



42

P.01524

SECRET

PRIME MINISTER

Provision for Retirement

(Secretary of State for Social Services minute of 29 March) — att.

BACKGROUND

1. At MISC 111(85)2nd Meeting the Group agreed that SERPS should be abolished, that there should instead be a compulsory minimum requirement on employers to provide a second pension, and that the transitional period leading to the introduction of the compulsory requirement should be as short as possible. In his minute, Mr Fowler

- favours a nil transitional period (ie. compulsion from 1987 when SERPS is abolished) with a 3 year period as a fallback
- sets out the main features of the compulsory requirement (on page 2)
- annexes tables illustrating the effect of a compulsory scheme on employers' and employees' wage costs and the pensions people can expect to receive compared with what SERPS would have given them.

MAIN ISSUES

2. The main issues are
- (a) whether the main features of the compulsory requirement are acceptable
 - (b) what transitional period would be appropriate before the requirement is introduced.

Main Features

3. Mr Fowler's proposals look sensible but do not go into much



SECRET

detail. It will be important that there is close consultation between Mr Fowler, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry in working up proposals and in drafting the Green Paper.

Transitional period

4. There is no need to settle finally the length of the transitional period now. This can be done after the Green Paper consultations and in the light of them. The Green Paper probably ought to go for as short a period as possible, as it is almost certain to get extended in the consultations. But no transitional period at all (as proposed by Mr Fowler) will be hard to sustain unless the Green Paper can be fairly detailed on what the compulsory requirement is going to be.

HANDLING

5. Secretary of State for Social Services to introduce. The Chancellor of the Exchequer and the Secretary of State for Trade and Industry will wish to contribute.

CONCLUSIONS

6. You will wish the Group to reach conclusions on
- i. the broad outline of the compulsory requirement and the need for close consultation between the Ministers concerned in its further development
 - ii. the length of the transitional period

PLG

P L GREGSON

29 March 1985

SECRET