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FILE TITLE: PAY & PENSIONS Annex A - Review of Parliamentary Pay & Allowances; Report, Independent Study on Pay & Allowances and Review of the Parliamentary Pension Scheme	SERIES: PARLIAMENT
	PART: 1
PART BEGINS: 8 JUNE 2001 / PART ENDS: 6 MARCH 2003	CAB ONE:

PART CLOSED

PREM 49/3272

Labour Administration

PART

CLOSED

DATE CLOSED	6 MARCH 2003

Series : **PARLIAMENT**

File Title : **PAY AND PENSIONS**

Part : **2**

Date	From	To	Subject	Class	Secret
			Annex 1 Review Body on Senior Salaries - Review of Parliamentary	U	
03/04/2003	LC	PD(CS)	Lord Chancellor's Pension Parliamentary Questions	U	
03/07/2003	LP	PM	Review of Parliamentary pay and allowances	U	
11/07/2003	PD(CS)	PM	SSRB Review of Parliamentary pay and allowances	U	
30/07/2003	OME	PM	Letter ack change in Review Body's remit	U	
11/08/2003	OME	pd(Smo)	Senior Staff Pay	U	
13/10/2003	SOC	PM	Transfer of functions: MEP's pay and pensions	U	
20/10/2003	CDL	DPM	Resource accounting: Disclosure of pay and pension information	U	
21/10/2003	LP	PM	SSRBs report on pay for select Committee Chairmen	U	
22/10/2003	LP	DPM	HOC rules on the designation of Ministers and office holders main ho	U	
23/10/2003			House of Commons - Members allowances	U	
31/10/2003	LP	PM	Review of Parliamentary Pay and Allowances	R	
07/11/2003	SS/DCMS	CDL	Resource accounting: Disclosure of pay and pension information	U	
11/11/2003	HOL	DPM	Resource accounting: Disclosure of pay and pension information	U	
17/11/2003	SS/DCA	CDL	Resource accounting: Disclosure of pay and pension information	U	
17/11/2003	SS/MOD	CDL	Resource accounting: Disclosure of pay and pension information	U	
18/11/2003	ss/dti	CDL	Resource Accounting: Disclosure of Pay & Pension Information	U	
24/11/2003	ss/dfes	CDL	Resource Accounting: Disclosure of Pay & Pension Information	U	
27/11/2003	Ch.Staff	CWO	Letter to Sue Jackson re contract and pay	U	
27/11/2003	Ch.Staff	odpm	Letter to Ian McKenzie re contract and pay	U	
03/12/2003	FCS	CDL	Resource Accounting: Disclosure of Pay & Pension Information	C	
12/12/2003	DoH	CO	Resource Accounting: Disclosure of Pay and Pension Information	U	
17/12/2003		PM	Letter from Baker chair SSRB review of parliamenary pay and allowa	C	
18/12/2003	HOC - Leader	PM	Senior Salaries Review Review Body : Review of Parliamentary Pay,	U	
07/01/2004	Dominica R/Ambo	ms/cabinet office	Resource Accouting: Disclosure of Pay & Pension Information	U	
20/01/2004	LP	PM	SSRB review of Parliamentary Pay allowances and pensions 03-04	C	
21/01/2004	HOC - Leader	PM	House of Commons Members Estimate Motions	U	
21/01/2004	PM	HOC - Leader	Review of Parliamentary Pay, Allowances and Pensions 2003-04	U	
28/01/2004	DPM	LP	Senior Salaries review body : Review of Parliamentary pay allowance	U	
26/02/2004	DCA	Cab Off	Lord Falconer's pay	U	
06/05/2004		Ch.Staff	From parliamentary Counsel	U	
06/05/2004	LPS		Remuneration for members of the Chairmen's Panel	U	
04/07/2004	LP	PM	SSRB parliamentary pay, allowances and pensions	R	
15/07/2004		PM	From John Baker, Chairman, Senior Salaries Reivew Body. Review	U	
08/09/2004	pd(MG)	PM	Senoir Salaries review body report on parliamentary pay	R	
09/09/2004	HOC - Leader	PM	SSRB Triennial Review of Parliamentary pay, Allowances and pensio	U	
19/10/2004	Cab Off	DCA	Pension Arrangements for the Lord Chancellor	R	
21/10/2004	CST	LP	SSRB report on parliamentary pay, allowances and pensions	U	
25/10/2004	LP	PM	Debate in the HOC on the government response to the senior salarie	U	
01/11/2004	PCO	chief of staff	Tables of Ministerial Offices	R	
17/02/2005	SS/NIO	leader/HOC	Westminster allowances for Sinn Fein members	U	
24/03/2005	DCA	SOC	Lord Chancellor's Pay and Pension	C	
31/03/2005	LP	PM	MP's pensions	U	

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FROM THE RIGHT HONOURABLE THE LORD IRVINE OF LAIRG

JDM JN
CQSV
JPo
AA
CS

HOUSE OF LORDS,
LONDON SW1A 0PW

6 March 2003

The Rt. Hon. The Lord Williams of Mostyn QC
House of Lords
London SW1A OPW

Dear Gareth,

MINISTERIAL AND OTHER SALARIES (AMENDMENT) BILL

Thank you for copying to me your letter of 4 March to Robin Cook about Lord Goodhart's Private Member's Bill. For my part I am entirely content with what you propose. As you know I have asked the Senior Salaries Review Body to extend its review of the relationship between judicial salaries and those of the Senior Civil Service, to cover the statutory relationship between the salary of the Lord Chancellor and that of the Lord Chief Justice.

I am copying this letter to the recipients of yours.

Yours ever,
Derry

CS
~~JJH~~
AA

RT HON ROBIN COOK MP

LEADER OF THE HOUSE OF COMMONS

2 CARLTON GARDENS

LONDON SWIY 5AA

TEL: 020 7210 1025

Our Ref: LP/03/57/JN

Dear Gareth,

- 6 MAR 2003

PRIVATE MEMBERS BILL – MINISTERIAL AND OTHER SALARIES (AMENDMENT) BILL

You wrote to me on 4 March asking for LP's agreement to outline the Government's reservations to the Ministerial and Other Salaries (Amendment) Bill at Second Reading in the Lords. This Bill pre-empts a decision by the Senior Salary Review Body (SSRB) on the linkage between the Lord Chancellor's salary and the Lord Chief Justice's salary and on that basis I am content with your proposed handling.

Your letter of 4 March sought LP agreement to the handling of Lord Goodhart's Ministerial and Other Salaries (Amendment) Bill at Second Reading on 7 March. The Bill would remove the link between the Lord Chancellor's salary and that of the Lord Chief Justice and would set his salary at the same level as a Secretary of State in the House of Lords.

The Government has already announced that it will be referring the link between the salaries of the Lord Chief Justice and the Lord Chancellor to the SSRB for further advice. In your letter you said that this Bill pre-empted the conclusions of the SSRB.

On this basis, I am content to agree with your proposed handling. You may therefore take it that you have clearance to outline the Government's opposition to this Bill at Second Reading in the Lords.

I am copying this letter to the Prime Minister, members LP Committee, Sir Andrew Turnbull and First Parliamentary Counsel.

Yours sincerely

Robin

ROBIN COOK

The Rt Hon The Lord Williams of Mostyn
Leader of the House of Lords

The Rt. Hon. The Lord Williams of Mostyn QC

The Leader of the House of Lords

JN

cc SSH
JPO
CS
AA
SN

Rt. Hon. Robin Cook MP
Leader of the House of Commons and President of the Council
2 Carlton Gardens
London
SW1Y 5AA

4 March 2003

Dear Robin,

MINSTERIAL AND OTHER SALARIES (AMENDMENT) BILL

This letter seeks LP agreement that the Government should not support, and express reservations about the Lord Goodhart's Ministerial and Other Salaries Private Member's Bill, at Second Reading in the Lords on 7 March. Should the Bill reach Second Reading in the Commons, arrangements should be made to ensure that the Bill does not proceed.

The Ministerial and other Salaries (Amendment) Bill was introduced by Lord Goodhart on 11 February 2003 and is due for second reading on Friday 7 March. Its purpose is to amend the Ministerial and other Salaries Act of 1975 so that the Lord Chancellor's salary will no longer have a lead over the salary of the Lord Chief Justice. Instead, his salary would be set at the same level as a Secretary of State in the House of Lords.

The Bill would seem to be an opportunistic response to the media interest in the Lord Chancellor's salary following the publication of the Senior Salaries Review Body (SSRB) report on 7 February.

The Government has already announced that it will be referring the statutory linkage between the salaries of the Lord Chief Justice and the Lord Chancellor to the independent Senior Salaries Review Body for further advice. The SSRB are likely to make recommendations early in 2004. This Bill would thus pre-empt the SSRB's conclusions.

I therefore recommend that the Government should not support, and express its reservations about this Bill at Second Reading in the Lords; and should the Bill progress to a Second Reading in the Commons, arrangements be made to ensure that the Bill does not proceed.

I am copying this letter to the Prime Minister, other members of LP, Sir Andrew Turnbull and first Parliamentary Counsel.

Yours ever,

Gareth

From: Jacob Nell
Date: 27 February 2003

PRIME MINISTER

cc: Jeremy Heywood, Jonathon Powell, Alastair Campbell, PMOS Andrew Adonis, Simon Virley, Clare Sumner, Ian Fletcher

as states in earlier note.

LORD CHANCELLOR'S PAY

Do you want the SSRB to consider the Lord Chancellor's pay? And if they do, do you favour a narrow review, as currently proposed, which may produce little change in the Lord Chancellor's pay and conditions, or a broader review? Sir Andrew Turnbull wants to discuss with you on Tuesday.

