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CABINET

PAY, PENSIONS AND ALLOWANCES OF MEMBERS
OF PARLIAMENT: VIEWS OF THE HOUSE OF COMMONS

Memorandum by the Chancellor of the Duchy of Lancaster

1. In the debate on 21 July on the Government's motions to increase Parliamentary pay and allowances, the House of Commons passed four main amendments against the Government's advice. These were:-

- i. to regard Members of Parliament's (MPs) pay for pension purposes as £13,750 immediately (the Top Salaries Review Body (TSRB) recommended rate);
- ii. to link MPs' salaries to "a specified grade in the public service";
- iii. to increase the accrual rate for MPs' pensions from 1/60th to 1/40th of pensionable salary for each year's service;
- iv. to increase the secretarial allowance to £8,000 in a full year (the TSRB rate); we had proposed only £7,400 - 9.6 per cent up on the current rate.

2. I was left in no doubt about the very strong feelings of the House. Members would be in no mood to accept the Government's recommendations on these four points if we were to restate our earlier position. We shall have to go some way to meeting the House otherwise we shall be defeated again. My proposals on each amendment are as follows:

PENSIONABLE PAY

3. This amendment will imply that the pensionable pay rate of £13,750 is the "proper rate for the job", although we need not be committed to paying this "proper rate" from any particular time. The difficulty with it is that the other TSRB groups whose increases were reduced are very likely to demand similar treatment. We must therefore decide whether to offer the TSRB 14 groups - and indeed Ministers - the TSRB rates for pension purposes, or to try to defend a distinction between the two groups.

4. On the other hand, the amendment was supported by the Executive of the 1922 Committee, and I therefore see no alternative to accepting it and announcing our decision as soon as possible.

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LINKAGE

5. Again, this was a well-supported amendment and I think we should accept it. The precise link is left unspecified in the current amendment and it is difficult to determine a valid one. We need only announce that we will bring forward detailed proposals in due course. Although the amendment refers to "a specified grade in the public service", I think it would be reasonable to say that we wished to look more widely at possible linkages.

PENSIONS ACCRUAL RATE

6. Here again I do not think that we have very much alternative to accepting the decision of the House but we could seek to neutralise its drawbacks by the scheme we eventually put forward, eg by raising Members' contributions, keeping it non-retrospective etc. There has long been a widespread feeling among MPs that their pensions should accrue faster in view of their relatively short service (on average) and the uncertainties of a Parliamentary career. But there are considerable difficulties. The proposal would double the present Exchequer contribution to the Parliamentary pension fund. There could be repercussions for other public service groups who might seek a similar improvement themselves. TSRB examined this question in their 13th Report published in February, and concluded that the accrual rate for MPs should not be improved.

7. I think it will be necessary to accept the House's views in principle. It is a very complex and technical area and we cannot go further than this in the immediate future without full consideration of the issues. I recommend therefore that we should not at this stage go beyond acceptance in principle, but undertake to examine the proposal in more detail and to make full proposals to the House in introducing the legislation on Parliamentary pensions planned for the next Session.

SECRETARIAL ALLOWANCE

8. This is too small a matter on which to quarrel with the House. I recommend that we accept the TSRB rate of £8,000 in a full year. The only repercussion would be on the secretarial allowance for Ministers in the Lords and it would be right to treat this similarly - ie to pay the full TSRB rate of £1,175.

TIMING

9. We ought to announce our decisions as soon as possible. I suggest that I make a statement on Thursday and follow it up with a revised effective motion on MPs pay as soon as possible.

CONCLUSIONS

10. I invite the Cabinet to agree that I should make a statement on Thursday, saying that:-

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- i. The Government accepts the views of the House on pensionable pay, linkage and the secretarial allowance.
- ii. We will put forward detailed proposals on linkage in due course.
- iii. We accept in principle the proposed accrual rate of 1/40th of the pensionable salary for each year of service, subject to more detailed examination with a view to proposals for legislation in the next Session.

N St J S

Privy Council Office

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