GOVERNMENT SUPERANNUATION FUND AMENDMENT BILL (NO. 4)

EXPLANATORY NOTE

THIS Bill makes amendments in relation to government superannuation.

In particular, the Bill provides for variations in the rates of allowances, annuities, and other payments that are payable under the Government Superannuation Fund Act 1956.

The variations are as a consequence of the enactment of the Income Tax Amendment Act 1989. The following changes in taxation are taken into account in the changes proposed by the Bill:

(a) Investment earnings of superannuation schemes are now subject to tax:

(b) Employer contributions to schemes are now subject to superannuation withholding tax:

(c) Pensions (as well as lump sums) will be free of tax from 1 April 1990.

Application of Bill

The Bill provides for variations in the rates of all retiring allowances, annual allowances, and annuities payable under—

(a) Parts II and IIA of the Act (which relate generally to Government servants):

(b) Parts III and IIIA of the Act (which relate to members of the armed forces):

(c) Part VIA of the Act (which relates to members of the Police):

(d) Part VIB of the Act (which relates to members of the prison service).

The Bill applies both to allowances and annuities payable from the Fund to New Zealand residents, and also to allowances and annuities payable from the Fund to persons who are not resident in New Zealand for tax purposes.

The exceptions are that the Bill does not apply to—

(a) Children's allowances payable under sections 47, 61Q, 81O, and 86E of the Act:

(b) Allowances and annuities payable in respect of—

(i) Contributors under sections 22B and 22BA of the Act (which relate to locally engaged staff of the New Zealand High Commission in the United Kingdom):

Price incl. GST $2.20

(ii) Contributors under sections 50 and 50A of the Act (which relate to certain officers of the Cook Islands Public Service, the Niue Public Service, and the Tokelau Public Service).

The Bill does not apply to retiring allowances, annual allowances, and annuities payable under—

(a) Parts IV, IVA, V, VA, and VB of the Act (which relate to Judges, the Solicitor-General, and Masters of the High Court):

(b) Part VI of the Act (which relates to members of the House of Representatives).

Reductions in Existing Pensions

Part I of the Bill relates to those retiring allowances, annual allowances, and annuities that are payable as at 31 March 1990.

The general effect of *Part I* is to provide for reductions in the rate of any such allowance or annuity that are equal to the amount of the total tax deduction that would have been required to be made in respect of that allowance or annuity if—

(a) Deductions in respect of income tax were still required to be made from the allowance or annuity; and

(b) The rates of tax were the rates that apply for the income year commencing on 1 April 1989; and

(c) The recipient of the allowance or annuity was resident in New Zealand; and

(d) Except in a minority of cases, tax code "G" applied to the recipient of the allowance or annuity.

In the case of a small number of recipients who are entitled to the use of tax code "T", the reduction will be calculated as if that tax code, rather than tax code "G", applied.

The reductions will apply to every instalment payable on and after 26 April 1990.

Any cost of living and other adjustments to be made under the Act will be included in the total of the allowance or annuity that is to be reduced.

Variations in Respect of Pensions and Lump Sum Benefits Commencing After 1 April 1990

Part II relates to those retiring allowances, annual allowances, annuities, lump sum benefits, and other payments that become payable on or after 1 April 1990. It also applies to cases where the contributor ceased work before 1 April 1990, and defers receiving an allowance until after that date.

Part II makes miscellaneous amendments to various sections of the Act to provide for those variations.

The effect of the tax changes on benefits that become payable after 1 April 1990 is as follows:

(a) The tax on the Fund's investment earnings affects both benefits accrued up to 31 March 1990 and also benefits to be accrued after that date:

(b) The employer withholding tax, which will absorb 33 percent of the employer's contribution, affects only benefits to be accrued after 31 March 1990.

Present Position in Respect of Pensions

At present, benefits from the Fund are based on a pension factor of 1.5 percent of final average earnings at age 60 for each year of service. This factor is increased in respect of contributors who retire after age 60, and is reduced in respect of contributors who retire before age 60. There are variations in the special schemes for the armed forces, the Police, and the prison service.

