

## **SOCIAL SECURITY AGREEMENT BETWEEN AUSTRALIA AND KOREA**

A social security agreement with Korea was signed in Canberra on 6 December 2006. The purpose of this paper is to let the community know what social security agreements do, and how this Agreement in particular will affect people.

The views of the Australian community and expatriate Australians, particularly those who are most likely to benefit from the Agreement, are an important part of the Agreement process.

### **WHY DO WE HAVE SOCIAL SECURITY AGREEMENTS?**

The proposed Social Security Agreement between Australia and Korea coordinates the two countries' social security schemes to provide better retirement income coverage for people who have moved between the two countries.

People who have lived in more than one country often find that, when they claim a pension, they do not have enough residence or contributions under a social security scheme to qualify for payment or have insufficient support.

To help overcome this problem, a network of social security agreements has been set up within the international community.

One of the key elements in these agreements is that the partner countries broadly share the responsibility for social security coverage and related costs. If a person has lived and worked in more than one country, then it is fair that those countries share the responsibility for supporting that person when he/she claims a pension.

Agreements help many people to receive a part pension from one or both countries, which they would not otherwise get. It is an important principle that Agreements do not take away existing entitlements.

The proposed Agreement with Korea is similar to the agreements Australia already has with Austria, Belgium, Canada, Chile, Croatia, Cyprus, Denmark, Germany, Ireland, Italy, Malta, The Netherlands, New Zealand, Norway, Portugal, Slovenia, Spain, Switzerland and the USA. A New Agreement has also been signed with Japan but is not yet in force.

### **WHAT WILL AUSTRALIA DO UNDER THE AGREEMENT?**

To qualify for an Australian age pension people normally have to be Australian residents and in Australia on the day a claim for pension is lodged, and they must also have at least 10 years Australian residence.

The Agreement modifies these rules so that:

- Australia will treat someone who is resident in Korea as being a resident of Australia and present in Australia, so that the person can lodge a claim for Australian pension;
- Australia will add the person's periods of insurance in Korea to his or her Australian residence so that the person can meet the minimum residence qualifications to get an Australian pension;

- Australia guarantees to pay age pension indefinitely in Korea, as long as the person otherwise remains entitled.

### **WHAT WILL KOREA DO UNDER THE AGREEMENT?**

Under the Agreement, people will be able to add their periods of employment in Australia to their periods of contributions to the Korean system in order to qualify for a Korean retirement pension. Normally a person must have a minimum of 10 years of contributions to the Korean system to qualify for a Korean pension.

Alternatively, Australian nationals will be able to apply for refunds of their contributions when they leave Korea, after the Agreement commences. However people who receive a refund will not be able to receive a Korean pension in respect of those contributions and will not be able to use those periods to help them qualify for an Australian pension.

### **WHAT BENEFITS WILL BE COVERED UNDER THE AGREEMENT?**

The Agreement covers Australian and Korean age pensions.

### **HOW ARE PENSIONS CALCULATED UNDER THE AGREEMENT?**

#### *Australian pensions*

People who live in Australia but do not have ten years residence in Australia can count their Korean periods of contributions to qualify for an Australian pension, subject to the means test. During this time (until they have ten years residence in Australia) they will be paid the normal income-tested pension rate less the amount of any Korean pension - ie, the Korean pension would be 'topped-up' to the rate of Australian pension they would receive if they had no Korean pension.

Australian pensions in Korea will be based on the person's period of 'Australian Working Life Residence' [*this is the period between age 16 and Age Pension age*]. A full pension, subject to the means test, is payable to a person with 25 years 'Australian Working Life Residence'. For example, under the Agreement, a man who has lived in Australia from age 30 to age 50 (ie 20 years) may, at age 65, be paid 20/25ths of a means-tested Australian age pension in Korea. No pension is paid overseas if a person has less than 12 months Australian Working Life Residence.

#### *Korean pensions*

Korean pensions will be based on the period of contributions the person has completed in Korea (unless the person has received a refund).

### **ADMINISTRATION AND LODGEMENT OF CLAIMS**

The Agreement will create administrative links between the social security systems of Australia and Korea which will help pensioners in one country in their dealings with the social security authorities of the other.

Centrelink will assist people in Australia with claims for Korean and Australian age pensions, and the Korean authorities will assist people in Korea with claims for Australian and Korean age pensions.

### **DOUBLE SUPERANNUATION COVERAGE**

The Agreement between Australia and Korea also includes provisions to avoid double coverage. Double coverage can arise where an employee is sent temporarily from one country to another to work and compulsory superannuation (or equivalent) contributions are required under the laws of both countries for the same work. The Agreement provides that, in these situations, the employer/employee will generally only be subject to the legislation of their home country. For example, where an employer sends an employee from Australia to work temporarily in Korea, and double coverage would arise, the Agreement provides that the employer will instead only be required to make Australian Superannuation Guarantee contributions and will be exempted from making contributions under Korean law. Equivalent provisions apply for a Korean employee seconded to work in Australia.

### **WHEN WILL THE NEW AGREEMENT START?**

The Agreement is expected to come into effect on 1 October 2008, after the necessary treaty, legislative and administrative processes are completed in both countries.

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February 2008*