



10 DOWNING STREET

THE PRIME MINISTER

4 June 1979

Thank you for your letter of 17/ May about the Government Actuary's recent report relating to Civil Service pensions.

I understand your points - and the strong feelings you express. But I am sure you will be aware that the Government Actuary is independent and has exercised professional judgement on actuarial matters. He is the Government's professional adviser in this field. However, the publication of his report will enable other actuaries to comment on these matters. This will help us to ensure that proper comparisons are made and that the pay research system is understood by all concerned, including the taxpayer. The Government attaches great importance to this objective and I therefore very much welcome the interest shown by your Association.

Your letter also includes some more general recommendations of your Association. Before 1971, public service pensions were increased to take account of inflation at frequent intervals though not annually. This required repeated special legislation which was costly and inconvenient. I do not see that any useful purpose would be served by a return to this ad hoc system, which has also, as you know, been replaced in State pension arrangements by statutory provision for regular increases each year. As to

/your second

file DSC.

c. CSO,  
Govt Actuarial  
Dept.

your second recommendation, which recalls the views of the Expenditure Committee, the commitment to publish the Government Actuary's report will enable outside actuaries to examine the assessment he has made.

Your third and fourth recommendations invite the Government to take direct responsibility for inflation proofing private occupational pensions. The inability of private occupational pension schemes to maintain the real value of pensions arises essentially from the relatively poor performance of the British economy over recent years. Inflation is but one symptom of the underlying weaknesses which this Government is committed to rectifying. Only by dealing with these deep-seated problems will it be possible to bring about a sustained increase in the real living standards of all members of our society, including pensioners. An important element in our policies is, of course, the enforcement of strict controls over public expenditure with the objective of restoring an acceptable balance between the claims of the public and private sectors over our economic resources. Against this background, I would hope that you will accept that Exchequer under-writing of occupational pensions generally, which can only add to public spending, would not usefully contribute to the achievement of our long-term objectives.

(SGD) MARGARET THATCHER

P.A. Bayliss, Esq.

vb