Changes Effected by Part II in Respect of Pensions

The general effect of *Part II* of the Bill is that the pension factor will be reduced, in respect of service after 31 March 1990, by 40 percent. Benefits from the Fund will then be based on a pension factor of 0.9 percent of final average earnings for each year of service. The pension factor in respect of service before 1 April 1990 will be reduced initially by one-sixth and then gradually to a greater extent, depending upon the contributor's date of retirement, to mesh in with the 0.9 percent pension factor.

Effect of Part II on Lump Sum Benefits

At present, a quarter of a pension may be capitalised to a lump sum. The capitalisation factor is currently 10. *Part II* increases this factor to 12 in respect of pensions commencing on or after 1 April 1990.

This is to ensure that there is no rapid reduction in lump sum benefits. The capitalisation amounts available just after April 1990 remain close to those that were paid in respect of retirements before that date. Thereafter, they phase down gradually with the pension.

The same principle applies in relation to the armed forces scheme where capitalisation factors are age-related. Those factors presently range from 17.5 to 10 (at age 50). As a result of the Bill, the factors will range from 21 to 12. Similarly, the lump sums available from deferring a pension in the armed forces scheme will be increased commensurately.

Blending of Existing Pensions and Pensions that Commence after 1 April 1990

Part III contains further provisions relating to allowances and annuities that commence between 1 April 1990 and 31 March 1994. They apply in addition to the variations to pensions made by *Part II.*

The objective of *Part III* is to make the pensions payable to a person who retires shortly after 1 April 1990 (as modified by *Part II*) as close as practicable to the pension payable to a person who retires shortly before 1 April 1990 (as modified by *Part I*). This is achieved by "blending" in these pensions (after capitalisation) with the "G" tax code. Blending depends on the monetary amount of the pension, and phases out after the first year or so in the case of the lower pensions.

Hon. Peter Neilson

GOVERNMENT SUPERANNUATION FUND AMENDMENT (NO. 4)

ANALYSIS

Title
1. Short Title

PART I

REDUCTION OF EXISTING ALLOWANCES AND ANNUITIES

2. Application of this Part
3. Existing retiring allowances, annual allowances, and annuities to be reduced
4. Amount of reduction
5. Amount of retiring allowance, etc., to include amount of any cost of living bonus or other adjustment
6. Suspended allowances, etc.
7. Date on which allowance or annuity becomes payable under section 71N

PART II

AMENDMENTS TO PRINCIPAL ACT IN RESPECT OF ALLOWANCES, ANNUITIES, AND PAYMENTS COMMENCING ON AND AFTER 1 APRIL 1990

8. Retiring allowance under Part II
9. Computation of retiring allowances under Part II on average salary for last 5 years of service
10. Computation of retiring allowance under Part IIA
11. Entitlement to retiring allowance under Part IIIA
12. Retiring allowance under Part IIIA where retirement on grounds of disability
13. Election under Part IIIA to surrender portion of retiring allowance and receive cash payment
14. Right under Part IIIA to defer retiring allowance to age 55 or 60 in return for lump sum at retirement
15. Computation of retiring allowance under Part VIA
16. Calculation of retiring allowance under Part VIB
17. Election to surrender proportion of retiring allowance and receive cash payment
18. Election to surrender proportion of annuity and receive cash payment
19. Savings in respect of certain overseas staff

PART III

FURTHER VARIATION OF ALLOWANCES AND ANNUITIES COMMENCING BETWEEN 1 APRIL 1990 AND 31 MARCH 1994

20. Application of this Part
21. Retiring allowances, annual allowances, and annuities to be reduced
22. Amount of varied retiring allowance, etc.
23. Amount of retiring allowance, etc., to include amount of any cost of living bonus or other adjustment
24. Amount of retiring allowance, etc., to mean amount as reduced under Part II

A BILL INTITULED

An Act to make miscellaneous amendments in relation to government superannuation

BE IT ENACTED by the Parliament of New Zealand as follows:

1. Short Title—(1) This Act may be cited as the Government Superannuation Fund Amendment Act (No. 4) **1989.**

(2) This Act shall come into force on the 1st day of April 1990.

PART I

REDUCTION OF EXISTING ALLOWANCES AND ANNUITIES

2. Application of this Part—This Part of this Act applies to every retiring allowance, annual allowance, and annuity that is, as at the 31st day of March 1990, payable under Part II or Part IIA or Part III or Part IIIA or Part VIA or Part VIB of the principal Act, but does not apply to—

(a) Any children's allowance payable under section 47 or section 61Q of the principal Act:

(b) Any allowance or annuity payable in respect of any contributor to the Fund under section 22B or section 22BA or section 50 or section 50A of the principal Act.

