



PRIME MINISTER

PAY AND PENSIONS OF MPS

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You will recall that on ~~21~~ July the House of Commons approved a resolution calling for an increase in the rate of pensionable pay for MPs to £13,750 (against a Government proposal of £13,150), a link between Members' salary and that of a specified grade in the public service, and an increase in the accrual rate for Members' pensions to 1/40th of final salary for each year of service. In my statement to the House on 7 August, I said that these issues raised considerable complexities and that the Government had decided to place a factual paper before Members; the House would then have an opportunity to vote after the recess on further proposals in the light of that paper.

The factual paper was circulated on ~~23~~ October. Since then I have had about a dozen letters from individual Members, expressing a range of opinions from continued support of the points in the July resolution to outright opposition, and I have consulted Edward du Cann, Paul Bryan, Charles Morrison and Kenneth Baker. I will also be seeing opposition representatives shortly. At the meeting with the representatives of the 1922 Committee a number of proposals on how the Government should now proceed were put forward and I would be grateful to have your views, and those of colleagues, on them.

#### Pensionable Pay

The factual paper pointed out that the Government's treatment of MPs' pay was on a par with our treatment of the pay of the other Top Salaries Review Body groups. If the House insisted on the full Boyle rate for Members' pensions (£13,750), it would be virtually impossible not to allow the other groups the same thing. I am pleased to say that the representatives of the 1922 Committee took this point and said that they would support the Government's original proposal for a pensionable pay rate of £13,150. I propose therefore that we should put down a fresh motion fixing pensionable pay at £13,150. The

*Parliament*

PRIME MINISTER

*Seen by  
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To see. I doubt that this will be raised in Cabinet tomorrow, but you should be aware of it — and we will bring it back to you once colleagues have commented.

*MS  
3/12*

relevant legislation requires that, to be effective, this motion must have The Queen's recommendation, and it will not therefore be amendable. For the July debate we put down two identical motions, one framed as an expression of opinion in order to give the House an opportunity to make amendments. The representatives of the 1922 Committee advised against this procedure this time round, and I agree with them. It could only add to our difficulties.

### Linkage

The factual paper set out the arguments against any form of linkage but said that if the House was determined on linkage then the least damaging system would be to have independent reviews of MPs' pay about once every five years and linkage operating between these reviews. The link should be with a "basket" of outside pay rates - the paper suggested a basket of Civil Service grades.

The representatives of the 1922 Committee felt that opinion in the House was still in favour of linkage and that the form of linkage suggested in the paper would find support. They recommended against outright rejection of any form of linkage by the Government and proposed instead that a committee of the House should be set up to look in greater detail at the issue.

I agree with this view. I fear that if we put down a motion rejecting linkage altogether we shall lose. I therefore suggest that our motion should propose that further consideration should be given to the idea of having quinquennial independent reviews of Members' salaries with updating in the intermediate years by reference to a basket of outside comparators, and that this consideration should be undertaken by a Select Committee. If the House accepts this proposal we can follow it up later with a motion naming the members of the Select Committee and settling other procedural points. In my speech I would make it clear that the Government were still sceptical about linkage but that we were prepared to consider what the Select Committee might have to say.

### Pensions Accrual Rate

An accrual rate of 1/40th would make the Parliamentary pension scheme considerably more favourable than almost all other public sector schemes. The Government's factual paper therefore pointed out the high cost and the possibly serious repercussions if it were pursued. The representatives of the 1922 Committee indicated that, although there was still a strong groundswell of opinion in favour of 1/40ths, we could probably dissuade the House from pursuing it at the present

time if the Government were to make a worthwhile concession on the purchase of added years. At present Members may purchase added years at any time by periodical contributions or, within 12 months of entering the House, by lump sum. The proposal would be to allow payment in the latter case by instalments spread over, say, 5 years, in order to ease the financial burden on the Member. A new once-for-all option for lump sum purchase by instalment would be given to all Members. Thus a Member who is relatively close to retirement, and could not buy much extra service by periodical contributions, could find it easier to supplement his pension by lump sum purchase of added years. I am advised that this is technically feasible and indeed is already a feature of one or two public service pension schemes. I therefore recommend that we should make this concession as an alternative to the 1/40ths.

