



HOUSE OF COMMONS
LONDON SW1A 0AA

Dear Margaret

17th November, 1977

Since it is just possible that Callaghan might use the point in Questions or somewhere else, I feel I should report the recent pay settlement between Sun Alliance Insurance (of which I am a director, together with Toby Aldington and Hugh Fraser) and its employees.

The settlement - which in this salaried industry is the same as the earnings increase - is at an average figure of 9.9 per cent (including a remarkable restoration of differentials since the low-paid are getting 6 per cent and the high-paid are getting 16 per cent).

The point is that the settlement has been accompanied by a decision to make the company's pension scheme non-contributory, which is the pattern that exists, as one would expect, for most other insurance companies. This means that employees are no longer required to make a 3 per cent pension contribution.

This element is being criticised by the Department of Employment although Sun Alliance take the view, which seems entirely right to me, that it is an improvement in the pension scheme and was permitted within the guidelines.

Harold Walker and Stanley Clinton Davis, at a meeting yesterday with the Chief General Manager of Sun Alliance, argued that the phrase "improvement in pension schemes" permitted an improvement in benefits but not a reduction in contributions - and that even if that argument did not follow from the letter of the guidelines, that was the spirit in which they ought to be interpreted. This strikes all of us as nonsense.

I gather from Jim Prior that few, if any, other insurance companies have achieved as modest a settlement as this and that some others have been following the general pattern of including so-called productivity schemes which will in fact produce larger increases in earnings.

The only reason for troubling you with this is that Clinton Davis at yesterday's meeting went out of his way to draw attention to the fact that I was a member of the Sun Alliance Board and that this made the alleged breach all the more reprehensible - but my conscience is clear.

I am copying this to Jim Prior, Keith Joseph and
Chris Patten.



The Rt. Hon. Margaret Thatcher M.P.
House of Commons
SW1

