

1019/36

ole

SECRET

FROM: W G BRISTOW
DATE: 20 May 1986

MR WIGGINS

cc Mr Kemp
Mr Gilhooly
Mr Hansford
Mr Franklin

I attach a note on the pension implications as requested at this afternoon's meeting.

W G Bristow

W G BRISTOW

NPM.

Mr ~~Nay~~grove

You may like to have this, in case the Prime Minister should want reassurance on the point.

JW

21/5

SECRET

SECRET

PENSION ARRANGEMENTS

Civil Service and NHS

Pensions are normally based on salary in the year before retirement. It thus takes a year for a pay increase to work through fully into pension. Pensions are increased after retirement according to the individual dates of retirement. The next increase will be 1.1% payable in full from 28 July 1986 to those who retired before 25 November 1985. A proportion will be paid to those retiring between 25 November 1985 and 12 July 1986 reflecting the proportion of the period spent in retirement.

Judiciary

Pensions are based on salary on the day of retirement. There is, therefore, a much sharper effect for those retiring just one side or the other of a pay increase. Pensions are increased after retirement according to individual retiring age as per the Civil Service and the NHS.

Armed Forces

A new Pension Code is published each time there is a pay increase. It prescribes the same rates of pension for all those of equivalent rank retiring during the currency of a Code. Again, therefore, there is a sharper effect for those retiring just one side of a pay increase or the other.

Until the 31 March 1986 the Armed Forces also prescribed the same rate of post-retirement pension increase for all those retiring during the currency of a Code (they intended to change to the normal basis of individual retirement dates from 1 April 1986). For those retiring during the year ending 31 March 1986 the increase was 1%. Unless this is applied also to those retiring during the period 1 April to 30 June 1986 they will fare worse than those retiring during the currency of the previous Code. The lack of a pay increase from 1 April 1986 means that

SECRET

SECRET

they gain no increase in basic pension and they would have to wait until July 1986 for a pensions increase which would be significantly less than for those who retired before 1 April 1986. This is a problem which is peculiar to the Armed Forces and would be solved by allowing the same pensions increase to those retiring during the period 1 April to 30 June 1986 as for those retiring during the previous Code.

SECRET

SECRET



SECRET