3. Existing retiring allowances, annual allowances, and annuities to be reduced—Every instalment payable under section 89 of the principal Act after the 31st day of March 1990 of every retiring allowance, annual allowance, and annuity to which this Part applies shall be reduced in accordance with the provisions of this Part of this Act.

4. Amount of reduction—The amount of the reduction to be made in accordance with this Part of this Act to each instalment of a retiring allowance, annual allowance, or annuity that would, but for this Part of this Act, have been payable, shall be a percentage of that instalment where the percentage to apply in respect of that allowance or annuity is calculated at the commencement of this Act in accordance with the following formula:

$$\frac{T}{P} \times \frac{100}{1}$$

where—

P is the amount of the first full instalment of the retiring allowance, annual allowance, or annuity that would, but for this Part of this Act, have been payable on and after the 1st day of April 1990:

T is the amount of the total tax deduction that would have been required to be made in respect of that instalment if,—

(a) Notwithstanding the enactment of the Income Tax Amendment Act 1989, deductions in respect of income tax were required to be made from those allowances and annuities; and

(b) The rates of tax were the rates of tax prescribed in Part B of the First Schedule to the Income Tax Act 1976 that apply for the income year commencing on the 1st day of April 1989; and

(c) The recipient of the allowance or annuity was resident in New Zealand; and

(d) In the case of a person who is entitled, as at the 31st day of March 1990, to the use of the tax code "T", that tax code applied to that person; and

(e) In the case of any other person, the tax code "G" applied to that person.

5. Amount of retiring allowance, etc., to include amount of any cost of living bonus or other adjustment—For the purpose of calculating the amount of any reduction to be made on any date in accordance with this Part of this Act, the amount of any retiring allowance, annual allowance, or annuity shall be taken to include any adjustments as at that date in accordance with the Government Superannuation Fund Amendment Act 1969 or the Government Superannuation Fund Amendment Act 1979.

6. Suspended allowances, etc.—Where any retiring allowance, annual allowance, or annuity that is, before the 1st day of April 1990, payable under the principal Act ceases, or has ceased, to be payable because of any reason and subsequently again becomes payable, this Part of this Act shall apply to that retiring allowance, annual allowance, or annuity and a reduction shall be made pursuant to this Part of this Act as if—

(a) The allowance or annuity had been payable at the 31st day of March 1990; and

(b) A full instalment had been payable on the first payment date for allowances and annuities after the 31st day of March 1990.

7. Date on which allowance or annuity becomes payable under section 71N—For the purposes of determining whether any retiring allowance, annual allowance, or annuity is payable as at the 31st day of March 1990, no account shall be taken of section 71N (6) of the principal Act (which provides that certain contributors under Part IIIA shall be deemed to have been receiving an annual retiring allowance from the date of retirement).

PART II

AMENDMENTS TO PRINCIPAL ACT IN RESPECT OF ALLOWANCES, ANNUITIES, AND PAYMENTS COMMENCING ON AND AFTER 1 APRIL 1990

8. Retiring allowance under Part II—(1) Section 35 of the principal Act (as substituted by section 8 (1) of the Government Superannuation Fund Amendment Act 1962 and amended by section 4 (1) of the Government Superannuation Fund Amendment Act 1964) is hereby amended by repealing subsection (1), and substituting the following subsections:

"(1) Every contributor to whom this section applies may at any time retire from the Government service, and shall after his or her retirement in any manner from the Government service be entitled to receive from the Fund an annual retiring allowance for the rest of his or her life.

"(1A) The amount of any such annual retiring allowance shall, except as provided in subsection (6) of this section, be the pension percentage of the contributor's annual salary calculated in accordance with this section and increased in accordance with **subsection (1D)** of this section.

"(1B) For the purposes of this section—

" 'Appropriate fraction' means one one hundred-and-twentieth part:

" 'Pension percentage' means the percentage calculated in accordance with the following formula:

$$0.6 \times PT + 0.233 \times (1 - 0.05 \times n) \times PA$$

"where—

"PT is the appropriate fraction multiplied by the number of years (including fractions of a year) of contributory service:

"n is the number (not exceeding 20) of years (including fractions of a year) between the 1st day of April 1990 and the date on which the retiring allowance commences to be payable:

"PA is the appropriate fraction multiplied by the number of years (including fractions of a year) of contributory service that were completed before the 1st day of April 1990.

