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AT  
22/2

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

22 February 1984

Miss C E Hodkinson  
Private Secretary to the  
Secretary of State for Education  
and Science

*Dear Elizabeth,*

TEACHERS' SUPERANNUATION SCHEME (ENGLAND AND WALES)

You wrote to me on 20 February enclosing a draft announcement about teachers' superannuation contributions.

As you will have seen, the DHSS have now given the assurance on the NHS Superannuation Scheme for which we asked. The Chancellor is therefore content that the announcement on teachers can now be made in the terms set out in your letter.

He also endorses the suggestion in the letter of 20 February from the Secretary of State for the Environment that the Government should not agree to a disregard.

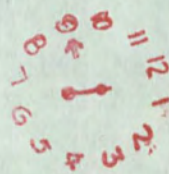
I am sending copies of this letter to the Private Secretaries to the Prime Minister, the other members of E(PSP), the Secretaries of State for Scotland, Wales and Northern Ireland and Sir Robert Armstrong.

*Yours sincerely,*

*Margaret O'Mara*

MISS M O'MARA

Education: Teacher Pay A3



22 JAN 1984

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## DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Miss M O'Mara  
 Private Secretary to the  
 Chancellor of the Exchequer  
 Treasury Chambers  
 Parliament Street  
 LONDON  
 SW1P 3AG

20 February 1984

Dear Margaret,

## TEACHERS' SUPERANNUATION SCHEME (ENGLAND AND WALES)

Your letter of 14 February 1984 confirmed that the Chancellor is prepared to accept that there should be no increase now in employees' contributions provided that my Secretary of State's announcement makes it clear that the Government remains committed to realistic employee contributions and that further action can be expected later.

I attach a text of a statement that my Secretary of State proposes to make as soon as possible. The text has been agreed with Treasury officials.

My Secretary of State attaches importance to clarifying the position publicly before the meeting of the Burnham Committee Management Panel which is scheduled for Friday 24 February 1984 and wishes to make the statement not later than Thursday 23 February 1984. I hope therefore that the Secretary of State for Social Services will be in a position to respond soon to the second point in the third paragraph of your letter.

I am copying this letter to the Private Secretaries to the Prime Minister, the other members of E(PSP), the Secretaries of State for Scotland, Wales and Northern Ireland, and Sir Robert Armstrong.

Yours,  
 Elizabeth

MISS C E HODKINSON  
 Private Secretary

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WRITTEN QUESTION FOR ANSWER ON THURSDAY, 23 FEBRUARY 1984  
OR EARLIER (SUBJECT TO CLEARANCE)

Mr ( ): To ask the Secretary of State for Education and Science if he will make a statement following the Government Actuary's report on the Teachers' Superannuation Scheme for the period 1976-1981.

SIR KEITH JOSEPH

I presented the Government Actuary's report to Parliament on 19 December last. This specified increases in contributions of 1.05% of salary, bringing the total payable in respect of basic benefits to 15.45%. Under present regulations governing the scheme the employee's rate is 6% and additions to benefits under the Pensions (Increases) Acts are not included in determining the contributions payable.

I do not propose to amend the regulations for the time being. For 1984-85 the contributions payable by employees and employers will be 6% and 9.45% respectively. However I would remind the House of the Government's intention that employees in all the public services should pay realistic contributions for their superannuation benefits.

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EDUCATION: Teachers Pay Pt 3

20 JAN 1984  
BOSTON  
MA 02111



Prime Minister<sup>2</sup> CWO

In the light of this, the meeting was called off. Ministers will need to return to this when the report of

Treasury Chambers, Parliament Street, SW1P 3AG officials is ready.  
01-233 3000

AT 14/2  
14 February 1984

Miss Elizabeth Hodkinson  
Private Secretary to the Secretary of State for  
Education and Science  
Department of Education and Science  
Elizabeth House

Dear Elizabeth,

TEACHERS' SUPERANNUATION SCHEME (ENGLAND AND WALES)

As you know, the Prime Minister has called a meeting to discuss your Secretary of State's minute of 25 January about pension contribution rates for teachers.

Since he wrote, Departments have, as you will be aware, received the Government Actuary's quinquennial report on the National Health Service scheme which was referred to in paragraph 3 of your Secretary of State's minute. This does indeed recommend a decrease in total contributions for basic benefits. While the Chancellor feels that against the background of the Government's overall policy it would not be illogical to press for an increase in teachers' contribution while resisting a reduction in NHS contribution, he recognises the problems this might present.

