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Prime Minister

I regret that I shall be unable to attend tomorrow's meeting of MISC 111 because of a call on the Indian Prime Minister. I thought nevertheless that I should write to express my general support for the proposals put forward in Norman Fowler's most recent paper on the future of SERPS and the timing of the implementation of changes in pensions and benefits.

I was originally persuaded of the need to abolish SERPS which seemed an attractive new element in our policy of extending personal responsibility and freedom of choice. I am now convinced, however, that if a package can be designed which limits the open-ended nature of the SERPS commitment, which puts the Government in the position of offering a reasonable basis for a consensus about pensions provision and which falls short of abolition, we should opt for it.

The reaction of many groups to the abolition proposal was predictable but the lack of support from the industry itself makes it difficult to proceed as originally envisaged. We do not want an adverse reaction on pensions to sour the whole review package. Having said that I should be interested to see, and this impinges on my responsibility for equal opportunities, how Norman's proposals for protecting women who take time off from employment to raise children will work.

On the question of the implementation date it seems preferable to aim for April 1988. Having said that I wonder if there would be scope for activating some aspects of any SERPS reforms which encourage competition and are likely to stimulate the growth of personal pensions in 1987?

I am copying this minute to members of MISC 111 and to Sir Robert Armstrong.

Doreen Hurd.

14th October 1985