Current state of play

The Lord Chancellor's pay is set by statute at £2,500 more than the Lord Chief Justice, and the Lord Chief Justice's salary is supposed to be broadly comparable to the salary of the Cabinet Secretary. This year's SSRB recommended a £10,000 rise for the Lord Chief Justice, on top of the second installment of last year's staged judicial pay award, and this year's pay award, to restore broad comparability with the Cabinet Secretary. The cumulative effect on the Lord Chancellor's pay as a result of the linkage was a salary rise of £22,691 (12.6%) from £180,045 to £202,736.

Following discussion with you, Derry agreed to accept the same percentage increase in salary as other Ministers (2.25%) and asked the SSRB, as part of its review of the relationship between judicial pay and other senior salaries to look at the issue of comparability between the Lord Chancellor's pay and the Lord Chief Justice's pay. This work would probably done in the course of the SSRB's normal review of senior salaries, which involves taking evidence around Oct/Nov 2003 and publishing their report in Feb 2004.

Options on the way forward

The first decision is whether you favour a SSRB review, which delegates the decision to an independent body, or whether the decision is a political one, of whether to treat the Lord Chancellor as a minister.

If you favour an SSRB review, then there is the issue of the scope of the review. In particular, should the SSRB consider:

(i) only the relationship between the Lord Chief Justice's pay and the Lord Chancellor's pay, or;

(ii) the relationship between the Lord Chancellor's pay and other factors more broadly, including the Lord Chancellor's pensions and the pay and pensions of others.

Sir Hayden Phillips has written to the SSRB suggesting a narrow interpretation of the terms of reference of the review which limits it to the relationship between the Lord Chancellor's and the Lord Chief Justice's pay. In practice this is likely to mean little change to the Lord Chancellor's current pay and pension arrangements when the SSRB reports in 2004.

Discussion

There are two reasons why you might want the outcome to deliver a more substantial change to the Lord Chancellor's pay:

1. Parliamentary and press coverage. The PRB recommendations have so far delivered a weighted average increase of under 3%, combined with targeted increases aimed at particular retention and recruitment difficulties (experienced teachers in London, prison officers in some London/SE prisons, submariners and signallers in the Armed Forces). This is a good result, and evidence that investment is being tied to reform, since the Government is not wasting the additional funds on higher pay for existing staff across the board, but targeting funds on key delivery pressure points. But this story was drowned out by the Lord Chancellor pay story. Achieving balanced coverage of pay and pension policy may be difficult if there are only cosmetic changes to the Lord Chancellor's pay and pension arrangements[1].

2. Treating the Lord Chancellor primarily as a Minister and not a judge. If you take the view that in practice the Lord Chancellor never sits as a judge, and his duties and responsibilities, including powers of appointment, are essentially those of a Cabinet Minister, that would suggest that he should be paid the same as his Cabinet colleagues. There might also be a case for some additional payment to reflect the greater Parliamentary role of the Lord Chancellor and to compensate him for his inability to return to legal practice having served as Lord Chancellor.

However, actually paying the Lord Chancellor as a Lord's Cabinet Minister would effectively halve his salary from £184,096 to £96,960. Arguably, cutting existing salary is unfair to the incumbent, given that the arrangements for the Lord

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[1] For instance, there is a Private Members Bill in the Lords to be debated next Friday, which proposes the Lord Chancellor's salary be reduced to that of Cabinet Minister in the Lords.

Chancellor's pay have been long established, and that he would have a reasonable expectation that they would continue.

Sir Andrew Turnbull believes that the key decision on whether the Lord Chancellor is a judge or a Minister is a political decision for you to make, and thereafter it makes sense to remit consideration of Lord Chancellor's pay and conditions to the SSRB for consideration. A reasonable eventual outcome might then be to pay the current Lord Chancellor as a rate which rises in line with other Ministerial salaries until his retirement, when his pension would reflect the salary he has actually been drawing not that to which he is entitled. Future Lord Chancellor's would then be paid as Cabinet Ministers, with a further decision on whether to end the distinction in pay between Lords and Commons Ministers' salaries.

Do you think the Lord Chancellor's pay is a matter for the SSRB?

Do you want to give the SSRB a steer that they should look at the Lord Chancellor's pay broadly - or is a narrow review adequate?

If you favour a broader review:

- **do you think that the SSRB should look at linkages between the Lord Chancellor's pay and Cabinet colleagues' pay?**

- **do you want to rule out cutting the salary of the incumbent Lord Chancellor?**

- **do you want the SSRB to review the uprating of the Lord Chancellor's salary?**

Pensions

There is a further issue of pensions. The Lord Chancellor, the Prime Minister and the Speaker by statute are entitled to 50% of their final salary (excluding any MP element of the salary) as a pension, starting from the day when they cease to hold his office, regardless of years served, and without having made any contributions. Cabinet Ministers by contrast accrue pension rights through the Parliamentary Pension Scheme on the basis of their contributions.

There are two issues here:

a) Lord Chancellor: is the Lord Chancellor's current pension entitlement based on the lower actual salary he is drawing or the higher salary to which he is entitled. Our current line is that the LC pension will be based on the Lord Chancellor's salary at the time he leaves office – and the appropriate salary will be determined by the SSRB review.

b) Green Paper cap on tax-supported pension savings. At current annuity rates of about 5.5%, a pension pot of £1.4 mn would buy a pension of £77,000 per year. The policy issue is whether unfunded non-contributory pensions above the equivalent of £77,000 per year, such as the Lord Chancellor's pension[2], should be subject in some way to a similar limit. In theory, since the statutory arrangements for the great offices of state are not funded and benefit from no tax relief since no contributions are made, you could argue that they should not be subject to the limit, and that you are following precedent and statute in continuing the current arrangements. But you may judge that you have to introduce some parallel arrangements in order to be seen to be fair.

Do you think the Lord Chancellor's pension – and potentially your pension - should be amended in the light of the cap on tax-supported pensions savings in the Green Paper?

If yes, is this a job for the SSRB review or part of the Green Paper follow-up?

Jacob Nell

JACOB NELL

[2] Note your PM pension is worth £59,500 from April 2002, i.e. under the limit, but when combined with your MP pension, this would probably take you over the limit. The speaker's pension is less likely to exceed the limit, since his speaker pension is worth £35,000 from April 2002.

From: Jacob Nell
Date: 27 February 2003

PRIME MINISTER

cc: Jeremy Heywood, Jonathon Powell, Alastair Campbell, PMOS, Andrew Adonis, Simon Virley, Clare Sumner, Ian Fletcher

I want LC treated like other Cab Mins.

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Do you think the Lord Chancellor's pension – and potentially your pension - should be amended in the light of the cap on tax-supported pensions savings in the Green Paper?

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Jacob Nell

JACOB NELL

---

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Jacob Nell

From: Simon Virley
Sent: 26 February 2003 19:44
To: Jeremy Heywood
Cc: Jacob Nell; Clare Sumner
Subject: FW: Lord Chancellor

Importance: High

given where we are, and the terms in which the review was announced, I think the answer has to be 'yes' to both these questions - but, given the implications of doing so, I suggest we check with the PM (via Jacob's w/e note) and get them to hold off answering the PQs until we have the PM's steer - OK?

-----Original Message-----
From: Bird Terry - Corporate Development Group -
[mailto:terry.bird@cabinet-office.x.gsi.gov.uk]
Sent: 26 February 2003 19:33
To: Virley Simon - No 10 -
Cc: Furlong Richie - Corporate Development Group -; Fletcher Ian - Cabinet Secretary's Office -; Pain Derek - Civil Service Pensions -; Britton Paul - Economic & Domestic Secretariat -
Subject: Lord Chancellor
Importance: High

Simon,

Paul Britton suggested I liaise with you about a number of awkward PQs we have about the LC's pay and pension.

Parliamentarians continue to probe about the scope of the announced review of the LC's pay. There are two issues: what are the terms of the review, and does it encompass his pension arrangements.

On scope, Sir Hayden Phillips has already written to the SSRB in effect asking them to review to the pay linkage between the LC and the LCJ. This limits the scope quite severely. SSRB have replied questioning whether the linkage point is as straightforward as Sir Hayden suggests, positing the idea that another approach might be through the upcoming review of Ministerial pay (i.e. that there could be some other relativiites to consider, not just with the LCJ). A meeting is likely with SHP in April. I also know that the SSRB will be very reluctant to investigate the LC's pension arrangements and would only do so if explicitly asked by the government.

So the immediate questions are

1. Are you content for the PQs to be answered on the basis that the SSRB review is on the question of the pay linkage between the LC and the LCJ alone? (This accords with the commission by SHP to SSRB)

2. Are you content for the PQs to say that LC's pension will not be part of any review? (This also accords with SHP's letter and the SSRB likely approach unless asked to do otherwise)

If you answer yes to both these questions and these actions are carried through, then the very likely outcome in 2004 when the SSRB reports is little change to the current pay and pension arrangements for the LC. And perhaps more press coverage as we had before.

Could speak tomorrow, pls?

