

18.09.06

MINISTERIAL STATEMENT ON PENSIONS

The Minister of Foreign Affairs and Cooperation of the Kingdom of Spain, Mr. Miguel Angel Moratinos, the Minister for Europe of the United Kingdom of Great Britain and Northern Ireland, Mr Geoff Hoon, and the Chief Minister of Gibraltar, Mr. Peter Caruana, meeting in Córdoba on the 18th September 2006 have agreed the following statement on the issue of pensions of former Spanish workers in Gibraltar as an annex to the Ministerial Communique:

Background

1. As is well known, historical circumstances prevented large numbers of Spanish workers resident in Spain from continuing to work in Gibraltar and thus from continuing to contribute to the Gibraltar Social Insurance Fund (GSIF) from the late 1960s.
2. We acknowledge the financial imbalance which affected the GSIF as a result of the disparity between the contributions to it of those workers and the enhanced rate of pensions to which they became legally entitled as a result of Spain's accession to the EU in 1986. Accordingly, in 1996 the UK Government assumed indefinite responsibility for the funding of pensions from the GSIF of the pre-1969 Spanish workers. As part of those arrangements, such pensions have remained frozen at the 1988 rates.
3. Wishing, in the spirit of the Trilateral Forum of Dialogue on Gibraltar ("the Forum"), to improve local co-operation and relations and to resolve some of the problems affecting them, the Governments of the United Kingdom, Spain and Gibraltar ("the participants") have agreed a full and final settlement of the Pensions and related issues on the terms set out in this statement.

Beneficiaries

4. This agreement applies to Spanish nationals, alive to-day, who were resident in Spain while working in Gibraltar and who made contributions to the GSIF prior to 1969, who qualify for a pension from the GSIF, and who, as a result of the border/fence closure in 1969, were no longer able to continue working in Gibraltar, or contributing to the GSIF or to draw a GSIF pension, and who did not resume contributions to the GSIF after 1969, and who are now resident in the EU. The agreement also covers other recipients of a pension, including widows.

In this statement, beneficiaries of this agreement are referred to as “Affected Spanish Pensioners”.

The Agreed Solution

5. The agreed solution will be offered to all Affected Spanish Pensioners, on a voluntary basis, and it will treat all such pensioners in an equal manner. All payments will be funded and made by the UK.
6. All Affected Spanish Pensioners will be offered by the UK a lump sum in exchange for withdrawing from the GSIF and giving up any further claims in relation thereto. This lump sum takes into account the fact that, unlike elderly persons resident in Gibraltar, the Affected Spanish Pensioners, as EU residents, many of whom received very reduced pensions because of their incomplete contribution record, have not been able to access any other source of financial support since 1989, during which period their Gibraltar pensions have remained frozen. The lump sum will be paid in two tranches. The first tranche will be paid in April 2007 and the second tranche will be paid in April 2008. By way of indication only, the average total lump sum will be about 6,200 €.
7. If they accept the offer by the UK, those Affected Spanish Pensioners will receive their future payment entitlement from a non-contributory scheme to

be established and funded by the UK for that purpose. This scheme will make payments equivalent to their former GSIF pensions, increased to what they would have been had the GSIF pensions been uprated annually from 1989 to April 2007 in accordance with the Gibraltar Index of Retail Prices. Future uprated payments will be index-linked to the UK Retail Price Index.

8. Any Affected Spanish Pensioner who decides not to accept this offer and withdraw from the GSIF will not be entitled to receive and will not receive any lump sum payment. They will continue to be members of the GSIF and thus to receive their pension from the GSIF. The pensions of this group of pensioners (including such future uprating of Gibraltar pensions as the Gibraltar Government decides) will continue to be paid by the UK.
9. The lump sum, but not the future payments, will be paid to the estate of any Affected Spanish Pensioner who formally agrees to accept the offer when it is made, but who dies before the full payment is made.
10. The estate or next of kin of any other deceased Affected Spanish Pensioner has no right to claim either the lump sum or the future payments.
11. Although Spain is entitled under EC legislation to claim reimbursement-compensation for the costs of benefits in kind for the Affected Spanish Pensioners, there will be no change to the current arrangements.

Outcome

12. The settlement will provide a more sustainable financial future for Affected Spanish Pensioners. In addition, those who accept will have received a lump sum in exchange for withdrawing from the GSIF. All Affected Spanish Pensioners will have been treated equally in terms of the calculation of the financial offer to them.

Timetable

13. The Government of Gibraltar will write to the Affected Spanish Pensioners within one month, outlining the offer in general terms.

The Government of the United Kingdom will write again to each of the Affected Spanish Pensioners within not later than three months setting out an individual offer in detail and explaining what the pensioner has to do next.

Pensioners will be required to respond within two months of the date of the offer letter

The participants will carry out any necessary steps to enable the new arrangements to come into effect as soon as possible in accordance with the timetable set out above.