

Covering

SECRET AND PERSONAL

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Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

NJS  
seen

13th January 1981

Dear Nick,

Now that the Government have agreed on their response to the House of Commons' amendments on MP's pay and pensions, and the matter is to be debated again in the near future, you may think that it would be advisable for the Prime Minister to write to Lord Boyle explaining the Government's position so that the Review Body do not feel that they are being ignored. If the Prime Minister writes, the letter should reach Lord Boyle before the debate takes place, which we hope will be in two or three weeks time.

Yours ever,

*R Birch*

R A BIRCH  
Private Secretary

Nick Sanders, Esq  
Private Secretary  
10 Downing Street  
LONDON

SECRET AND PERSONAL

13th January 1981

The Rt Hon Lord Boyle of Handsworth  
Office of Manpower Economics  
22 Kingsway  
LONDON  
WC2B 6JY

*- see Parliament, MPs Pay*

When I wrote to you on 8 August 1980, I told you that in the light of the amendments to the Government's motions on MPs' Pay and Pensions passed by the House of Commons on 21st July we had decided to circulate a factual paper to individual members pointing out the implications of the amendments. The House would be offered a further opportunity to debate these matters in the full knowledge of the effects of their decisions.

This debate will take place in the fairly near future. Following consultations on the factual paper we propose to lay again before the House a motion that Members' pensionable pay should be £13,150 (instead of the higher figure of £13,750 for which the House voted in July). The Government consider that it would be wholly inequitable for MPs to have, for pension purposes, the full salary rate recommended by the Review Body and not to do the same for the other groups for whom the Review Body made recommendations. It will therefore be made clear to the House that a vote against the Government's motion will be a vote for higher pensionable pay for nationalised industry board members, the judiciary, the higher civil service and senior officers in the Armed Forces, as well as for Members themselves.

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On linkage, the Government remains sceptical about the appropriateness of linking Members' pay to that of any outside group. However consultations suggest that many Members still support linkage and that the idea floated in the Government's factual paper for independent reviews every 5 years with linkage to a "basket" of comparators in the intervening period would find favour. We therefore propose that a Select Committee should look at the question of linkage, on the basis of quinquennial independent reviews plus the use of a "basket". Given that the Committee's considerations will take time and that the Government will have to consider their recommendations with care, I do not think that this proposal will affect your review of MP's and Ministers' pay for 1981.

Finally on the accrual rate of pensions we will urge the House to reject 1/40ths and suggest as an alternative 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 5 years.