Terry Bird
Deputy Director
Performance & Reward Division

House of Lords Ministerial Salaries

Post	**2002 Salary**	**2003 Salary**
Cabinet Minister	94,826	96,960
Minister of State	74,040	75,706
Parliamentary Under Secretary of State	64,485	65,936
Lord Chancellor	180,045	202,736
Attorney General	99,200	101,432
Government Chief Whip	74,040	75,706
Government Deputy Chief Whip	64,485	65,936
Government Whip	59,630	60,972
Leader of the Opposition	64,485	65,936
Opposition Chief Whip	59,630	60,972
Chairman of Committees	74,040	75,706
Principal Deputy Chairman of Committees	69,267	70,826

ANNEX B

Ministerial Salaries 2003

House of Commons Ministerial Salaries

Post	1 April 2002 Salary	1 April 2002 Salary (including M.P's salary)	1 April 2003 Salary (£)	1 April 2003 Salary(£) (including M.P's salary)
Prime Minister	116,436	171,554	119,056	175,414
Cabinet Minister	69,861	124,979	71,433	127,791
Government Chief Whip	69,861	124,979	71,433	127,791
Minister of State	36,240	91,358	37,055	93,413
Parliamentary Under Secretary of State	27,506	82,624	28,125	84,483
Solicitor General	60,871	115,989	62,241	118,599
Advocate General	60,871	115,989	62,241	118,599
Government Deputy Chief Whip	36,240	91,358	37,055	93,413
Government Whip	23,322	78,440	23,847	80,205
Assistant Government Whip	23,322	78,440	23,847	80,205
Leader of the Opposition	64,041	119,159	65,482	121,840
Opposition Chief Whip	36,240	91,358	37,055	93,413
Deputy Opposition Chief Whip	23,322	78,440	23,847	80,205
Speaker	69,861	124,979	71,433	127,791
Chairman of Ways and Means (Deputy Speaker)	36,240	91,538	37,055	93,413
First Deputy Chairman of Ways and Means (Deputy Speaker)	31,850	86,968	32,567	88,925
Second Deputy Chairman of Ways and Means (Deputy Speaker)	31,850	86,968	32,567	88,925
Parliamentary Salary	55,118		56,358	

DRAFT

The Lord Oakeshott of Seagrove Bay: - To ask Her Majesty's Government for how long holders of each of the following offices have to serve to receive their maximum pension entitlement—

(a) Lord Chief Justice;
(b) High Court Judge;
(c) Cabinet Secretary;
(d) Speaker of the House of Commons;
(e) Prime Minister; and
(f) Chancellor of the Exchequer. (HL1601)

All these offices have their salaries and pensions set by legislation.

LORD WILLIAMS OF MOSTYN: - The pension position of both the Lord Chief Justice and a High Court Judge will depend on the date when they were appointed to the judiciary. Appointees prior to 31 March 1995 can reach maximum benefits after 15 years, while appointees on or after 31 March 1995 must serve for 20 years to reach maximum benefits.

The Cabinet Secretary, as a member of the Principal Civil Service Pension Scheme, would be eligible for maximum benefits after 40 years service.

The Prime Minister and Speaker of the House of Commons both receive a full pension on leaving office.

The Chancellor of the Exchequer is eligible to join the Parliamentary Contributory Pension Fund. Maximum benefits can be achieved after between 26.7 and 33.3 years depending on date of joining the scheme and the contribution option chosen.

DRAFTING OFFICER: Julia Wood

TEL. NO: 01256 846490

APPROVING OFFICER: Derek Pain
(Deputy Director)

TEL. NO: 01256 846548

NAMES OF ANY OFFICIALS AND DIVISIONS CONSULTED IN DRAFTING THIS ANSWER.

1. Val Fenton, Lord Chancellor's Department
2. Bill Guy, HM Treasury

BACKGROUND NOTE

Lord Chief Justice and High Court Judge

The Judicial Pensions Act 1981 applies to all members of the judiciary appointed before 31 March 1995, and this includes the current Lord Chief Justice. Members reach maximum pension benefits after 15 years service.

The Judicial Pensions and Retirement Act 1993 applies to all office-holders appointed on or after 31 March 1995. These pension terms are not as generous as those for the pre-March 1995 appointees, with members receiving maximum benefits after 20 years service.

Cabinet Secretary

All permanent civil servants are eligible for membership of the Principal Civil Service Pension Scheme, the rules of which are made under the provisions of the Superannuation Act 1972. Maximum benefits arise after 40 years' service.

Prime Minister and Speaker

Both the Prime Minister and Speaker are entitled to an index-linked pension of 50% of the salary associated with their posts. The pension comes into payment immediately on leaving office.

Chancellor of the Exchequer

All Ministers (other than those with special pension arrangements) are eligible to join the Parliamentary pension scheme in respect of their service as a Minister as well as as an MP. This is a final salary scheme with an accrual rate of 1/50 until July 2002. From July 2002, the accrual rate changed to 1/40, but members could opt either to backdate this to July 2001 (and pay additional contributions) or to remain with the 1/50 accrual rate (in which case their contributions remained at the old rate). Depending on the timing of service and the choices made, the time for maximum benefits ranges from 26.7 years (all service at $1/40^{th}$) to 33.3 years (all service at $1/50^{th}$).

Lord Chancellor

The Lord Chancellor is entitled to an index-linked pension of 50% of the combined salary of the posts of Lord Chancellor and Speaker of the House of Lords. The pension comes into payment immediately on leaving office. In addition, on leaving office, the Lord Chancellor receives a lump sum of twice pension.

DRAFT

The Lord Oakeshott of Seagrove Bay: - To ask Her Majesty's Government for how long holders of each of the following offices have to serve to receive their maximum pension entitlement—

(a) Lord Chief Justice;
(b) High Court Judge;
(c) Cabinet Secretary;
(d) Speaker of the House of Commons;
(e) Prime Minister; and
(f) Chancellor of the Exchequer. (HL1601)

At the top:

"All of these offices have their salaries and pensions set by legislation." ✓

And then either

"They are all independently reviewed"

OR if not the case identify those which are independently reviewed inc. PM's.

NOT TRUE!

LORD WILLIAMS OF MOSTYN: - The pension position of both the Lord Chief Justice and a High Court Judge will depend on the date when they were appointed to the judiciary. Appointees prior to 31 March 1995 can reach maximum benefits after 15 years, while appointees on or after 31 March 1995 must serve for 20 years to reach maximum benefits.

The Cabinet Secretary, as a member of the Principal Civil Service Pension Scheme, would be eligible for maximum benefits after 40 years service.

Replace with:

~~The Prime Minister and Speaker of the House of Commons both receive a full pension on leaving office.~~

The Prime Minister, the Lord Chancellor and the Speaker of the House of Commons are entitled to their maximum pension entitlement as soon as they are appointed as set out in legislation.

The Chancellor of the Exchequer is eligible to join the Parliamentary Contributory Pension Fund. Maximum benefits can be achieved after between 26.7 and 33.3 years depending on date of joining the scheme and the contribution option chosen.

Not sure this is better!

DRAFT

The Lord Oakeshott of Seagrove Bay—To ask Her Majesty's Government, further to the Written Answer by the Lord Privy Seal on 28th January 2003 (WA 142), whether they will update the answer on the basis of the Lord Chancellor receiving a salary of either (a) £184,096 or (b) £202,736. *(HL1606)*

LORD WILLAMS OF MOSTYN: - The cost of securing a pension on the open market will, all else being equal, increase in proportion to the level of pension to be secured. Therefore, the notional fund of £2m quoted previously (WA142), and by reference to a salary of £180,045, would increase to approximately (a) £2.05m if based on a salary of £184,096 and (b) £2.25m if based on a salary of £202,736.

However, the Goverment has already announced that . . . (use wording already agreed on LC's pay review).

Lord Oakeshott asked Her Majesty's Government:
What were the salaries of (a) the Lord Chancellor, (b) the Prime Minister and (c) the Chancellor of the Exchequer in 1990, 1980, 1970, 1960, 1950, 1925 and 1900.
[HL1628]

Lord Privy Seal (Lord Williams of Mostyn):

The salaries of the Lord Chancellor, the Prime Minister and the Chancellor of the Exchequer on 1 April in 1990, 1980, 1970, 1960, 1950, 1925 and 1900 were as follows:

		EXCLUDES PARLIAMENTARY SALARY	
YEAR	LORD CHANCELLOR	PRIME MINISTER	CHANCELLOR OF THE EXCHEQUER
1990	91,500	46,750	35,120
1980	22,228	33,000	19,650
1970	14,500	14,000	8,500
1960	12,000	10,000	5,000
1950	14,000	10,000	5,000
1925	14,000	5,000	5,000
1900	14,000	5,000	5,000

DRAFTING OFFICER: Sue Bateman

TEL. NO: 7276 1524

APPROVING OFFICER: Richie Furlong (Deputy Director)

TEL. NO: 276 1515

NAMES OF ANY OFFICIALS AND DIVISIONS CONSULTED IN DRAFTING THIS ANSWER.

1. Mike Spearing, Lord Chancellor's Department

BACKGROUND NOTE

1. The table refers to salary entitlements rather than salary drawn. In 1979 the Prime Minister chose to forego any increase in salary. Between 1980 and 1991 the Prime Minster drew the same salary as Cabinet colleagues in the Commons.

2. Until 1975 Ministerial salaries were not increased every year. The Ministerial and other Salaries Act made provision for salaries to be uprated annually by Order in Council. Prior to this salaries were increased on an ad hoc basis, usually following a Select Committee review of salaries. Since 1971 Ministerial salaries have been the subject of review by the independent Senior Salaries Review Body (previously Top Salaries Review Body).

Current arrangements

3. The Lord Chancellor's salary is provided by the Ministerial and other Salaries Act 1975 as amended by the Ministerial and other Pensions and Salaries Act 1991 and the Ministerial and Other Salaries Order 1996. The legislation provides that the Lord Chancellor will have a salary lead of £2,500 over the Lord Chief Justice.

4. The Prime Minister and Chancellor of the Exchequer's salaries are also provided by the Ministerial and other Salaries Act 1975. Their salaries are uprated annually by the automatic link to the average increases in the SCS pay bands under the Ministerial and other Salaries Act 1997.

The Lord Lester asked Her Majesty's Government:
Whether their justification for the link between the Lord Chancellor's salary and pension benefits and the salary and pension benefits of the Lord Chief Justice of England and Wales depends upon the fact that the Lord Chancellor is the most senior judge and is entitled to sit in a judicial capacity; and, if not, what is the justification for maintaining the link in current circumstances. **[HL1596]**

Lord Privy Seal (Lord Williams of Mostyn):

As Head of the Judiciary the Lord Chancellor is President of the Supreme Court, a judge of the Court of Appeal and of the High Court, Presiding Chairman of the Appellate Committee of the House of Lords and the Judicial Committee of the Privy Council. He also has overall responsibility for the conduct of judges and the lay magistracy.

