



Treasury Chambers, Parliament Street, SW1P 3AG
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The Rt Hon Norman Fowler MP
Secretary of State for
Social Services
Department of Health
and Social Security
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

5 August 1986

PERSONAL PENSIONS AND FREESTANDING AVCs

Thank you for your letter of 31 July.

As I said in my earlier letter, the principle of freestanding AVCs is an attractive one. But there are potential difficulties which need very careful consideration. Quite apart from the question of the cost, I should have grave misgivings about this proposal if it seemed likely that it would be treated simply as another fiscal incentive for institutional investment, rather than as encouraging genuine pension provision. And I need to bear in mind the position of the self-employed, many of whom already feel at a severe disadvantage in their retirement arrangements compared with members of occupational pension schemes.

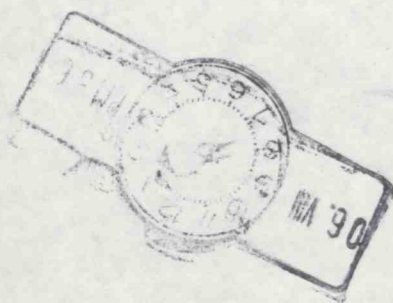
For these reasons I am sure you will agree that the proposal needs further detailed examination before it can be properly evaluated. As you know, we have established an inter-departmental working group (on which your officials are represented) to work up the tax rules for personal pensions. Clearly this question falls to be considered in that context.

I am copying this letter to the Prime Minister, Norman Tebbit, Paul Channon and David Young.

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'.

NIGEL LAWSON

Soast Services, Renown Pt Lt



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DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

28 August 1986

Dear Nigel.

NBM

PERSONAL PENSIONS AND FREESTANDING AVCs

Thank you for your letter of 5 August.

I certainly agree that arrangements for freestanding AVCs must ensure that the outcome is genuine pension provision. I am confident that this should not pose any great problems as we have the same objective for personal pensions. I also understand that you will want to ensure that the self-employed do not feel unfairly treated as a result of the new pension opportunities. Indeed, I hope you will be able to give them access to schemes from the new providers due to enter the personal pensions market (building societies, unit trusts etc) and not leave them subject to an insurers' monopoly.

I welcome your suggestion that freestanding AVCs should be considered by the Revenue's inter-departmental official working group which is considering tax rules for personal pensions. I hope this means that freestanding AVCs can be included in the consultative proposals promised for later this year in your Budget speech.

I am copying this letter to the Prime Minister, Norman Tebbit, Paul Channon and David Young.

Yours ever

NORMAN FOWLER

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CCBG



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From the Secretary of State for Social Services

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

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31 July 1986

Dear Nigel.

PERSONAL PENSIONS AND FREESTANDING AVCs

I was very glad to have confirmation in your 7 July letter that you foresee no tax obstacles to an Autumn 1987 start for personal pensions (PPs). I am asking Paul Channon to have another look at the difficulties he has outlined in the context of the Financial Services Bill, following colleagues' support for an early PP launch.

I was also encouraged that you, the Prime Minister and Norman Tebbit share my view that "freestanding AVCs" are an attractive prospect. I hope we really can find some way to overcome administrative problems for the Inland Revenue, given the potential mass appeal of what is being proposed. I am more than ever convinced that freestanding AVCs would be the ideal complement for personal pensions, and the best means of ensuring that the benefits of our pension reforms are made available to the whole working population. Time is, of course, of the essence. If there is any help which my officials can offer, I should be very glad to arrange that.

I am copying this letter to the Prime Minister, Norman Tebbit, Paul Channon and David Young.

Yours

NORMAN FOWLER

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