There is, however, one small point that I should mention. The contribution rates for buying added years in all the public service schemes are currently being increased on actuarial advice, and the Government Actuary's Department have just proposed revised rates for the Parliamentary scheme. If we did not introduce the new rates at the same time, there would be some Exchequer subsidy to those choosing to take up the new option (for a 50 year old Member buying 5 extra years, it would amount to £3,000, while the Member himself would pay about £10,000). However, only the Civil Service out of the other public service schemes has yet introduced the higher rates. To do so immediately for MPs would seem churlish and I am convinced that it would endanger any agreement not to pursue 1/40th accrual. To delay implementation of the higher rate for about a year would be a small price to pay for persuading Members to drop their proposals for faster accrual, and I hope we can agree that I should follow this course.

### Conclusion

Subject to your views, and those of colleagues, I propose the following (once I have completed consultation with Opposition interests):

- i. to arrange a debate in the last week before the Christmas recess (possibly on 15 December but later in the week if the pressure of other business makes this necessary);
- ii. to put down a single unamendable motion fixing the pensionable pay of MPs at £13,150;

iii. to accept that linkage, on the basis of quinquennial independent reviews and the use of a basket of comparators in intermediate years, should be considered further by a Select Committee;

iv. to urge the House to reject the 1/40ths accrual rate and to offer Members the opportunity to make lump sum purchases of added years on an instalment basis as an alternative: the cost of any added years to remain at the old rate for about a year.

I am copying this minute to other members of the Cabinet and Sir Robert Armstrong.

NSJS

N St J S  
3 December 1980

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COLLECTION



Party Members  
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Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

MPs' PAY AND PENSIONS

In his minute to you of <sup>TRM</sup> 3rd December Norman St. John Stevas makes proposals about the way forward in this matter after hearing the generally helpful views of the 1922 Committee.

2. I have no objection to what is proposed. We must at all costs try to prevent any concession on the pension accrual rate and if the suggested procedures will achieve that, I would accept them, even though the effect will be to marginally increase the deficiency in the fund which is being met by the Exchequer. To limit that effect, I hope it will prove possible to confine the availability of the existing basis of calculation for the purchase of added years to 12 months at the maximum, following which it could be reviewed.

3. I am sending copies of this minute to other members of the Cabinet and Sir Robert Armstrong.

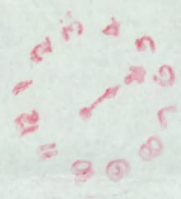
(G.H.)

// December 1980



Treasurer, Chamber of Commerce, 27th St. N.W., Wash. D.C.

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PRIME MINISTER

MPs' PAY AND PENSIONS

As you know, the Chancellor of the Duchy of Lancaster will be raising the question of MPs' pay and pensions at Cabinet tomorrow in the context of next week's Parliamentary business. There are two questions:-

(a) Whether next Monday is the right time for such a debate given the other Parliamentary business in prospect for that day (eg a possible guillotine motion on the Social Security Contributions Bill)? The Leader of the House and the Chief Whip will no doubt advise on this.

(b) Whether Cabinet colleagues are content with the motions now proposed? *(attached)* This can perhaps be assumed given that they have known of their content since the Chancellor of the Duchy's minute to you of 3 December - copied to all Cabinet colleagues - and no strong views have been expressed.

2. If problems do arise, however, there is no operational reason why the debate should take place this side of Christmas. It would therefore be perfectly possible for Cabinet to look at the issues early in the New Year with a view to a debate in January if they so wished.

P Le CHEMINANT

Cabinet Office

10 December 1980





Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

10 December 1980

Dear Nick,

MPS' PAY AND PENSIONS

Further to ~~my~~<sup>below</sup> letter of yesterday, I now enclose a draft of a statement which might be made by the Chancellor of the Duchy after the debate on MPs' pay and pensions if the Government is defeated on the pensionable rate of pay. I am advised by Murdo that procedurally this would need to be done on a Point of Order. The statement would not need to specify the groups who would get the full rate for their pensionable pay as a consequence of the House's decision, but the Chancellor's opening speech would make it clear that the groups in question in respect of whom the Government would take action would be the higher civil service, senior officers in the armed forces, the judiciary and the chairmen and members of the boards of nationalised industries. It would also be for consideration whether the Government should include a statement that they would lay an Order before the House to give the full Boyle rate for pensionable pay to Ministers; this could, however, be more difficult, not least in the light of the decisions of Ministers on their own pay, and is not perhaps essential to the point which the Government would be trying to make in the debate.

I will write again when the Chancellor has seen Mr Silkin, but in the meantime you and those to whom I am copying this letter may like to think about the handling of the fall-back position if Ministers are in fact prepared to agree that there should be such a position when they discuss the matter at Cabinet tomorrow.

