



CONFIDENTIAL

Prime Minister (2) *ca/r*
Mus 9/11 local Govt.

QUEEN ANNE'S GATE LONDON SW1H 9AT

8 November 1982

Dear Geoffrey

Since I wrote to you on 19 October the local authorities and the fire service unions have settled on a pay increase of $7\frac{1}{2}\%$, effective from 7 November, and the Joint Pensions Committee (JPC) have had their initial discussion of the proposal to increase the pension contribution rate. I must explain why I have not issued the press statement I earlier had in mind and why I now think the date for a pension contribution increase should be put back to 1 April next.

You will have seen that the news of the pay increase which appeared in the press on 27 October was well qualified by references to a likely increase in pension contributions, and the relationship between the two matters was stressed by the press on 28 October following discussion of the pension contribution rate in the JPC the day before. I judged, in the light of an immediate report by my officials on the nature of the JPC discussion, that for me to issue a press statement forthwith would be likely to prejudice further discussion in the JPC and would probably do little if anything more to help colleagues in their problems over pay for other public sector groups than had already been achieved less directly with the help of background briefing.

At the JPC meeting the actuary retained by the Fire Brigades Union both questioned some of the assumptions made by the Government Actuary and suggested that his work had been based on inadequate data. On the matter of the choice of actuarial assumptions, there is no reason to depart from those used by the Government Actuary in all of his work, but a case does exist for gathering further detailed data about the age composition of the fire service, the pattern of injury and ill-health retirements and matters of that sort. Attempts to obtain more up-to-date statistical information over the last few years have foundered on local authority reluctance for the task. For this reason the Government Actuary was constrained to rely on much earlier material. He does not expect his evaluation of the pension scheme to be significantly affected by the additional data (which the local authorities are now willing to provide), but he cannot make an unqualified statement to this effect without it. Meanwhile the unions are able to argue that it would be unreasonable for their members to have to accept a higher contribution rate without a sounder foundation and they were successful at the JPC meeting in planting doubts in the minds of the representatives of those local authority associations who had previously favoured an immediate increase in the contribution rate.

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The Rt. Hon. Sir Geoffrey Howe, QC., MP.

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I am satisfied that we must allow time for the data to be collected and analysed before I make a firm proposal for a new contribution rate. What this means in terms of the timetable is that if the collection of data is put in hand as soon as possible the figures should be in by about the end of November. The analysis will take until about the end of January, when I shall have a firm basis for a proposal to put to the unions in early February. A meeting of the JPC to discuss the proposal could follow within a few weeks, leading to a decision in early March and an operative date of 1 April.

It must be a disappointment that the matter cannot be concluded more quickly, but I think it would be most unwise to go flat out for an earlier operative date without any firm backing from the local authority employers against the combined opposition of all three unions.

I suggest, therefore, that I proceed on the basis of the timetable outlined above. I intend to take the opportunity provided by the next meetings of the Central Fire Brigades Advisory Councils for England and Wales, and for Scotland, on 9 and 12 November respectively, to make known my decision to authorise the collection of additional data so that the validity of the Government Actuary's evaluation may be verified. Having had colleagues' comments I would propose to make the prospective timetable known to the JPC shortly thereafter, emphasising that 1 April next is a firm date, not to be extended.

Mason
Water

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