The 1983 Review of Parliamentary Pay and Allowances (Cmnd. 8881-1) by the Top Salaries Review Body recommended that, in recognition of his pre-eminent position in the judiciary and his responsibilities as a whole, the Lord Chancellor's salary should be higher than that of the Lord Chief Justice. This recommendation was accepted by the Government and incorporated in to the Ministerial and other Pensions and Salaries Act 1991. This set the difference between the Lord Chancellor's salary and that of the Lord Chief Justice's at £2000. The Ministerial and other Salaries Order 1996 subsequently increased this to £2,500.

DRAFTING OFFICER: Mike Watkins

TEL. NO: 7276 1514

APPROVING OFFICER: Richie Furlong (Deputy Director)

TEL. NO: 276 1515

NAMES OF ANY OFFICIALS AND DIVISIONS CONSULTED IN DRAFTING THIS ANSWER.

1. Mike Spearing, Lord Chancellor's Department

BACKGROUND NOTE

1. Before its 1983 review the Top Salaries Review Body (TSRB) had recommended that the Lord Chancellor's salary should be set at the same level as the Lord Chief Justice

2. In its 1983 review the TSRB took the view that, as the Lord Chancellor was the pre-eminent member of the judiciary, he should be paid rather more than the Lord Chief Justice.

3. After 1983 the TSRB recommendations on judicial pay were not available until after the laying of the annual Order for uprating ministerial salaries. Therefore separate Orders in Council were required to uprate the Lord Chancellor's salary.

4. Because of these timing problems and in order to reduce the time taken debating the Lord Chancellor's salary it was decided to enshrine the salary lead in primary legislation, with provision for the salary lead to be varied. In 1991 the Ministerial and other Pensions and Salaries Act set the Lord Chancellor's salary at £2000 more than that for the Lord Chief Justice.

5. In 1996, following a recommendation by the Senior Salaries Review Body, the Lord Chancellor's salary lead over the Lord Chief Justice was increased to £2,500 by the Ministerial and other Salaries Order 1996.

LORD CHANCELLOR'S PAY

Accusations

The Lord Chancellor was wrong to accept a pay increase of £22,000 (12.6%) at a time when the Government is urging public sector pay restraint, and teachers are being awarded a miserly 2.9%

Facts

- Under the Ministerial and other Salaries Order 1996, the Lord Chancellor's salary is automatically set at £2,500 more than the salary of the Lord Chief Justice.

- The Lord Chief Justice and other judges on April 1st receive the 4.4% outstanding stage from last year's pay award. The Senior Salaries Review Body (SSRB) recommended a further 2.75% increase across the board this year for the judiciary. In addition the SSRB recommended a further £10,000 for the Lord Chief Justice to redress the slippage which has occurred between his post and that of the Cabinet Secretary in recent years. Taken together, the 4.4%, 2.75% and extra £10,000 for the Lord Chief Justice increases the 1st April salary of the Lord Chief Justice to £200,236. The Lord Chancellor's salary is currently £180,045 and, if the £2,500 uplift over the Lord Chief Justice's salary were to be maintained, the Lord Chancellor's salary would increase to £202,736 - a rise of 12.6%.

- Pending a review by the independent Senior Salaries Review Board (SSRB) the Lord Chancellor will in fact take an increase of 2.25%, the same as other Ministers i.e. pending the review he will receive £184,096.

Line to take

The Lord Chancellor has decided, pending a review by the SSRB, not to take his salary entitlement. He will take the same percentage increase on his existing salary from 1st April as his Cabinet colleagues, which is 2.25%.

The SSRB's plans to review the linkage between the salaries of the judiciary and the Senior Civil Service in the light of the introduction of performance related pay for the Senior Civil Service. This review will now at the Lord Chancellor's request be extended to the statutory relationship between the Lord Chancellor's salary and that of the Lord Chief Justice.

Fras Amanda - Cab Sec Office -

From: Fletcher Ian - Cabinet Secretary's Office -
Sent: 17 February 2003 15:33
To: PS Sir Andrew Turnbull
Subject: FW: Lord Oakeshott PQ on the Lord Chancellor

From: Watkins Mike - Civil Service Corporate Management & Reform -
Sent: Monday, February 17, 2003 3:33:19 PM
To: Fletcher Ian - Cabinet Secretary's Office -
Subject: Lord Oakeshott PQ on the Lord Chancellor
Auto forwarded by a Rule

Ian

As you may be aware Terry Bird is off sick today. However, he's phoned into the office and mentioned that, following this morning's meeting, it was unlikely that the SSRB would be involved in a review of the Lord Chancellor's salary.

Lord Oakeshott of Seagrove Bay has tabled a Parliamentary Question:

To ask Her Majesty's Government whether the Senior Salaries Review Body, in conducting its review of the proposed 12.6 per cent increase in the Lord Chancellor's salary, will take into account the difference between the pension entitlements of the Lord Chancellor, the Lord Chief Justice and the Cabinet Secretary. [*CO*] (HL1604)

We are currently discussing with Parly branch if there is anyway to delay answering this, but is there anything you can tell us that might be useful in trying to answer this?

Mike

We need an urgent policy decision on this from No10

Sven[illegible] Anna - Cabinet Secretary's Office -

From: Fletcher Ian - Cabinet Secretary's Office -
Sent: 20 February 2003 10:55
To: PS Sir Andrew Turnbull
Subject: FW: Lord Oakeshott PQ on the Lord Chancellor

Importance: High
Sensitivity: Confidential

From: Bateman Sue - Corporate Development Group -
Sent: Thursday, February 20, 2003 10:54:52 AM
To: Fletcher Ian - Cabinet Secretary's Office -
Subject: FW: Lord Oakeshott PQ on the Lord Chancellor
Importance: High
Sensitivity: Confidential
Auto forwarded by a Rule

Ian

I understand Mike sent you the e-mail below a few days ago regarding a PQ about reviewing the Lord Chancellor's pay. Mike is out of the office today and has asked me to co-ordinate our response. As he mentioned in his e-mail, we were hoping to delay answering the PQ, but Parly Branch have asked that we have an answer ready by close of play today. (i understand there are a number of PQs about the Lord Chancellor's salary/pension which are to be answered tomorrow).

We are taking views of colleagues in LCD and in the Economic and Domestic Secretariat, and are thinking of replying along the lines of

"The review of the basis for determining the Lord Chancellor's salary will consider all appropriate factors in coming to its conclusions."

I'd be grateful if you could confirm you are content with this.

Many thanks
Sue Bateman
276 1524

-----Original Message-----
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Mike

THE	
NATIONAL	
ARCHIVES	

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Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer
or Number not used.

CONFIDENTIAL

FROM: **TERRY BIRD**
Performance & Reward Division
7276 1511

DATE: 14 February 2003

By email
SIR ANDREW TURNBULL

Cc: Paul Britton
Richard Furlong
Derek Pain
Elaine Norman

THE LORD CHANCELLOR

1. You are meeting the Prime Minister on Monday. You will be discussing the Lord Chancellor's pay and pension arrangements, following last weekend's media interest in the subject. The Lord Chancellor received a windfall increase as a result of the SSRB's decision to increase the pay of the Lord Chief Justice (LCJ) to whom his salary is tied. There is continuing press and Parliamentary interest in this matter and certain were commitments made over the week-end by the Lord Chancellor and the Chancellor of the Exchequer. There is a danger that this story will continue to dog the Government unless some clear decisions are made – I attach a note of the points that need to be resolved (Annex A). Also attached is information about Ministerial salaries and the legislation that sets out the Lord Chancellor's pay and pension entitlement (Annex B).

2. The SSRB's terms of reference require it to maintain a broad linkage between the pay of its three remit groups. The Review Body interpreted that fairly literally in their Twenty-Fifth report by raising the pay of the Lord Chief Justice (LCJ) to a figure very close to your own. In a previous report they had evaluated the posts of Cabinet Secretary and LCJ as broadly equivalent (in fact LCJ a little behind that of the Cabinet Secretary). The SSRB said that with performance pay becoming a greater proportion of SCS pay, and PRP also being introduced for the senior military, it would look next year at judicial pay (which is not performance related) to establish a firmer linkage as required by their terms of reference. It is expected that LCD will carry this work forward, to be included in next year's Government evidence on judicial pay. Coincidentally, at the same time the Cabinet Office will be submitting the Government evidence for the SSRB's tri-ennial report on Parliamentary and Ministerial pay and pensions.

3. In view of the Chancellor of the Exchequer's involvement over the weekend you might want to consult Gus O'Donnell in advance of your meeting with the Prime Minister.

[signed]

TERRY BIRD

CONFIDENTIAL

ANNEX A

THE LORD CHANCELLOR'S PAY AND PENSION

Immediate issues

1. We understand that the Lord Chancellor has agreed to accept the percentage pay increase (2.25%) applicable to all Ministers arising from the SSRB's recent report (legislation links Parliamentary pay increases to the increase in the SCS pay bands). **Does the Prime Minister agree, and will the Lord Chancellor agree, that this formula should apply in future years as well?**

2. The Lord Chancellor is entitled to a pension of 50% of pay on leaving office (similar to the Speaker and the Prime Minister). Lawyers advise this means the Lord Chancellor's pension will be calculated according to the higher pay level he has voluntarily foregone unless he agrees to it being calculated on the lower amount. **In view of the continuing press and Parliamentary interest (there is a PQ as yet unanswered on this subject), does the Prime Minister want the Lord Chancellor to agree to have his pension calculated on the amount he is paid rather than his legal entitlement?**

Medium term issues

3. The pay of the Lord Chancellor is clearly an anomalous one in Cabinet. (He is paid £55,000 more than Cabinet Ministers in the Commons, and just over £85,000 more than the Leader of the Lords.) This is largely because of his pay being assessed on the basis of him being the head of the judiciary, rather than as a Cabinet Minister and politician. **Is the Prime Minister prepared to explicitly change this assumption, which would then almost certainly lead to a lower salary entitlement? Would he want the present Lord Chancellor to be unaffected by any change, and his future pay increases to be based on the formula for Parliamentary pay rises (% increase in SCS pay bands)? If the review is to be carried out by the SSRB (see below), the Review Body will certainly seek guidance from the Government on this central issue of whether the Lord Chancellor is to be paid as a judge or a politician – this is a policy question for the Government, not a question to which the SSRB can provide the answer.**

4. It is usual for the SSRB to undertake pay and pension assessments for Ministerial posts so that they keep pace with earnings in the economy. Over the weekend the Government appeared to commit itself to review the Lord Chancellor's remuneration level. **Is the Prime Minister content for such a review to be carried out by the SSRB? Is the Prime Minister content for any review to encompass the Lord Chancellor's pension arrangements as well as his pay?** If the SSRB is commissioned to undertake this work, we could not be certain of the outcome, but the independence of the SSRB would be a valuable shield against criticism.

