

CONFIDENTIAL



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

Prime Minister

Agree but
Chancellor should
submit a paper

to E ?

12

4/2

PRIME MINISTER

PUBLIC SERVICE PENSIONS : INDEX LINKING

In the light of the Cabinet decisions on breaking the index link for a range of social security benefits, I think we need to look again at the indexation of public service pensions. We need to consider how we might take statutory power to suspend the link, whether for all public service pensioners or to some more limited extent. Ideally we should be in a position to take a decision on this for announcement at the same time as the social security package now agreed - and one possibility is indeed that we could legislate by way of an amendment to the Social Security Bill now in Committee.

2. This is a difficult area, and before we decide whether it can be tackled along these lines, I propose that my officials, with help from CSD and DHSS, should prepare a paper setting out the legislative options and the broad considerations which we should have in mind in reaching a decision. Their remit would be to consider, in particular, what form the legislation should take, what limitations might be put on the power to suspend the index link, and what categories of pensioners should be covered.

3. If you agree, I will ask my officials to take the lead in preparing this paper, which we might then consider in E Committee towards the end of this month.

4. I am sending copies of this to the Secretary of State for Social Services, Minister of State CSD, and Sir Robert Armstrong.

Mc Gill

pp. GEOFFREY HOWE
1st February 1980

[Approved by the Chancellor of the Exchequer, and signed in his absence].

CONFIDENTIAL

2 - FEB 1980

