

MEMORANDUM FOR THE CABINET
BY THE HONOURABLE PRIME MINISTER

Extension of Interim Pensionability Arrangements
to Groups VI-VIII and other temporary employees

In December, 1965, following negotiations with the General Workers' Union on the question of the extension of pensionability to Wage Groups I to V, agreement was reached on the 'interim arrangements' which came into force on the 15th December, 1966, and which, according to the arrangement, are to be withdrawn immediately upon the implementation of a scheme.

2. These 'interim arrangements' in effect mean full pensionability to employees in Groups I to V with 15 years service who retire at age 63 or, on medical grounds, after attaining age 60. As such, these temporary measures offer better opportunity for pensionable status than any other permanent scheme that could possibly be introduced and their limitation to Groups I to V gave rise to demands for similar treatment to employees in Groups VI - VIII and all other non-pensionable employees. Representations to this effect have been made both in Parliament and in the Malta Government Joint Council.

3. In fact, employees in Groups VI - VIII and other non-industrial temporary employees, such as Clerk-Typists, Shorthand Typists, Storehousemen etc., are covered by the 5% Pensionability Scheme approved in 1961 but as the established number of pensionable posts is allotted on the basis of seniority in the Group or Grade, many of these employees reach retiring age without qualifying for a pensionable post. Such employees are, therefore, regarding the present arrangements as anomalous for the reason that while employees in the lower groups are retiring on a pension, they, the skilled trades, are only eligible for a compassionate gratuity on retirement. Because of this situation, there have been demands, which, of course, could not be allowed, from employees in Groups VI - VIII for downgrading to the lower groups so that they may benefit from the 'interim arrangements'.

4. In view of these representations, consideration has been given to the possibility of extending the 'interim arrangements' to all other temporary employees. However, the Ministry of Finance, Customs & Port have not only raised objection to a further extension of this concession on financial grounds, but have also urged the early implementation of a definite scheme so that the temporary arrangements may be withdrawn as agreed with the Unions.

5. The question of the establishment of a Pension Scheme for Groups I to V has raised many difficulties and the matter was submitted to Cabinet for a decision on which one of the proposed schemes should be negotiated with the Staff Associations concerned (cf Memo No. 636 B and Cabinet's decision dated 26th April, 1967.)

6. Establishments and Finance agree that the longer the interim arrangements (which virtually mean full pension-

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ability) remain in operation the more difficult it will be to withdraw them. The main objection to the general extension of the interim arrangements is that the Unions might find the resulting position so convenient that they would do everything in their power to hamper the introduction of a definite scheme mainly because the employees in Groups VI to VIII, besides holding the number of pensionable posts they already have under the 5% Scheme, would qualify for pensionability under the interim arrangements.

7. Finance consider that the acceptance of the interim arrangements for all time to the remaining unestablished employees will involve the Government in an impossible pensions burden year after year which will become worse as changes in salaries and wages are made. The financial implications are shown in the attached statement which gives the cost of the pensionable retirements that there will be in the next 10 years under the interim arrangements.

8. Establishments feel that the most practicable way would be (a) to implement a definite scheme as soon as possible; (b) withdraw the interim arrangements and (c) then grant pensionability, retrospectively, to all temporary employees who have retired, under circumstances qualifying them for a pension, during the period of operation of the interim arrangements. In this way the number of pensions authorised retrospectively is not expected to exceed 12. On the other hand, if the interim arrangements are extended to all temporary employees at this stage, there will certainly be a rush for retirements on medical grounds by employees (numbering about 57) whose ages range between 60 and 63 years.

9. In view of the foregoing, Hon. Ministers may wish to consider:-

- (a) whether the interim arrangements should be made applicable to all temporary employees at this stage; or
- (b) whether the position of those employees who retire without a pension during the currency of the interim arrangements should be re-examined after these arrangements are definitely withdrawn (as suggested at paragraph 8).

10. If Hon. Ministers decide in favour of (b) above, then a decision on the question of the pensionability scheme (Memo. No. 636 B) becomes urgently necessary as in the meantime there exists an unfair discrimination in the grant of pensionability to Government temporary employees.

8th November, 1967.

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Ten-Year Estimate of Expenditure if "Interim Arrangements" are extended to all temporary employees and remain in operation

Year	Groups I to V	Groups VI to VIII	Other Temp. Employees	Total Retirements	Cost of Retirements shown in 5		Cumulative Computed Pension (including previous years)	Total Annual Cost
					Computed Pension	Gratuity		
1966 No. of Retirements	255	-	-	255	£40,000	£150,000	-	£190,000
1967 No. of Retirements	42	43	10	95	£15,000	£55,800	£55,000	£110,800
1968 No. of Retirements	88	10	2	100	£16,000	£58,800	£71,000	£129,800
1969 No. of Retirements	100	20	2	122	£19,500	£71,700	£90,500	£162,200
1970 No. of Retirements	156	11	2	169	£27,000	£99,400	£117,500	£216,900
1971 No. of Retirements	163	8	4	175	£28,000	£102,900	£145,500	£248,400

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Year	Groups I to V	Groups VI to VIII	Other Temp. Employees	Total Retirements	Cost of Retirements shown in 5		Cumulative Computed Pension (including previous years)	Total Annual Cost
					Commutated Pension	Gratuity		
1972 No. of Retirements	188	14	10	212	£33,900	£124,600	£179,400	£304,000
1973 No. of Retirements	146	19	3	168	£26,800	£98,800	£206,200	£305,000
1974 No. of Retirements	157	6	5	168	£26,800	£98,800	£233,000	£331,800
1975 No. of Retirements	157	16	1	174	£27,800	£102,300	£260,800	£363,100
1976 No. of Retirements	154	5	-	159	£25,400	£93,500	£286,200	£379,700

Note: After ten years, it is expected that the annual burden on the Exchequer of the interim arrangements will stabilise itself at about £380,000, based on (a) life expectancy of 72.5 years, and (b) the present scale of wages and salaries.