Timing

5. The SSRB's triennial review is due to start this year. We would expect to submit the Government evidence in the autumn, and for the SSRB report to appear in February/March of 2004. **Would the Prime Minister want any review of the Lord Chancellor's remuneration to be tackled in this exercise? Or would the Prime Minster want a one-off exercise reporting earlier, say in mid 2003?**

Other

6. There are no other political posts that have pay linkages of this sort. Those that do exist are for public officials such as the Director of Public Prosecutions and the Comptroller and Auditor General.

ANNEX B

The Lord Chancellor's Salary and Pension:

The Lord Chancellor's Salary is set by legislation as being £2,500 more than the salary for the Lord Chief Justice

The Lord Chancellor's Pension is set at 50% of his total salary at the time of his resignation. In addition, there is provision for a lump sum payment upon leaving service or on death.

Legislative basis for the salary:
The Lord Chancellor's salary is provided by the Ministerial and other Salaries Act 1975, as amended by the Ministerial and other Pensions and Salaries Act 1991 and the Ministerial and Other Salaries Order 1996. The Lord Chancellor's salary is comprised of two elements, one payable in his role as Speaker of the House of Lords and the other in his role as head of the judiciary. The 1996 order set the Lord Chancellor's total salary at £2,500 more than the Lord Chief Justice of England and Wales.

The Ministerial and other Pensions and Salaries Act 1991 was enacted on 28 February 1991. By amending sections 1 (2) and (4) of the Ministerial and other Salaries Act 1975 (as amended by the Lord Chancellor's Salary Order 1989):

> Section 3 (1) of the Act ensures that the Lord Chancellor will have a lead of £2000 a year over the Lord Chief Justice, and so dispenses with the need for an annual Salaries Order;
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> Section 3 (2) (by amending section 1 (4) of the Ministerial and other Salaries Act 1975) enables the £2000 salary difference may be increased by Order in Council subject to affirmative resolution procedure.

The SSRB's 1996 report (Cm 3330-1, recommendation 11) recommended that the salary lead should be increased to £2,500. This was enacted in the Ministerial and other Salaries Order 1996.

Legislative basis for the pension
Provision for the Lord Chancellor's pension is made in the Lord Chancellor's Pension Act 1832 and by Section 28 of the Parliamentary and Other Pensions Act 1972 as amended by by Section 1 of the Ministerial and Other Pensions and Salaries Act 1991. Under the terms of the 1991 Act the Lord Chancellor's pension is set as the aggregate of one-half of the salary payable in respect of his office as Speaker of the House of Lords and one-half of the salary payable in respect of his office as Lord Chancellor at the time when he ceases to hold those offices. The Judicial Pensions Act of 1981 provides lump sum benefits for the Lord Chancellor on leaving office or in the event of the Lord Chancellor's death in service and also provides for pensions for his dependants.

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ANNEX B

Ministerial Salaries 2003

House of Commons Ministerial Salaries

Post	1 April 2002 Salary	1 April 2002 Salary (including M.P's salary)	1 April 2003 Salary (£)	1 April 2003 Salary(£) (including M.P's salary)
Prime Minister	116,436	171,554	119,056	175,414
Cabinet Minister	69,861	124,979	71,433	127,791
Government Chief Whip	69,861	124,979	71,433	127,791
Minister of State	36,240	91,358	37,055	93,413
Parliamentary Under Secretary of State	27,506	82,624	28,125	84,483
Solicitor General	60,871	115,989	62,241	118,599
Advocate General	60,871	115,989	62,241	118,599
Government Deputy Chief Whip	36,240	91,358	37,055	93,413
Government Whip	23,322	78,440	23,847	80,205
Assistant Government Whip	23,322	78,440	23,847	80,205
Leader of the Opposition	64,041	119,159	65,482	121,840
Opposition Chief Whip	36,240	91,358	37,055	93,413
Deputy Opposition Chief Whip	23,322	78,440	23,847	80,205
Speaker	69,861	124,979	71,433	127,791
Chairman of Ways and Means (Deputy Speaker)	36,240	91,538	37,055	93,413
First Deputy Chairman of Ways and Means (Deputy Speaker)	31,850	86,968	32,567	88,925
Second Deputy Chairman of Ways and Means (Deputy Speaker)	31,850	86,968	32,567	88,925
Parliamentary Salary	55,118		56,358	

House of Lords Ministerial Salaries

Post	2002 Salary	2003 Salary
Cabinet Minister	94,826	96,960
Minister of State	74,040	75,706
Parliamentary Under Secretary of State	64,485	65,936
Lord Chancellor	180,045	202,736
Attorney General	99,200	101,432
Government Chief Whip	74,040	75,706
Government Deputy Chief Whip	64,485	65,936
Government Whip	59,630	60,972
Leader of the Opposition	64,485	65,936
Opposition Chief Whip	59,630	60,972
Chairman of Committees	74,040	75,706
Principal Deputy Chairman of Committees	69,267	70,826

[DATE]
NAMED DAY

Hansard Ref: 97800
Col:
Vol:

PRIVY COUNCIL

Mr David Willetts (Havant): To ask the President of the Council, whether the Lord Chancellor's pension will be based on the full salary he has been awarded from 1st April.

Robin Cook:

(Holding reply Thursday 13 February):

The Lord Chancellor's pension ~~will~~ would be based on his salary ~~entitlement~~ at the time he leaves office.

As announced on 8 February, the SSRB has been asked to review the Lord Chancellor's salary arrangements as part of its overall review of the relationships between judicial salaries and those of the Senior Civil Service.

PRESIDENT OF THE COUNCIL

BACKGROUND NOTE

The Lord Chancellor has an unusual pension arrangement in that the pension does not depend on the time served in the job. Instead, the office has an index-linked pension of 50% of the combined salary of the posts of Lord Chancellor and Speaker of the House of Lords. The pension comes into payment immediately on leaving office. In addition, on leaving office, the Lord Chancellor receives a lump sum of twice pension.

The pension is determined by the "salary payable" on leaving office. Where the office holder was voluntarily accepting a lower salary than that associated with the office, we would expect that the pension would be based on the salary entitlement (ie the unreduced amount).

THURSDAY 13 FEBRUARY 2003
NAMED DAY

Hansard Ref: 97800
Col:
Vol:

PRIVY COUNCIL

Mr David Willetts (Havant): To ask the President of the Council, whether the Lord Chancellor's pension will be based on the full salary he has been awarded from 1st April.

Robin Cook:

~~The Lord Chancellor's pension will be based on the salary payable when he leaves office.~~

The Senior Salaries Review Body will be asked to advise on this as part of its review of the Lord Chancellor's pay and pension.

PRESIDENT OF THE COUNCIL

BACKGROUND NOTE

The Lord Chancellor has an unusual pension arrangement in that the pension does not depend on the time served in the job. Instead, the office has an index-linked pension of 50% of the combined salary of the posts of Lord Chancellor and Speaker of the House of Lords. The pension comes into payment immediately on leaving office. In addition, on leaving office, the Lord Chancellor receives a lump sum of twice pension.

The pension is determined by the "salary payable" on leaving office. Where the office holder was voluntarily accepting a lower salary than that associated with the office, we would expect that the pension would be based on the salary entitlement (ie the unreduced amount).

DRAFT

The Lord Oakeshott of Seagrove Bay—To ask Her Majesty's Government whether the Senior Salaries Review Body, in conducting its review of the proposed 12.6 per cent increase in the Lord Chancellor's salary, will take into account the difference between the pension entitlements of the Lord Chancellor, the Lord Chief Justice and the Cabinet Secretary. [*CO*] (HL1604)

Lord Macdonald of Tradeston: - The review of the basis for determining the Lord Chancellor's salary will consider all appropriate factors in coming to its conclusions.

[DATE]
NAMED DAY

Hansard Ref: 97799
Col:
Vol:

PRIVY COUNCIL

Mr David Willetts (Havant): To ask the President of the Council, what is the value of the notional pension funds that would be required to pay the Lord Chancellor's pension calculated on the basis of (a) the salary resulting from the recommendations of the report No 54 of the Senior Salaries Review Body and (b) the reduced salary which the Lord Chancellor has indicated that he would accept.

Robin Cook:

(Holding reply Thursday 13 February):

The notional value of the Lord Chancellor's pension package (including dependants' benefits) which in fact is payable from the Consolidated Fund is estimated at around £2m based on his current salary of £180,045. All other things being the same, this figure will increase on a pro-rata basis with salary.

PRESIDENT OF THE COUNCIL

BACKGROUND NOTE

1. David Willett's question follows a question asked by Lord Oakeshott of Seagrove Bay and answered by Lord Williams of Mostyn on 28 January 2003 (Col WA142).

