

OPM 89/70

Memorandum to Cabinet by the Minister of Finance,  
Customs and Port

Section 18 of the Malta Development Corporation Act 1967 provides for the establishment of a scheme for the payment of pensions, gratuities and like benefits to its officers and servants.

The Relative section reads as follows:-

"18(1) The Corporation may with the approval of Minister responsible for finance, establish a scheme or schemes for the payment to its officers and servants, or their dependents, on their retirement, death or injury, of pensions, gratuities or other like benefits.

Provision for such pensions, gratuities or other like benefits may be made either by contributory or by non-contributory arrangements or partly by one and partly by the other."

The Corporation has now submitted the attached draft non-contributory Pension and Gratuity Scheme for approval.

Most of the provisions in the Scheme follow those of the Pensions Ordinance. In some respects, such as the qualifying period of service required for a full pension (40 years against 30 years in the Pensions Ordinance) and the commutation of the pension (clause 12), the Scheme offers less favourable conditions than those of the Pensions Ordinance. There are however other more favourable provisions such as clauses 11 and 18 but on the whole the Scheme does not provide for higher benefits than those of the public sector.

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Clause 11 provides for voluntary retirement without loss of accrued pension rights. The Pension Ordinance does not make such a provision. The Corporation's scheme may be said to follow more modern lines. In fact similar provisions are known to exist in the United Kingdom Civil Service Pension Scheme. Moreover considering that the determination of the accrued pension rights in the case of voluntary retirement is calculated on a reduced scale factor for lengths of service of less than 20 years and that the pension is not paid on retirement but deferred till the employee attains the age of 60 years, one need not object to the inclusion of the clause.

Clause 18 provides for the reckoning for pension purposes of service with previous employers in the case of officers in respect of whom the Corporation has agreed for such reckoning. This clause may be considered necessary to enable the Corporation to attract and retain the right kind of employees it may require to carry out its functions in the most efficient manner. It is not felt therefore that we should raise objections to its inclusion.

Establishments have studied the scheme and offer no objection so long as the application of clause 18 is limited to already-serving officers namely to those with whom the Corporation had already agreed to provide the extra benefit allowed by this clause.

However it is felt that the Corporation should not be so restricted in applying this clause. By its very nature and function the staff of the Corporation cannot be very large and must necessarily consist in the main of qualified and mature persons. Hence the possibility that the Corporation may have a nucleus of trained young persons from which to draw any of its future staff requirements is very remote indeed.

Under such circumstances recruitment for such posts, if ever the need arises, will generally have to come from outside. A person who has reached the half way mark in his career and who proves to be the only qualified one for the Corporation's job may be reluctant to leave his employment

to serve the Corporation unless either a fabulous salary is offered or some other 'carrot' is hung up to him. The offer of a very high salary may not be practicable for diverse reasons chief among which is the real possibility of upsetting the relativity in pay existing among serving personnel. Hence the wider applicability of Clause 18 to include future employees may be the alternative which will give the Corporation in 'special cases' the means of acquiring the services of the qualified person it may be needing without unduly upsetting the relativity of its salary structure.

In the circumstances Ministers may wish to agree to the non-Contributory Pension and Gratuity Scheme as submitted by the Malta Development Corporation.

MFCP/1/70

24th November, 1970.

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