I am copying this letter to Murdo MacLean, to Peter Le Cheminant and Wilfred Hyde in the Cabinet Office, to Dick Saunders and Alan Williams, CSD, and also (with a copy of my letter of yesterday) to John Wiggins at the Treasury.

Yours ever,

R A BIRCH

Nick Sanders Esq  
10 Downing Street

DRAFT

STATEMENT BY THE CHANCELLOR OF THE DUCHY OF LANCASTER IF  
THE GOVERNMENT IS DEFEATED ON THE PENSIONABLE PAY OF MPS.

The House has made it clear that it rejects the recommendation of the Government that Members' pensionable pay should be £13,150. The Government accepts the will of the House and will introduce an effective motion setting pensionable pay at £13,750, the rate recommended by the Review Body for Members' salaries, as soon as possible. As I told the House quite plainly in my speech today, a firm consequence of giving Members the full Boyle rate for pensionable pay is that the other groups for whom Boyle made salary recommendations should also get the full rate for their pensionable pay. The House voted knowing that this was a consequence. The Government will therefore take steps to increase the pensionable pay of these other groups when the effective motion on Members' pensionable pay is passed by the House.



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Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

9th December 1980

Dear Nick,

MOTIONS ON MP'S PAY AND PENSIONS

As you know we are still completing our consultation with the opposition parties on MP's Pay and Pensions and the Chancellor will be seeing Mr Silkin at 3.45 pm tomorrow, the 10th December. When that meeting is over we shall be able to assess the total result of the consultations and to consider how to proceed, but in the meantime I thought that you might like to have the text of the Motions which we should propose to put down for the Debate next Monday (or whenever it is decided to hold it, if a later date proves unavoidable).

The three Motions would be as follows (all in the name of the Chancellor):

- to be read  
with the attached  
'fall-back'  
statement*
- (i) That the ordinary salary of every Member in respect of service on or after 13th June 1980 shall be regarded for pension purposes as being at the rate of £13,150. (Queen's Recommendation signified).
  - (ii) "That, in the opinion of this House, a select committee should be appointed to give further consideration to the desirability and possible method of conducting regular reviews of Members' salaries by an independent body at intervals of 5 years and of adjusting such salaries during the periods between such reviews by reference to increases in the remuneration of a designated group of outside occupations, and to make recommendations to the House."
  - (iii) "That, in the opinion of this House, the annual amount of a Member's pension should continue to be one-sixtieth of relevant terminal salary for each year of reckonable service, and that Members should have a new option of limited duration to purchase additional reckonable service by lump sum, or by fixed instalments payable as a deduction from salary over a period of five years".

Whether the Debate can now proceed on Monday will turn in the first place on whether the Cabinet are prepared to agree a fall back position to be announced by the Chancellor after the vote if

this goes against the Government on the matter of the pensionable rate of pay (Motion (i) above). There will be a second judgment to be taken, even if we can reach an agreement on the fall back position, on whether it will be expedient to press on with the Debate next Monday in the light of other business in prospect on that day, but I will talk to Mr MacLean about this and no doubt the Chancellor and the Chief Whip will want to discuss this before Cabinet on Thursday.

I am copying this letter to Mr MacLean, Peter le Cheminant and Wilfrid Hyde in the Cabinet Office and Dick Saunders and Alan Williams in the Civil Service Department.

*Yours ever,*

*Robin*

Nick Sanders Esq  
Private Secretary  
No 10 Downing Street  
London



cc: CDH

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Parliament  
Pag. 4/1979

## 10 DOWNING STREET

THE PRIME MINISTER

9 December 1980

*Mr. Liddard.*

In the TSRB's Thirteenth Report two proposals requiring legislation were made in connection with the pension position of Members of Parliament. I am writing to let you know that a Bill is to be introduced in the current session of Parliament to give effect to specific proposals on these matters.

The Review Body recommended that, as a matter of urgency, Members of the House of Commons with no service on or after 16 October 1964 should be entitled as of right to payments from the House of Commons Members' Fund (Thirteenth Report, para 50). The Government will be placing before the House measures which will provide that pre-1964 Members with at least ten years' service shall be entitled to grants of £1,000 a year from age 65 onwards. Widows and dependent widowers will be entitled to £500 a year regardless of age.

