



Chancellor of the Duchy of Lancaster

CONFIDENTIAL

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11 June 1986

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
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DN seen

D. Nigel,

PUBLIC SECTOR PENSIONS: REALISTIC CONTRIBUTIONS

Thank you for the copy of your minute to the Prime Minister.

I agree with the approach you propose, both in that we should not now re-open the question of the extent of employees' contributions, and that an announcement is not desirable.

While the reduction in the rate of inflation has eased substantially the difficulty in establishing realistic contribution, it will also, if sustained, ease the inflationary expectations which have played so strong a part in fashioning public servants' allegiance to index-linking. At some point, after a reasonably long period of low inflation, the whole issue of the costs and value of index-linked pensions might be able to be re-considered.

I am sending a copy of this letter to the Prime Minister, to other members of Cabinet, and to Sir Robert Armstrong.

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PENSIONS
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