"(1c) Where a contributor's contributory service is or includes a period or periods of employment otherwise than on a full-time basis, the length of the contributory service shall be reduced proportionately to the extent that the Board may determine in each case.

"(1d) Every retiring allowance calculated in accordance with this section shall be increased by an amount equal to the amount of the retiring allowance that would be determined in accordance with **subsections (1a) to (1c)** of this section if any period of contributory service in excess of 40 years were ignored in the calculation."

(2) Section 35 (6) of the principal Act is hereby amended by omitting the expression "subsection (1)", and substituting the expression "**subsections (1) to (1d)**".

9. Computation of retiring allowances under Part II on average salary for last 5 years of service—Section 38 (1) of the principal Act is hereby amended by repealing the second proviso.

10. Computation of retiring allowance under Part IIa—(1) Section 61l of the principal Act (as inserted by section 13 of the Government Superannuation Fund Amendment Act 1985) is hereby amended by repealing subsection (1) (as substituted by section 12 (1) of the Government Superannuation Fund Amendment Act 1986), and substituting the following subsections:

"(1) The retiring allowance of every contributor to the Fund who is entitled under section 61i, section 61j, or section 61k of this Act to receive a retiring allowance shall be the pension percentage of the contributor's final average earnings.

"(1a) For the purposes of **subsection (1)** of this section,—

" 'Appropriate percentage' is 1.5 percent—

"(a) Plus 0.002 percent in respect of every month or part of a month before the retirement during which the contributor is over the age of 60 years but under the age of 65 years; or

"(b) Less, in the case of a retiring allowance to which the contributor is entitled under subsection (3) or subsection (4) of section 61i of this Act,—

"(i) 0.004 percent in respect of every month or part of a month after the date of retirement during which the contributor is of or over the age of 55 years but under the age of 60 years; and "(ii) 0.002 percent in respect of every month or part of a month after the date of retirement during which the contributor is under the age of 55 years:

" 'Pension percentage' means the percentage calculated in accordance with the following formula:

$$0.6 \times PT + 0.233 \times (1 - 0.05 \times n) \times PA$$

"where—

"PT is the appropriate percentage multiplied by the number of years (including fractions of a year) of contributory service:

"n is the number (not exceeding 20) of years (including fractions of a year) between the 1st day of April 1990 and the date on which the retiring allowance commences to be payable:

"PA is the appropriate percentage multiplied by the number of years (including fractions of a year) of contributory service that were completed before the 1st day of April 1990."

(2) Section 61L (3) of the principal Act is hereby amended by omitting the words "subsections (1) and (2) of".

(3) Section 61L (6) of the principal Act is hereby amended by repealing the definition of the term "appropriate percentage".

(4) Section 61R (9) (c) of the principal Act (as substituted by section 10 (3) of the Government Superannuation Fund Amendment Act 1988) is hereby amended by omitting the expression "section 61L (6)", and substituting the expression "section 61L (1A)".

(5) Section 61S (7) (c) of the principal Act (as substituted by section 11 (4) of the Government Superannuation Fund Amendment Act 1988) is hereby amended by omitting the expression "section 61L (6)", and substituting the expression "section 61L (1A)".

11. Entitlement to retiring allowance under Part IIIA—(1) Section 71G of the principal Act (as inserted by section 15 (1) of the Government Superannuation Fund Amendment Act 1986) is hereby amended by repealing subsection (1), and substituting the following subsections:

"(1) Every contributor to the Fund under this Part of this Act who is discharged or released from the regular forces and who, at the date of retirement, has not less than 20 years contributory service of which at least 10 years service is actual service as a member of the regular forces shall be entitled to a retiring allowance of an amount equal to the pension percentage of the contributor's final average earnings.

"(1A) For the purposes of this section—

" 'Appropriate percentage' means 1.5 percent:

" 'Pension percentage' means the percentage calculated in accordance with the following formula:

$$0.6 \times PT + 0.233 \times (1 - 0.05 \times n) \times PA$$

"where—

"PT is the appropriate percentage multiplied by the number of years (including fractions of a year) of contributory service:

"n is the number (not exceeding 20) of years (including fractions of a year) between the 1st day of April 1990 and the contributor's last day of contributory service:

"PA is the appropriate percentage multiplied by the number of years (including fractions of a year) of contributory service that were completed before the 1st day of April 1990."

