



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

TEACHERS' SUPERANNUATION SCHEME (ENGLAND AND WALES)

I have seen the minute which the Secretary of State for Education and Science sent you on 16 January, responding to your comment on his original proposal.

2. Like you, I am unhappy with the suggestion that the whole of the 1.05% increase in contributions should be borne by the employers. I do not accept that we can take no action on any front until we have considered the wider issue of realistic pension contributions in detail. Nor do I believe that a move on teachers' contributions need be accompanied by any further general statement of policy: our position on this issue is already fairly well known, and Keith Joseph's proposed form of words could well be interpreted by other groups, e.g. the local authority manuals, as an unquantified but potentially serious threat, and so could jeopardise their pay negotiations.

3. I should therefore prefer an increase in teachers' employee contributions which maintained the present proportionate sharing of the cost of basic pensions between employee and employer. I believe this could be defended as a neutral stance. It could be set out in an announcement wholly limited to the teachers, which should avoid implying that even for them this was the end of the road.

4. I attach a possible form of words. As you will see this approach means that employee contributions would increase to 6.4 per cent. Employer contributions would of course rise by less than they would under Keith's proposals; and since employers would be relieved of a considerable part of the burden they might otherwise have expected to bear, we should also make it clear that we see no case for special reliefs for them, such as a disregard against expenditure targets.

5. I am copying this as before.

A handwritten signature in dark ink, appearing to be 'M.L.' with a flourish.

N.L.

18 January 1984

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ALTERNATIVE DRAFT STATEMENT ON TEACHERS' SUPERANNUATION CONTRIBUTIONS

I presented the Government Actuary's Report to Parliament on 19 December last. His review identified a need for increased contributions totalling 1.05 per cent of salary to pay for basic benefits, apart from the costs of pensions increases which are at present financed outside the notional fund.

2. As the House knows, the Government intends to maintain the index linking of pensions in all the public services on the basis of realistic employee contribution. For the time being I propose to maintain the existing broad division of the costs of basic benefits in the scheme between employees and employers. I am therefore proposing to amend the Regulations so that employees in the teachers' scheme will pay 6.4 per cent, and employers 7.3 per cent in 1984-85 plus the supplementary rate of 1.75 per cent.

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