PRIME MINISTER

Teachers' superannuation scheme

Sir Keith's proposals can be summarised in the following table:

	Current %	Proposed %
Employees' normal contribution	6.0	6.0
Employers' normal contribution	6.9	7.7
Employers' supplementary contribution	1.5	1.75
Total normal contribution	12.9	13.7
Total employers' contribution	8.4	9.45

The Policy Unit suggest that part of the increase should fall on employees as this is the direction we will want to be moving in eventually. This could be done by putting all the increase in the supplementary contribution on employers, and sharing the 0.8% increase in the normal contribution equally between employers and employees.

Agree this be put to Sir Keith Joseph?

AT

If more is needed it must at least be divided equally between employee and er

MT

4 January 1984

3 January 1984

MR TURNBULL

TEACHERS' SUPERANNUATION SCHEME

The teachers' pension "fund" does not exist; it is used as an accounting device to check whether employers' and employees' contributions are sufficient to meet the pensions paid.

The Government Actuary has now completed his quinquennial review of the Teachers' scheme, and has concluded that contributions have to be increased by 1.05 per cent (from 14.4 per cent to 15.45 per cent).

Why? we now all pay more than 6%

Keith Joseph argues that the increase should fall exclusively on the employers: he believes that any increase in employee contributions now will harden the hearts of teachers, and will therefore make it politically more difficult to bring about substantial increases in their contribution next year - by which time the Government will have formulated a general policy on public sector pensions.

We disagree. We believe that a substantial proportion of the increase should fall on the employees. This would cause the teachers' unions to protest loudly, but it would be in line with the Manifesto commitment to make employees pay a realistic proportion of the cost of their pensions. It seems mad to have a general policy of realistic payments and then, in a large test case like this, to go the other way because of the anticipated resistance.

We therefore suggest that Keith Joseph should reconsider in the light of the general policy towards public sector pension contributions. Generosity on pensions is unlikely to be reflected in the pay settlement, as that negotiation takes place at a different time with different people. The Chancellor is likely to weigh in with this view.

JOHN REDWOOD