12. Retiring allowance under Part IIIA where retirement on grounds of disability—Section 71H of the principal Act (as inserted by section 15 (1) of the Government Superannuation Fund Amendment Act 1986) is hereby amended by repealing subsection (1), and substituting the following subsection:

"(1) Every contributor to the Fund under this Part of this Act who is discharged from the regular forces on the ground of being medically unfit for further duty shall, if the Board is of the opinion that the degree of disability is sufficient to justify the payment of a retiring allowance, be entitled to receive from the Fund an annual retiring allowance of an amount equal to the amount that would have been payable had section 71G of this Act applied to the contributor."

13. Election under Part IIIA to surrender portion of retiring allowance and receive cash payment—Section 71M (1) of the principal Act (as inserted by section 15 (1) of the Government Superannuation Fund Amendment Act 1986) is hereby amended—

(a) By omitting from paragraph (a) of the definition of the expression "B" the figure "17.5", and substituting the figure "21"; and

(b) By omitting from paragraph (b) of the definition of the expression "B" the figure "17.5", and substituting the figure "21"; and

(c) By omitting from paragraph (b) of the definition of the expression "B" the figure "0.0625", and substituting the figure "0.075"; and

(d) By omitting from paragraph (c) of the definition of the expression "B" the figure "10", and substituting the figure "12".

14. Right under Part IIIA to defer retiring allowance to age 55 or 60 in return for lump sum at retirement—(1) Section 71N (1) of the principal Act (as inserted by section 15 (1) of the Government Superannuation Fund Amendment Act 1986) is hereby amended—

(a) By omitting from paragraph (a) of the definition of the expression "D" the figure "0.0667", and substituting the figure "0.08"; and

(b) By omitting from paragraph (b) of the definition of the expression "B" the figure "16.8", and substituting the figure "20.16".

(2) Section 71N of the principal Act is hereby further amended by adding the following subsection:

"(7) The retiring allowance payable to every contributor who has made an election under this section shall, after being adjusted in accordance with subsection (6) of this section, be reduced by a percentage calculated according to the following formula:

$$0.12 \text{ percent} \times t$$

"where—

"t is the number of months from the contributor's date of retirement to the date on which the contributor receives the first instalment of the retiring allowance:

"Provided that the percentage by which the retiring allowance is reduced pursuant to this subsection shall not exceed 28 percent."

15. Computation of retiring allowance under Part VIA—Section 88F of the principal Act (as inserted by section 2 of the Government Superannuation Fund Amendment Act (No. 2) 1985) is hereby amended by repealing subsections (1) and (2), and substituting the following subsections:

"(1) The retiring allowance of every contributor to the Fund under this Part of this Act—

"(a) Who elects or is required to retire from the Police under section 27 or section 28 of the Police Act 1958; or

"(b) Who elects or is required to retire from the Police under section 28C or section 28D of the Police Act 1958 on or after attaining the age of 50 years—

shall be an amount equal to the pension percentage of the contributor's final average earnings.

"(2) The retiring allowance of every contributor to the Fund under this Part of this Act—

"(a) Who has attained the age of 50 years; and

"(b) Who has completed not less than 10 years' actual contributory service; and

"(c) Who has agreed in writing that this section should apply to him or her; and

"(d) In respect of whom the Commissioner of Police has agreed that this section should apply—

shall be an amount equal to the pension percentage of the contributor's final average earnings.

"(2A) For the purposes of this section—

" 'Appropriate percentage' means 1.5 percent less, in the case of a contributor to whom **subsection (2)** of this section applies, 0.004 percent in respect of every month or part of a month after the date of retirement and during which the contributor is under the age of 55 years:

" 'Pension percentage' means the percentage calculated in accordance with the following formula:

$$0.6 \times PT + 0.233 \times (1 - 0.05 \times n) \times PA$$

"where—

"PT is the appropriate percentage multiplied by the number of years (including fractions of a year) of contributory service:

"n is the number (not exceeding 20) of years (including fractions of a year) between the 1st day of April 1990 and the date on which the retiring allowance commences to be payable:

"PA is the appropriate percentage multiplied by the number of years (including fractions of a year) of contributory service, calculated ignoring any period of actual contributory service completed after the 31st day of March 1990.