   Lord Oakeshott of Seagrove Bay asked Her Majesty's Government:

   What total sum would be required, if the Lord Chancellor were to retire today, to provide the tax-free lump sum and purchase on the open market the index-linked pension to which he is entitled.[HL958]

   Lord Williams of Mostyn: To secure an inflation-linked pension annuity of around £90,000 for a man of the Lord Chancellor's age would cost at least £1.7 million at present. To secure all the elements of the Lord Chancellor's pension package, including widow's pension and lump sum on retirement would cost around £2 million.

2. The £2million figure is based on a salary of £180,045. All other things being equal (ie, cost of annuities, age and marital status of Lord Chancellor), the capital cost of providing the pension will increase in line with salary.

3. We suggest that the answer is drafted by reference to prorata increases as, if the Lord Chancellor were to retire while voluntarily accepting a lower pay than his entitlement, we would expect that his pension would still be based on the full salary entitlement.

DRAFT

The Lord Oakeshott of Seagrove Bay:— To ask Her Majesty's Government why the Lord Chancellor is entitled to a full pension as soon as he is appointed, in contrast to the Lord Chief Justice and the Cabinet Secretary, to whose salaries his salary is linked. (HL1605)

(HL)*

LORD WILLIAMS OF MOSTYN: - The Lord Chancellor's salary is linked to the salary of the Lord Chief Justice under Section 3(1) of the Ministerial and other Pensions and Salaries Act 1991, as amended by Section 4 of the Ministerial and other Salaries Order 1996. Provision for the Lord Chancellor's pension and lump sum is made in the Lord Chancellor's Pension Act 1832, the Parliamentary and Other Pensions Act 1972 as amended by the Ministerial and Other Pensions and Salaries Act 1991 and the Judicial Pensions Act 1981.

The Lord Chief Justice receives a pension under the terms of either the Judicial Pensions Act 1981 or the Judicial Pensions and

Retirement Act 1993, depending on the date of appointment to the judiciary.

The Cabinet Secretary, as a serving civil servant, is eligible for membership of the Principal Civil Service Pension Scheme, the rules of which are made under the provisions of the Superannuation Act 1972.

As amended on ....

DRAFTING OFFICER: Julia Wood

TEL. NO: 01256 846490

APPROVING OFFICER: Derek Pain
(Deputy Director)

TEL. NO: 01256 846548

NAMES OF ANY OFFICIALS AND DIVISIONS CONSULTED IN DRAFTING THIS ANSWER.

1. Val Fenton, Lord Chancellor's Department
2. Terry Bird, Performance and Reward Division, Cabinet Office
3. Bill Guy, HM Treasury

BACKGROUND NOTE

Lord Chancellor's pension

The Lord Chancellor's entitlement to a full pension on appointment stems from the Lord Chancellor's Pension Act 1832. Originally this was at a fixed rate of £5,000pa but the Parliamentary and Other Pensions Act 1972 established a linkage with salary. The Ministerial and Other Pensions Act 1991 set the pension at 50% of salary. Provision for lump sum on leaving service or on death is made by the Judicial Pensions Act 1981.

Lord Chief Justice's pension

The Judicial Pensions Act 1981 applies to all members of the judiciary appointed before 31 March 1995, and this includes the current Lord Chief Justice. Members reach maximum pension benefits after 15 years service.

The Judicial Pensions and Retirement Act 1993 applies to all office-holders appointed on or after 31 March 1995. These pension terms are not as generous as those for the pre-March 1995 appointees, with members receiving maximum benefits after 20 years service.

Cabinet Secretary's pension

All permanent civil servants are eligible for membership of the Principal Civil Service Pension Scheme, the rules of which are made under the provisions of the Superannuation Act 1972.

Other parliamentary questions

Lord Oakeshott has asked other PQs about the Lord Chancellor's pension arrangements. PQs have also been asked by Lord Tebbit, Norman Baker MP and David Willetts MP

DRAFT

The Lord Oakeshott of Seagrove Bay:— To ask Her Majesty's Government why the Lord Chancellor is entitled to a full pension as soon as he is appointed, in contrast to the Lord Chief Justice and the Cabinet Secretary, to whose salaries his salary is linked. (HL1605)

(HL)*

LORD WILLIAMS OF MOSTYN: - The Lord Chancellor's salary is linked to the salary of the Lord Chief Justice under Section 3(1) of the Ministerial and other Pensions and Salaries Act 1991, as amended by Section 4 of the Ministerial and other Salaries Order 1996. Provision for the Lord Chancellor's pension and lump sum is made in the Lord Chancellor's Pension Act 1832, the Parliamentary and Other Pensions Act 1972 as amended by the Ministerial and Other Pensions and Salaries Act 1991 and the Judicial Pensions Act 1981.

Add in a sentence at the bottom:

All these arrangements are subject to an independent review

OR if not the case identify those which are independently reviewed inc. PM's.

The Lord Chief Justice receives a pension under the terms of either the Judicial Pensions Act 1981 or the Judicial Pensions and

Not sure this is true!

Retirement Act 1993, depending on the date of appointment to the judiciary.

The Cabinet Secretary, as a serving civil servant, is eligible for membership of the Principal Civil Service Pension Scheme, the rules of which are made under the provisions of the Superannuation Act 1972.

DRAFT

The Lord Oakeshott of Seagrove Bay: –To ask Her Majesty's Government for how long Lord Chancellors have been entitled to their full pension as soon as they are appointed. (HL1603)

LORD WILLIAMS OF MOSTYN: - Since 1832.

DRAFTING OFFICER: Julia Wood

TEL. NO: 01256 846490

APPROVING OFFICER: Derek Pain (Deputy Director)

TEL. NO: 01256 846548

NAMES OF ANY OFFICIALS AND DIVISIONS CONSULTED IN DRAFTING THIS ANSWER.

1. David Staff, Lord Chancellor's Department
2. Bill Guy, HM Treasury

BACKGROUND NOTE

The Lord Chancellor's entitlement to a full pension on appointment originates from The Lord Chancellor's Pension Act 1832. Section 3 of the 1832 Act (as amended) requires Her Majesty (by Letters Patent) to "give and grant" the Lord Chancellor a pension in the event of resignation or removal from office. The 1832 Act provided an annuity of £5,000 "*...to commence and take effect immediately from and after the period whenever the person to whom such an annuity or yearly sum of money shall be granted shall resign.....or be removed...*".

The Act was made by reason of the abolition of certain other offices (13 in all, such as Clerk of the Crown in Chancery, the Clerk of Patents, the Clerk of the custodies of Lunatics and Idiots, the Chaff Wax, the Sealer), which would leave the Lord Chancellor "*deprived of the patronage and gift of the said offices which does by right belong to and has been exercised by him; and it is therefore just and equitable that more ample provision should be made....*".

The annuity was paid quarterly from the Consolidated Fund and was originally (but is no more) "*free and clear of all taxes whatsoever*".

The Parliamentary and Other Pensions Act 1972 discontinued the practice of setting a fixed amount as the pension and instead established a linkage with salary. The Ministerial and Other Pensions Act 1991 set the pension at 50% of salary. Provision for a separate lump sum on leaving service or on death and for dependants' benefits are made by the Judicial Pensions Act 1981.

DRAFT

The Lord Oakeshott of Seagrove Bay: —To ask Her Majesty's Government for how long Lord Chancellors have been entitled to their full pension as soon as they are appointed. (HL1603)

LORD WILLIAMS OF MOSTYN: - Since 1832.

DRAFT

The Lord Oakeshott of Seagrove Bay—To ask Her Majesty's Government which individuals whose pensions are paid from public funds become entitled to their maximum pension entitlement as soon as they are appointed. (HL1602)

(HL)*

LORD WILLIAMS OF MOSTYN: - The Prime Minister, The Lord Chancellor and the Speaker of the House of Commons.

DRAFTING OFFICER: Julia Wood

TEL. NO: 01256 846490

APPROVING OFFICER: Derek Pain (Deputy Director)

TEL. NO: 01256 846548

NAMES OF ANY OFFICIALS AND DIVISIONS CONSULTED IN DRAFTING THIS ANSWER.

1. David Staff, Lord Chancellor's Department
2. Bill Guy, HM Treasury

BACKGROUND NOTE

Lord Chancellor's pension

The Lord Chancellor is entitled to an index-linked pension of 50% of the combined salary of the posts of Lord Chancellor and Speaker of the House of Lords. The pension comes into payment immediately on leaving office. In addition, on leaving office, the Lord Chancellor receives a lump sum of twice pension. salary on leaving office.

Prime Minister and Speaker

Both the Prime Minister and Speaker are entitled to an index-linked pension of 50% of the salary associated with their posts. Like the Lord Chancellor, the pension comes into payment immediately on leaving office. Neither the Prime Minister nor the Speaker receive an additional lump sum.

Scottish Parliament

The First Minister and the Presiding Office of the Scottish Parliament also receive immediate pensions of 50% of salary on leaving office. It is for the Scottish Parliament to set its own rules on such matters.

DRAFT

The Lord Oakeshott of Seagrove Bay—To ask Her Majesty's Government which individuals whose pensions are paid from public funds become entitled to their maximum pension entitlement as soon as they are appointed. (HL1602)

(HL)*

LORD WILLIAMS OF MOSTYN: - The Prime Minister, The Lord Chancellor and the Speaker of the House of Commons.

DRAFT

The Lord Oakeshott of Seagrove Bay—To ask Her Majesty's Government, further to the Written Answer by the Lord Privy Seal on 28th January 2003 (WA 142), whether they will update the answer on the basis of the Lord Chancellor receiving a salary of either (a) £184,096 or (b) £202,736. *(HL1606)*

LORD WILLAMS OF MOSTYN: - The cost of securing a pension on the open market will, all else being equal, increase in proportion to the level of pension to be secured. Therefore, the notional fund of £2m quoted previously (WA142), and by reference to a salary of £180,045, would increase to approximately (a) £2.05m if based on a salary of £184,096 and (b) £2.25m if based on a salary of £202,736.