Under these circumstances the Chancellor is prepared not to press now for an increase in the teachers' employee contribution provided first that your Secretary of State's announcement makes it clear that the Government remains committed to realistic employee contributions and that further action can be expected later (our officials will be pursuing some detailed points on the present draft separately); and second that Ministers are agreed that the status quo will hold for the NHS employees and employers and that calls for an adjustment in pay there will be resisted. The Chancellor would be grateful for the assurance of the Secretary of State for Social Services on this second point.

If his colleagues can agree to these two conditions, the Chancellor sees no need for an immediate meeting. He suggests that the issue

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of pension contributions might be discussed generally when Ministers receive the report by the official Committee on occupational pensions.

I am copying this minute to the Private Secretaries to the Prime Minister, the other members of E(PSP), the Secretaries of State for Scotland and Wales and Northern Ireland, and Sir Robert Armstrong.

*Yours sincerely,  
Margaret O'Mara*

MISS M O'MARA  
Private Secretary

Education  
Terms for 1913.



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## DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury  
Parliament Street  
LONDON SW1P 3AG

21 February 1984

*Dear Nigel.*

## TEACHERS' SUPERANNUATION SCHEME (ENGLAND AND WALES)

Patrick Jenkin wrote to you on 20 February. I confirm that I shall not be prepared to support the local authority associations if they should ask for their additional expenditure on employers' contributions to this scheme to be disregarded for expenditure target purposes. I see no case for such a disregard. You will remember that ESGE discussed the implications of an illustrative 2% increase in employers' contributions in their report to the Consultative Council in July 1983; we took this possibility into account when deciding the level of relevant expenditure for 1984-85; and I dealt with the point again in the Consultative Council on Local Government Finance shortly before Christmas.

My Private Secretary's letter of 20 February enclosed the text of my intended announcement, as agreed by our officials. If Patrick has any reservation about the form of this announcement I hope he will let us know as soon as possible.

Copies of this letter go to the Prime Minister, the other members of E(PSP), the Secretaries of State for Scotland, Wales and Northern Ireland, and to Sir Robert Armstrong.

*Edwin Jenkin*

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2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

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AT  
20/2

My ref:  
Your ref:

20 February 1984

Dear Nigel,

TEACHER'S SUPERANNUATION SCHEME (ENGLAND AND WALES)

I have seen your Private Secretary's letter to Keith Joseph's of 14 February, which withdraws your opposition to the proposal that the whole of the 1.05% increase in contributions under the teachers' pension scheme should be borne by the employers' side.

I have not previously joined this correspondence because I would have done so only to echo the views you expressed in your minute of 18 January.

However, in view of this latest letter, I should stress the implications for local authority expenditure that follow from the Actuary's report and the decision not to increase employees' contributions. Sharing the increase in the normal contribution rate in a way which maintained the present proportionate sharing of the cost between employers and employees would have helped by saving some £20 million per year of the total cost of the increase of £50 million.

I appreciate that if the teachers' contribution rate were increased now as a result of the Government Actuary's report, there could well be pressure by NHS employees for comparable treatment in the form of a reduction in their contribution rate. The question is whether this would cause greater embarrassment than to impose an additional burden of £50 million in 1984/85 on local education authorities. In the light of the view expressed in your Private Secretary's letter I am content to go along with your conclusion.

I must also say that continued resistance to the admission of part-timers into the local government superannuation scheme - at a cost of possibly £10 million per year but with medium to long term savings - will look even less credible in the light of our decision on the teachers' pension scheme.

You have suggested that an announcement in relation to the teachers' pension scheme should make it clear that the Government remains committed to realistic employee contributions and that further action can be expected later. I agree. But until we have the Official Committee on Public Sector Pensions report and have considered all the implications including the risk of compensatory pay additions and the implications for industrial relations I think we would be well advised

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to go no further than we have already promised in the Manifesto. The relevant section of the draft statement accompanying your minute of 18 January to the Prime Minister would meet this point. The announcement could go on to say that the Government are reviewing the position generally and will be taking the Government Actuary's report on the teachers' pension scheme into account.

Once the decision is announced the local authorities will undoubtedly repeat the request made by the ACC at the last Consultative Council that the expenditure should be disregarded for expenditure target purposes. I am bound by law to consider carefully all such representations, so could not now rule out such a disregard, but I should be grateful if Keith would confirm that he would not be prepared to support the case for such a disregard if it is pressed by the local authority associations.

Finally, I would wish my officials to be consulted on the form of any announcement that is made.

I am copying this letter to the Prime Minister, the other members of E(PSP), and George Younger, Nicholas Edwards, James Prior and to Sir Robert Armstrong.

*You are*  
*Patrick*

PATRICK JENKIN

Education Pt 3

Teachers Pay



20 JAN 1984