"(2B) For the purposes of **subsection (2A)** of this section, a contributor's contributory service means the amount of that service as increased in respect of service in the Police under section 88D or section 88E of this Act, as the case may require."

16. Calculation of retiring allowance under Part VIB—Section 88T of the principal Act (as inserted by section 23 of the Government Superannuation Fund Amendment Act 1986) is hereby amended by repealing subsections (1) and (2), and substituting the following subsections:

"(1) The retiring allowance of every contributor to the Fund under this Part of this Act who is entitled under section 88S (2) or section 61K of this Act (as applied by section 88Z of this Act) to receive a retiring allowance shall be an amount equal to the pension percentage of the contributor's final average earnings.

"(2) The retiring allowance of every contributor to the Fund under this Part of this Act who is entitled under section 88P or subsection (3) or subsection (4) of section 88S of this Act to receive a retiring allowance shall be an amount equal to the pension percentage of the contributor's final average earnings.

"(2A) For the purposes of this section—

" 'Appropriate percentage' means 1.5 percent less, in the case of a person to whom **subsection (2)** of this section applies,—

"(a) 0.004 percent in respect of every month or part of a month after the date of retirement during which the contributor is of or over the age of 53 years but under the age of 58 years; and

"(b) 0.002 percent in respect of every month or part of a month after the date of retirement and during which the contributor is under the age of 53 years.

" 'Pension percentage' means the percentage calculated in accordance with the following formula:

$$0.6 \times PT + 0.233 \times (1 - 0.05 \times n) \times PA$$

"where—

"PT is the appropriate percentage multiplied by the number of years (including fractions of a year) of contributory service:

"n is the number (not exceeding 20) of years (including fractions of a year) between the 1st day of April 1990 and the date on which the retiring allowance commences to be payable:

"PA is the appropriate percentage multiplied by the number of years (including fractions of a year) of contributory service, calculated ignoring any period of actual contributory service completed after the 31st day of March 1990.

"(2B) For the purposes of **subsection (2A)** of this section, a contributor's contributory service means the amount of that service as increased under section 88R of this Act."

17. Election to surrender proportion of retiring allowance and receive cash payment—(1) Section 91 (1) of the principal Act (as substituted by section 3 of the Government Superannuation Fund Amendment Act 1987 and amended by section 5 of the Government Superannuation Fund Amendment Act 1989) is hereby amended by repealing paragraph (a), and substituting the following paragraphs:

"(a) In the case of a contributor to the Fund under Part IIA, Part VIA, or Part VIB of this Act, 12 times the amount by which the annual retiring allowance is reduced by the surrender:

"(aa) In the case of a contributor to the Fund under Part IV or Part VA of this Act, 10 times the amount by which the annual retiring allowance is reduced by the surrender:".

(2) Section 91 (1) of the principal Act is hereby further amended by omitting from paragraph (b) the figure "9", and substituting the figure "10.8".

18. Election to surrender proportion of annuity and receive cash payment—(1) Section 91A (2) of the principal Act (as substituted by section 27 (1) of the Government Superannuation Fund Amendment Act 1986 and amended by section 5 of the Government Superannuation Fund Amendment Act 1989) is hereby amended by repealing paragraph (a), and substituting the following paragraphs:

"(a) In the case of an annuity payable to the spouse of a person who was a contributor under Part IIA, Part IIIA, Part VIA, or Part VIB of this Act, 12 times the amount by which the annuity is reduced by the surrender:

"(aa) In the case of an annuity payable to the spouse of a person who was a contributor under Part IV or Part VA of this Act, 10 times the amount by which the annuity is reduced by the surrender:".

(2) Section 91 (1) of the principal Act is hereby further amended by omitting from paragraph (b) the figure "9", and substituting the figure "10.8".

19. Savings in respect of certain overseas staff—For the purpose of calculating any retiring allowance, annual allowance, annuity, or other payment payable in respect of any contributor to the Fund under section 22B or section 22BA or section 50 or section 50A of the principal Act, the provisions of the principal Act shall apply as if this Part of this Act had not been enacted.