As amended ...

DRAFTING OFFICER: Julia Wood

TEL. NO: 01256 846490

APPROVING OFFICER: Derek Pain
(Deputy Director)

TEL. NO: 01256 846548

NAMES OF ANY OFFICIALS AND DIVISIONS CONSULTED IN DRAFTING THIS ANSWER.

1. David Johnston, Government Actuary's Department
2. David Staff, Lord Chancellor's Department
3. Bill Guy, HM Treasury

BACKGROUND NOTE

1. Lord Oakeshott's question is pursuant to his earlier one answered by Lord Williams of Mostyn on 28 January 2003 (Col WA142).

   Lord Oakeshott of Seagrove Bay asked Her Majesty's Government:

   What total sum would be required, if the Lord Chancellor were to retire today, to provide the tax-free lump sum and purchase on the open market the index-linked pension to which he is entitled.[HL958]

   Lord Williams of Mostyn: To secure an inflation-linked pension annuity of around £90,000 for a man of the Lord Chancellor's age would cost at least £1.7 million at present. To secure all the elements of the Lord Chancellor's pension package, including widow's pension and lump sum on retirement would cost around £2 million.

2. The Lord Chancellor has an unusual pension arrangement in that the pension does not depend on the time served in the job. Instead, the office has an index-linked pension of 50% of the combined salary of the posts of Lord Chancellor and Speaker of the House of Lords. The pension comes into payment immediately on leaving office. In addition, on leaving office, the Lord Chancellor receives a lump sum of twice pension.

3. There are various ways of estimating the capital value of a pension. Lord Oakeshott asked how much it would cost to pay the lump sum and secure the pension benefits on the open market. The Government Actuary's Department estimated that it would cost at least £1.7million to purchase this pension package at the present time (or around £2million when allowing for all elements of the pension package including a widow's pension). These figures were based on a salary of £180,045pa

4. Uprating the salary to (a) £184,096pa and (b) £202,736pa increases the £2m figure to (a) £2.05m and (b) £2.25m.

Simon Virley

From: Nicholas Howard
Sent: 20 February 2003 17:03
To: Simon Virley
Subject: LCD PRESS NOTICE - LORD CHANCELLOR'S SALARY

54/03

8 February 2003

LORD CHANCELLOR'S SALARY

The Lord Chancellor's increased salary entitlement, announced yesterday, was the result of the independent Senior Salaries Review Board's (SSRB) pay award for the Lord Chief Justice, and the automatic statutory link between the Lord Chancellor's salary and that of the Lord Chief Justice

The Lord Chancellor's Department had already asked the SSRB to review the relationship between judicial salaries and those of the Senior Civil Service, given the increasing role that performance pay now plays in determining the latter.

The Lord Chancellor has today asked that this review be extended to cover the statutory relationship between his own salary and that of the Lord Chief Justice.

Until the SSRB completes this review the Lord Chancellor has decided to take the same percentage increase on his existing salary, from 1 April, as his Cabinet colleagues will receive which is 2.25%.

ENDS

Jacob Nell

From: Jacob Nell
Sent: 10 March 2003 10:17
To: Fletcher Ian - CSO
Subject: PQ answer

Do you think this is a sensible line?

"The SSRB has been asked to consider the pay and pension of the Lord Chancellor in relation to the remuneration of other Cabinet Ministers, and to make recommendations. Pending the outcome of this review, the Lord Chancellor has agreed that his pay will be increased by the same amount as other Cabinet Ministers and that his pension will be based upon his actual pay."

Obviously we could go for a more elliptical:

"The SSRB has been asked to look at the remuneration of the Lord Chancellor and make recommendations" The risk is that this will not close down the issue, and it is better to negotiate the more complete answer with the LCD now.

What do you think?

From: Simon Virley
Date: 16 February 2003

PRIME MINISTER

Cc: Jonathan Powell
Alastair Campbell
Jeremy Heywood
PMOS
Clare Sumner
Jacob Nell o/r
Ben Wilson

SUNDAY TIMES ARTICLE - PM'S PENSION

I've discussed the suggested line with Alastair and the experts in the Cabinet Office. There are a number of points to be aware of:

- the arrangements for your pension and those of John Major, the Speaker and the Lord Chancellor are determined by legislation passed in 1991;
- this legislation changed the rules that applied before, so your pension is not calculated on the same basis as Mrs Thatcher's;
- the Pensions Green Paper suggested a threshold for full tax relief on private schemes. This would not apply directly to your pension, but there may be further calls for similar arrangements to apply;
- no decisions have yet been taken on any read across from the proposals in the Green Paper about private sector schemes and the 1991 legislation governing Prime Ministerial pensions.

Given this, we suggest a re-working of the suggested line to:

"The Prime Minister's pension arrangements are determined by legislation brought in by the previous Government in 1991. His arrangements are therefore on the same basis as those of his predecessor - and the Prime Minister has no intention of taking a pension on any other basis than that which applied to his predecessor. Any implications for these arrangements (or those relating to other offices like the Speaker) from the consultative proposals published in the Pensions Green Paper have yet to be determined. Any proposals would be subject to debate in Parliament in the usual way. In the meantime, the Prime Minister's pension arrangements will continue to be determined by the provisions of the 1991 Act."

Are you content for us to use this line? ✓

SIMON VIRLEY

From Edward Stell

Office of the Parliamentary Counsel
36 Whitehall, London SW1A 2AY
edward.stell@cabinet-office.x.gsi.gov.uk
Tel: 020 7210 0957 Fax: 020 7210 0963

File

Mr Powell

cc: CS
SV.

cc. Sir Andrew Turnbull
Mr Galloway
Mr Stone
Ms Hutchinson
Mr Watkins
Mr Ballinger
Mr Braggins

Dear Mr Powell,

TABLES OF MINISTERIAL OFFICES

I enclose a revised version of these tables taking account of recent appointments up to and including those announced on 28 October.

Yours sincerely

E J Stell

EDWARD STELL
7 November 2002

RESTRICTED

AS AT 29 OCTOBER 2002

TABLES

OF

MINISTERIAL OFFICES

CONTENTS

Introduction

1 Ministerial salaries may not be paid except in accordance with the *Ministerial and other Salaries Act 1975* ("MOSA") which both specifies the offices in respect of which salaries may be paid and imposes a series of limits on the numbers of salaries that may be paid. The *House of Commons Disqualification Act 1975* ("HCDA") imposes a limit of 95 on the number of persons holding specified Ministerial offices who may sit and vote in the House of Commons. These Tables are designed to help ensure that these statutory limits are observed. They are not intended to show precedence or courtesy titles.

2 The arrangement of the Tables is based on the structure of Schedule 1 to MOSA. Most of the offices specified for the purposes of HCDA are the same as those specified as offices for which salaries may be paid under MOSA. However, HCDA does not include in the list of specified offices certain offices whose holders are always members of the House of Lords (i.e. the Lord Chancellor and the offices customarily held by Lords' Whips).

3 If a person is the holder of two or more offices in respect of which a salary is payable under MOSA he is entitled to only one salary. Thus he counts only once towards any limit under that Act. The limit in HCDA is on persons holding offices rather than on offices, so if a person holds more than one disqualifying office he will count only once towards the limit.

4 Certain offices and designations appear in italics in the column showing the title of the office. The italicisation is to indicate that the office or designation is not (or is not currently) significant from the point of view of the statutory limits.

5 The list of totals at page 9 should show compliance with the relevant limits.

6 Awkward questions of law or of constitutional propriety may arise in connection with Ministerial changes. The following are by way of illustration only-

(a) Any proposal to create a new Ministerial post, paid or unpaid, without legislation involves considering the definition of Minister of State**(a)** and that of Parliamentary Secretary**(b)**;

(b) A Minister in charge of a department who, if not a member of the Cabinet, would be entitled to a salary only by virtue of head 2 of Part 2 of Schedule 1 to MOSA would not be entitled to a salary if made a member of the Cabinet;

(c) A person who does not draw a Ministerial salary but is credited with pension contributions may count towards the relevant limit or limits under MOSA.

Parliamentary Counsel Office

TABLE 1: Salaries payable under Part 1 of Schedule 1 to the Ministerial and other Salaries Act 1975 (Cabinet)

Title of Office	Name of holder	Commons
Prime Minister, First Lord of the Treasury and Minister for the Civil Service**(c)**	Tony Blair	✓
Deputy Prime Minister and *First* Secretary of State **(d)**	John Prescott	✓
Chancellor of the Exchequer (and *Lord of the Treasury***(e)**)	Gordon Brown	✓
President of the Council and *Leader of the House of Commons* **(f)**	Robin Cook	✓
Secretary of State *for Foreign and Commonwealth Affairs*	Jack Straw	✓
Secretary of State *for the Home Department*	David Blunkett	✓
Secretary of State *for Environment, Food and Rural Affairs* **(g)**	Margaret Beckett	✓
Secretary of State *for International Development*	Clare Short	✓
Secretary of State *for Transport*	Alistair Darling	✓
Secretary of State *for Health*	Alan Milburn	✓
Secretary of State *for Northern Ireland*	Paul Murphy	✓
Secretary of State *for Wales*	Peter Hain	✓
Secretary of State *for Defence*	Geoff Hoon	✓
Secretary of State *for Work and Pensions*	Andrew Smith	✓
Secretary of State *for Scotland*	Helen Liddell	✓
Lord Privy Seal and *Leader of the House of Lords*	Lord Williams of Mostyn	
Secretary of State *for Trade and Industry* (and President of the Board of Trade**(h)**)	Patricia Hewitt	✓
Secretary of State *for Education and Skills*	Charles Clarke	✓
Secretary of State *for Culture, Media and Sport*	Tessa Jowell	✓
Parliamentary Secretary to the Treasury (and *Chief Whip in the Commons*)	Hilary Armstrong	✓
Minister without Portfolio (Minister of State)	John Reid**(i)**	✓
Chief Secretary to the Treasury	Paul Boateng	✓
TOTAL SALARIES: 21 (i) **N.B. SALARIES UNDER PART 1 OF SCHEDULE 1 TO MOSA (I.E. THIS TABLE) ARE SUBJECT TO LIMIT OF 21**		21 **(i)**

