



RESTRICTED

R. N. Peirce
You will want to be aware of this problem.
Foreign and Commonwealth Office
London SW1A 2AH

17 June 1988

mt

Dear Charles

CD 17/6

British Pensions for Canadian Residents

You should be aware of a potential problem which may come up whilst the Prime Minister is in Toronto.

British pensioners resident in Canada (and in Australia and New Zealand) are treated less well than their counterparts in some other parts of the world (eg US, EC). Whereas British pensioners in the USA receive full index-linked pensions, those living in the Old Commonwealth receive only frozen pensions. The sum which they receive when they qualify for pensions, or when they go to live in the Old Commonwealth, is never increased. Pensions are uprated only where a reciprocal agreement with the other country so provides. Pensioners in the Old Commonwealth constitute 60% of the total number of pensioners resident overseas.

In 1972 the UK proposed a comprehensive agreement with Canada to include pension unfreezing, but the Canadians were at that time unable to proceed. Since then UK public spending constraints have prevented progress. The Canadian government do not necessarily "top-up" frozen British pensions and in some cases this can lead to real hardship: those people who emigrated some years ago, or qualified some years ago, receive only very small pensions. There is a vociferous and active Association campaigning for improved British pensions in Canada. It may be that this Association will demonstrate during the Prime Minister's visit to Toronto.

The Foreign Secretary is writing to the Secretary of State for Health and Social Security to discover whether there is any prospect for a change in policy (we expect that the Australian Government will shortly also be lobbying). On present timing, it seems unlikely that there will be any significant movement before the Prime Minister leaves for Toronto. However, the DHSS say that "the matter is kept under review". The Prime Minister might wish to take the same line.

The substance of this letter has been cleared with the DHSS. The subject is also covered in the briefing for the Prime Minister's visit to Ottawa.

Yours ever

R N Peirce
(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street



cc PK

FCS/88/116

SECRETARY OF STATE FOR HEALTH AND SOCIAL SECURITY

1. I hope you do not mind my writing to you on something which is very much in your province.

2. There is an active campaign by British pensioners resident in Canada to have their pensions index-linked. The Australian Government too are keen that we should index-link pensions payable to British pensioners in Australia (as they do for their pensioners in the UK). At present the Australian Government are topping up these pensions and they are, understandably, resentful at having to make up for what they regard as HMG's "penny-pinching". I understand that the Australian Minister of Social Security, Brian Howe, is visiting London in July to pursue this question.

3. The Prime Minister is shortly to visit Canada (19-22 June) and in August she will go to Australia. In both places she will make speeches (in Canada to Parliament) which lay heavy emphasis on the booming British economy. This contrasts with our unwillingness to index-link British pensions for pensioners in Canada and Australia which I understand is based solely on the grounds that HMG cannot afford the cost. It is seen as particularly hard when British pensioners resident in many other countries, some with less close links, do receive pensions which are guarded against inflation. The Prime Minister may be subject to representations and possible demonstrations on this issue in both countries.

No - our
is a pay as you
go scheme - the
winners are
made good
by present
revenue in
the form of
NP contributions
Overseas pensioners have
already left
can go to
pensioners



4. Are there any prospects of HMG index-linking pensions received by residents of Canada and Australia (and, indeed, New Zealand - even if the Prime Minister is not going there at present)? Our High Commission in Ottawa feel that it would add a useful dimension to the Prime Minister's visit there later this month if she were able to say something positive on this question. Similarly, our High Commission in Canberra believes that at least a compromise solution is desirable prior to the Prime Minister's visit.

5. I am copying this minute to the Prime Minister and to the Chancellor of the Exchequer.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

17 June 1988