PART III

FURTHER VARIATION OF ALLOWANCES AND ANNUITIES COMMENCING BETWEEN 1 APRIL 1990 AND 31 MARCH 1994

20. Application of this Part—This Part of this Act applies to every retiring allowance, annual allowance, and annuity that commences, on or after the 1st day of April 1990 and before the 1st day of April 1994, to be payable under Part II or Part IIA or Part III or Part IIIA or Part VIA or Part VIB of the principal Act, but does not apply to—

(a) Any annuity that commences to be payable upon the death of a person who is in receipt of a retiring allowance or annual allowance payable under the principal Act:

(b) Any children's allowance payable under section 47 or section 61Q of the principal Act:

(c) Any allowance payable to an assignee under section 91B of the principal Act in circumstances where an instalment of the contributor's basic allowance in respect of which a portion is surrendered became payable before the date from which the portion is surrendered:

(d) Any allowance or annuity payable in respect of any contributor to the Fund under section 22B or section 22BA or section 50 or section 50A of the principal Act.

21. Retiring allowances, annual allowances, and annuities to be reduced—Every instalment payable under section 89 of the principal Act of every retiring allowance, annual allowance, and annuity to which this Part applies shall be varied in accordance with this Part of this Act, but such variation shall be ignored for the purposes of determining any lump sum benefit payable under the principal Act.

22. Amount of varied retiring allowance, etc.—(1) The amount of each instalment of any retiring allowance, annual allowance, or annuity that is varied in accordance with this Part of this Act shall be the amount of the instalment of that allowance or annuity that would, but for this Part of this Act, have been payable, multiplied by the appropriate factor determined in accordance with **subsection (3)** of this section at the commencement of the retiring allowance, annual allowance, or annuity.

(2) In **subsection (3)** of this section,—

"AP" means the annual rate of the retiring allowance, annual allowance, or annuity that would, but for this Part of this Act, have been payable on the first instalment of the retiring allowance, annual allowance, or annuity:

"F" means the factor for the purpose of **subsection (1)** of this section:

"FO" means NP divided by AP:

"GP" means AP $\times$ 1.2:

"n" means the number of years (including fractions of a year) between the 1st day of April 1990 and the date on which the retiring allowance, annual allowance, or annuity commences to be payable:

"NP" means GP less T:

"T" means the amount of the total annual tax deduction that would have been required to be made in respect of a retiring allowance, annual allowance, or annuity of an annual amount equal to GP if,—

(a) Notwithstanding the enactment of the Income Tax Amendment Act 1989, deductions in respect of income tax were required to be made from those allowances and annuities; and

(b) The rates of tax were the rates of tax prescribed in Part B of the First Schedule to the Income Tax Act 1976 that apply for the income year commencing on the 1st day of April 1989; and

(c) The recipient of the allowance or annuity was resident in New Zealand; and

(d) Tax code "G" applied to the recipient of the allowance or annuity.

(3) For the purpose of determining the appropriate factor in **subsection (1)** of this section,—

(a) In a case where AP is less than or equal to $9,081,—

F = FO − 0.02n, with a minimum of 1:

(b) In a case where AP is greater than $9,081 and less than or equal to $25,729,—

$F = FO + 0.022n$, with a maximum of 1:

(c) In a case where AP is greater than $25,729,—

$F = (1 - 0.25n) \times FO + 0.25n$, with a maximum of 1.

23. Amount of retiring allowance, etc., to include amount of any cost of living bonus or other adjustment—For the purpose of calculating the amount of any variation of a retiring allowance, annual allowance, or annuity to be made on any date in accordance with this Part of this Act, the amount of any retiring allowance, annual allowance, or annuity shall be taken to include any adjustments as at that date in accordance with the Government Superannuation Fund Amendment Act 1969 or the Government Superannuation Fund Amendment Act 1979.

24. Amount of retiring allowance, etc., to mean amount as reduced under Part II—For the avoidance of doubt, it is hereby declared that any reference in **section 22** of this Act to the amount of an instalment of any retiring allowance, annual allowance, or annuity that would, but for this Part of this Act, have been payable, is a reference to any such amount that is payable after taking account of **Part II** of this Act.

WELLINGTON, NEW ZEALAND: Printed under the authority of the New Zealand Government by V. R. WARD, Government Printer—1989

11773B—89/NS