At the same time we shall deal with the Review Body's proposal that in view of the uncertainties of a Parliamentary career there should be a greater flexibility for Members to transfer pension rights into the Parliamentary scheme (Thirteenth Report, para 45). We are proposing a slightly different approach to that suggested in the Report. An option to transfer into the Parliamentary scheme at any time within 5 years of first entering the House would allow Members to pick the most favourable moment to make the transfer, at the expense of the scheme. Moreover, it would not help the Member who lost his seat after, say, 10 years and was re-elected at a later

/ date.

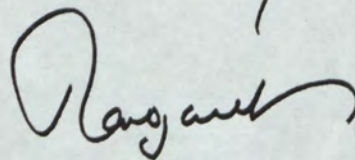
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date. We have decided instead to allow the existing 12 months option to be exercised afresh on re-election to the House after a period of absence, or - as the Review Body suggested - on appointment or re-appointment as a Minister. This approach is favoured by our actuarial advisers and will, I hope, prove even more welcome to Members than that suggested in TSRB 13.

I should like once again to thank you and your colleagues for the careful consideration which you have given to various pension matters affecting Members of Parliament, and I hope it will be evident from the proposals which I have just described that the Review Body's suggestions have been immensely helpful to us.

All good wishes.

Yours sincerely



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The Rt. Hon. Lord Boyle of Handsworth



PRIME MINISTER

TSRB 13: PENSION POSITION OF MPS

Now that our legislative programme for the coming session has been made public, it would seem appropriate to inform Lord Boyle of what we are proposing to do on the outstanding recommendations of TSRB 13, particularly as this was not specifically mentioned in The Queen's Speech. As you will recall, there were two points.

- a) TSRB considered that Members who left the House before 16 October 1964 and who therefore had no pension rights should urgently be given, as of right, a measure of benefit from the House of Commons Members' Fund (TSRB 13, para 50). Up to now payments from the Fund have been discretionary and means-tested. Our Bill will provide annual grants from age 65 to pre-1964 Members with 10 or more years' service, and to their widows or dependent widowers.
- b) TSRB also proposed greater flexibility in the time limits set for transferring pension rights from previous employment into the Parliamentary scheme (TSRB 13, para 45). This will also be dealt with in the Bill, though not in precisely the way suggested by Lord Boyle. (Our proposals have the twin advantages of being more attractive to Members and less costly to the Pension Fund.)

... I attach a draft letter accordingly for you to send to Lord Boyle.

*N St J S*

N St J S  
5 December 1980



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*Parl Member*

Ref. A03754

~~MR. WHITMORE~~

*overtaken by events  
MS*

Pay and Pensions of MPs

I wonder if the Prime Minister might be disposed to comment on the minute she received from the Chancellor of the Duchy of Lancaster on      3rd December on the lines of the draft attached.

*RA*

ROBERT ARMSTRONG

5th December, 1980

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DRAFT FROM PRIME MINISTER'S PRIVATE  
SECRETARY TO R. A. BIRCH, PS TO CHANCELLOR  
OF THE DUCHY OF LANCASTER

cc Private Secretaries to other members of the  
Cabinet

The Prime Minister was grateful for the  
Chancellor of the Duchy of Lancaster's minute of  
3rd December about the pay and pensions of MPs.

She will await the comments of other  
colleagues, but in the meantime has asked that  
consideration should be given to the following  
questions:

- (1) The Chancellor recommends setting up a  
Committee of the House to look in greater  
detail at the form and content of possible  
linkage. This would in effect be leaving it  
to Members of Parliament to determine the  
level of their own pay. The Prime  
Minister wonders whether it would be better  
for the Government to agree that the  
question of linkage should be further  
pursued ~~but to~~ propose that, before the  
question is taken any further by the House of  
Commons, the TSRB should be invited to  
consider what linkage would be appropriate,  
if it were to be decided to go for linkage.  
In his speech the Chancellor of the Duchy of  
Lancaster could then say that the Govern-  
ment were still sceptical about linkage, and  
would like to consider the matter in more  
detail on the basis of a more definite  
indication of what linkage would be  
appropriate.

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- (2) The Prime Minister has noted the Chancellor's suggestion that the introduction of new contribution rates for buying added years should be delayed for about a year. Can the Chancellor give any estimate of the likely total cost of this delay? How would the Government justify such a delay for Members of Parliament, if contribution rates are being raised in other parts of the public sector? Are the recommendations of the Scott Report likely to have any bearing on this matter?

I am sending copies of this letter to the Private Secretaries to other members of the Cabinet and to David Wright.

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