but must choose one.

*Clause 5* amends section 47 of the principal Act. The effect of the amendment is that, with effect from **1 July 2002**, all children's allowances under the old schemes must be calculated in the same way as children's allowances under the new schemes, eg, in accordance with section 61Q(7). Presently the allowance payable under section 47(1) is \$78 per year. Allowances payable under section 61Q(7) are a base sum of \$1,000 increased by movements in the Consumer Price Index since 1982.

### **Regulatory impact and compliance cost statement**

#### *Statement of problem and need for action*

The provisions of the old scheme of the GSF reflect, in large part, the views of society at the time the old scheme was drafted. At that time, society had different views on the rights of widows and widowers, and particularly of widows.

A relatively small number of persons are affected by the existing discrimination on the basis of marital status. There are approximately 47 000 persons currently in receipt of GSF pensions. Of those, 12 000 are widows or widowers and, of these, about 1 200 may be affected by the Bill.

A very small number (approximately 19) of children are affected by the change to child allowances.

#### *Statement of public policy objective*

The public policy objective of the Bill is to remove discrimination on the basis of marital status, and to remove discrimination between the children of deceased contributors.

#### *Statement of options for achieving desired objective*

There are no non-regulatory options available to remedy the problems that the Bill seeks to remedy.

The Government is committed to removing the current discrimination with effect from **1 July 2002**.

#### *Statement of net benefit of proposal*

The benefits of this proposal include that—

- widows and widowers whose entitlements have been suspended solely by virtue of their marital status will have those entitlements restored with effect from **1 July 2002**;
- children of deceased members will receive an allowance that provides a small, but not negligible, recognition of their loss and assistance towards their future.

#### *Costs*

Approximately 1 200 people will potentially be affected by the restoration of entitlements, and 19 children will benefit from the increase in the children's allowance. The present value of the future benefits arising from these changes is estimated at \$21.5 million, which will all be reflected in the 2002/03 financial year.

***Business compliance cost statement***

The proposed legislation has no business compliance costs.

***Consultation***

The Government Superannuation Fund Authority was consulted in preparing this statement.

---

*Hon Dr Michael Cullen*

# Government Superannuation Fund Amendment Bill (No 2)

Government Bill

## Contents

1	Title		
	<b>Part 1</b>		<b>Part 2</b>
	<b>Preliminary provisions</b>		<b>Spouses' annuities and children's allowances</b>
2	Commencement	4	Benefits where contributor under this Part dies and leaves spouse
3	Purpose	5	Children's allowance

---

**The Parliament of New Zealand enacts as follows:**

### **1 Title**

- (1) This Act is the Government Superannuation Fund Amendment Act (**No 2**) 2002.
- (2) In this Act, the Government Superannuation Fund Act 1956<sup>1</sup> is called "the principal Act".

5

<sup>1</sup> 1956 No 47

## **Part 1** **Preliminary provisions**

### **2 Commencement**

This Act comes into force on the day after the date on which it receives the Royal assent.

### **3 Purpose**

10

The purposes of this Act are to—

- (a) entitle the spouse of a contributor under Part 2 or Part 5 or Part 6 of the principal Act to be paid an annuity after remarriage:
- (b) restore annuities currently suspended after remarriage:

15

- (c) align cost of living adjustments to children's allowances paid under Part 2 or Part 5 or Part 6 of the principal Act with those paid under Part 2A.

## Part 2

### Spouses' annuities and children's allowances 5

#### 4 Benefits where contributor under this Part dies and leaves spouse

Section 45 of the principal Act is amended by repealing subsections (5) and (6), and substituting the following subsections: 10

- “(5) The entitlement of any spouse to any lump sum or annuity under this section is not affected by any change in the marital status of that spouse.
- “(6) On or after **1 July 2002**, any person living at that date to whom the remarriage rule applies— 15
- “(a) is entitled to an annuity under Part 2 or Part 5 or Part 6 of the principal Act, as the case may be, as if the remarriage rule had not applied; and
- “(b) is entitled to adjustments to the annuity as if it had been payable throughout the period during which it was not payable; but 20
- “(c) is not entitled to an annuity for any period before **1 July 2002** during which the remarriage rule applied to that person.
- “(6A) In **subsection (6)**, the **remarriage rule** means the rules contained in— 25
- “(a) section 45(5) and (6) of the principal Act (before they were repealed by **section 4** of the Government Superannuation Fund Amendment Act (**No 2**) **2002**):
- “(b) the first proviso to section 79(1)(a) of the principal Act 30 (before it was repealed by section 3 of the Government Superannuation Fund Amendment Act 1989) providing that, if the spouse marries or remarries after becoming entitled to an annuity, the annuity is not payable while the spouse is married: 35
- “(c) the proviso appearing at the end of section 87(1)(a) of the principal Act (before it was repealed by section 2 of the Government Superannuation Fund Amendment Act 1987) providing that, if the spouse marries or remarries

after becoming entitled to an annuity, the annuity is not payable while the spouse is married.”

**5 Children’s allowance**

Section 47 of the principal Act is amended by repealing subsection (1), and substituting the following subsections: 5

“(1) On or after **1 July 2002**, where any contributor under this Part dies, whether before or after becoming entitled to a retiring allowance, and leaves a child or children under the age of 16 years, there must be paid out of the Fund to, or on behalf of, each child an allowance calculated under section 61Q(7). 10

“(1A) Without limiting its application, **subsection (1)**—

“(a) applies to any child to whom section 47(1) (before it was amended by **section 5** of the Government Superannuation Fund Amendment Act (**No 2**) **2002**) or section 47(2) applied immediately before **1 July 2002**: 15

“(b) applies to any child to whom section 79(3) (before it was repealed by section 3 of the Government Superannuation Fund Amendment Act 1989) or section 87(1)(d) (before it was repealed by section 2 of the Government Superannuation Amendment Act 1987) applied immediately before **1 July 2002**: 20

“(c) does not affect the entitlement of any child to be paid a children’s allowance before **1 July 2002**.”