



✓ L. Walters

Prime Minister

*Too late on the principle,
though I won't tell Trade.
On the life insurance co's
point, I really think we*

PRIME MINISTER

Yes not

*should leave this to be
sorted out by the Chancellor.*

INDEXED GILT-EDGED STOCK (IGS)

Agree?

R 29/1

1 I am sorry that my absence in India has prevented me from commenting earlier on the Financial Secretary's minute dated 13 January on this subject.

Will TC?

2 I have reservations on this further example of indexation which are not removed by the arguments Nigel Lawson has advanced. I will here, however, restrict myself to a point of particular Departmental concern.

3 I am not convinced that pension funds (insured and otherwise) should be the only eligible holders. I should be in favour of allowing the life insurance companies also to buy them for the whole of their business and not merely for the pensions. The life companies hold assets for ordinary life business and pension business in the same fund without hypothecating assets to any particular liabilities. It would require a significant change in their practice to hold IGS only against pension liabilities. I am not sure that they would accept the discrimination against their life policyholders. (Saving through life insurance is very wide-spread: four out of five households have a policy.) Nor do I accept that the amount of indexed stock likely to find its way into the hands of non-residents through United Kingdom life policies would be significant enough to affect the exchange rate. If however we are convinced that the stocks ought to be available only for pensions I consider that I should be authorised to discuss the difficulties with the life companies as soon as possible.



An innovation of this kind is likely to be more successful if we have secured the goodwill of the institutions.

4 I should add that the issue of £2 billion a year of IGS will have only a limited effect towards indexing private sector pensions. The inflow of funds into private sector schemes is likely to be over £10 billion this year.

5 Copies of this minute go to Geoffrey Howe, Keith Joseph, Leon Brittan, Nigel Lawson, Gordon Richardson and Sir Lawrence Airey.

W. J. B.

J. B.

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