TABLE 2: Salaries payable under Part 2 of Schedule 1 to the Ministerial and other Salaries Act 1975 (Non-Cabinet)

Title of Office	Name of holder	Commons
Chancellor of the Duchy of Lancaster and *Minister for the Cabinet Office* **(j)**	Lord Macdonald of Tradeston	
Paymaster General	Dawn Primarolo	✓
Financial Secretary to the Treasury	Ruth Kelly	✓
Minister of State (Office of the Deputy Prime Minister)	Nick Raynsford	✓
Minister of State (Office of the Deputy Prime Minister)	Lord Rooker	
Minister of State (Office of the Deputy Prime Minister)	Barbara Roche	✓
Minister of State (Cabinet Office)	Douglas Alexander	✓
Minister of State (Department for Culture, Media and Sport)	Richard Caborn	✓
Minister of State (Department for Culture, Media and Sport)	Baroness Blackstone	
Minister of State (Ministry of Defence)	Adam Ingram	✓
Minister of State (Department for Education and Skills)	David Miliband	✓
Minister of State (Department for Education and Skills)	Margaret Hodge	✓
Minister of State (Department for Environment, Food and Rural Affairs)	Michael Meacher	✓
Minister of State (Department for Environment, Food and Rural Affairs)	Alun Michael	✓
Minister of State (Foreign and Commonwealth Office) Minister of State (Department of Trade and Industry)	Baroness Symons of Vernham Dean	
Minister of State (Foreign and Commonwealth Office)	Denis MacShane	✓
Minister of State (Department of Health)	John Hutton	✓
Minister of State (Department of Health)	Jacqui Smith	✓
Minister of State (Home Office)	John Denham	✓
Minister of State (Home Office)	Lord Falconer of Thoroton	
Minister of State (Home Office)	Beverley Hughes	✓
Minister of State (Northern Ireland Office)	Jane Kennedy	✓
Minister of State (Department of Trade and Industry)	Stephen Timms	✓
Minister of State (Department of Trade and Industry)	Brian Wilson	✓
Minister of State (Department of Trade and Industry)	Alan Johnson	✓
Minister of State (Department for Transport)	John Spellar	✓
Minister of State (Department for Work and Pensions)	Nicholas Brown	✓
Minister of State (Department for Work and Pensions)	Ian McCartney	✓
Minister in charge of a public department of Her Majesty's Government in the United Kingdom who is not a member of the Cabinet and who is not eligible for a salary under any other provision of the Ministerial and other Salaries Act 1975	NO PERSON HOLDING AN OFFICE OF THIS DESCRIPTION	

Title of Office	Name of holder	Commons
TOTAL SALARIES: 28 **N.B. SALARIES UNDER PARTS 1 AND 2 OF SCHEDULE 1 TO MOSA (I.E. THIS TABLE AND TABLE 1 ABOVE) ARE SUBJECT TO LIMIT OF 50**		23

TABLE 3: Lord Chancellor and Law Officers (see section 1(2) of and Part 3 of Schedule 1 to the Ministerial and other Salaries Act 1975)

Title of Office	Name of holder	Commons
Lord Chancellor (and *Speaker of the House of Lords*)	Lord Irvine of Lairg	
Attorney General	Lord Goldsmith	
Solicitor General	Harriet Harman	✓
Advocate General for Scotland	Lynda Clark	✓
TOTAL SALARIES: 4		2

TABLE 4a: Salaries payable to Parliamentary Secretaries (other than to the Parliamentary Secretary to the Treasury) under Part 4 of Schedule 1 to the Ministerial and other Salaries Act 1975

Title of Office	Name of holder	Commons
Parliamentary Secretary (Office of the Deputy Prime Minister)	Tony McNulty	✓
Parliamentary Secretary (Office of the Deputy Prime Minister)	Christopher Leslie	✓
Parliamentary Secretary (Culture, Media and Sport)	Kim Howells	✓
Parliamentary Secretary (Ministry of Defence)	Lord Bach	
Parliamentary Secretary (Ministry of Defence)	Lewis Moonie	✓
Parliamentary Secretary (Department for Education and Skills)	Baroness Ashton of Upholland	
Parliamentary Secretary (Department for Education and Skills)	Ivan Lewis	✓
Parliamentary Secretary (Department for Education and Skills)	Stephen Twigg	✓
Parliamentary Secretary (Department for Environment, Food and Rural Affairs)	Elliot Morley	✓
Parliamentary Secretary (Department for Environment, Food and Rural Affairs)	Lord Whitty	
Parliamentary Secretary (Foreign and Commonwealth Office)	Mike O'Brien	✓
Parliamentary Secretary (Foreign and Commonwealth Office)	Baroness Amos	
Parliamentary Secretary (Foreign and Commonwealth Office)	Bill Rammell	✓
Parliamentary Secretary (Department of Health)	Lord Hunt of Kings Heath	
Parliamentary Secretary (Department of Health)	Hazel Blears	✓
Parliamentary Secretary (Department of Health)	David Lammy	✓
Parliamentary Secretary (Home Office)	Hilary Benn	✓
Parliamentary Secretary (Home Office)	Bob Ainsworth	✓

Title of Office	Name of holder	Commons
Parliamentary Secretary (Home Office)	Lord Filkin	
Parliamentary Secretary (Home Office)	Michael Wills **(i)**	✓
Parliamentary Secretary (International Development)	Sally Keeble	✓
Parliamentary Secretary (Lord Chancellor's Department)	Baroness Scotland of Asthal	
Parliamentary Secretary (Lord Chancellor's Department)	Yvette Cooper	✓
Parliamentary Secretary (Lord Chancellor's Department)	Rosie Winterton	✓
Parliamentary Secretary (Northern Ireland Office)	Desmond Browne	✓
Parliamentary Secretary (Northern Ireland Office)	Ian Pearson **(i)**	✓
Parliamentary Secretary (Northern Ireland Office)	Angela Smith **(i)**	✓
Parliamentary Secretary (Privy Council Office)	Ben Bradshaw	✓
Parliamentary Secretary (Scotland Office)	Anne McGuire	✓
Parliamentary Secretary (Department of Trade and Industry)	Lord Sainsbury of Turville **(i)**	
Parliamentary Secretary (Department of Trade and Industry)	Melanie Johnson	✓
Parliamentary Secretary (Department of Trade and Industry)	Nigel Griffiths	✓
Parliamentary Secretary (Department for Transport)	David Jamieson	✓
Parliamentary Secretary (Treasury) (*Economic Secretary*)	John Healey	✓
Parliamentary Secretary (Wales Office)	Don Touhig	✓
Parliamentary Secretary (Department for Work and Pensions)	Baroness Hollis of Heigham	
Parliamentary Secretary (Department for Work and Pensions)	Malcolm Wicks	✓
Parliamentary Secretary (Department for Work and Pensions)	Maria Eagle	✓
TOTAL SALARIES: 34 (i) **N.B. SALARIES UNDER PARTS 1 AND 2 OF SCHEDULE 1 TO MOSA (I.E. TABLES 1 AND 2 ABOVE) TOGETHER WITH SALARIES TO PARLIAMENTARY SECRETARIES (I.E. THIS TABLE) ARE SUBJECT TO LIMIT OF 83**		27 **(i)**

TABLE 4b: Salaries payable to office holders other than Parliamentary Secretaries under Part 4 of Schedule 1 to the Ministerial and other Salaries Act 1975 (k)

Title of Office	Name of holder	Commons
Captain of the Honourable Corps of Gentlemen-at-Arms (*Chief Whip, Lords*)	Lord Grocott	
Captain of the Queen's Bodyguard of the Yeomen of the Guard (*Deputy Chief Whip, Lords*)	Lord McIntosh of Haringey	
Treasurer of Her Majesty's Household (*Deputy Chief Whip, Commons*)	Keith Hill	✓
Lord in Waiting (*Government Whip, Lords*) : **LIMIT 5**	Baroness Farrington of Ribbleton	
Ditto	Lord Davies of Oldham	
Ditto	Baroness Andrews	
Ditt	Baroness Crawley	
Ditto	Lord Bassam of Brighton	
Comptroller of Her Majesty's Household (*Government Whip, Commons*)	Thomas McAvoy	✓
Vice-Chamberlain of Her Majesty's Household (*Government Whip, Commons*)	Gerry Sutcliffe	✓
Junior Lord of the Treasury (*Government Whip, Commons*) : **LIMIT 5**	John Heppell	✓
Ditto	Nick Ainger	✓
Ditto	Ian Pearson **(i)**	✓
Ditto	Jim Fitzpatrick	✓
Ditto	Philip Woolas	✓
Assistant Whip, House of Commons : **LIMIT 7**	Fraser Kemp	✓
Ditto	Angela Smith **(i)**	✓
Ditto	Ivor Caplin	✓
Ditto	Dan Norris	✓
Ditto	Jim Murphy	✓
Ditto	Derek Twigg	✓
Ditto	Joan Ryan	✓
Ditto	Charlotte Atkins **(i)**	✓
Ditto	Gillian Merron **(i)**	✓
TOTAL SALARIES: 22 (i)		17 **(i)**

TOTALS

	Salaries under MOSA	Office holders in Commons for purposes of HCDA
Total from Table 1	21 **(i)** [Must not exceed 21]	21 **(i)**
Total from Table 2	28	23
Total of Tables 1 and 2	*49 **(i)*** *[Must not exceed 50]*	-
Total from Table 3	4	2
Total from Table 4a	34 **(i)**	27 **(i)**
Total of Tables 1, 2 and 4a	*83 **(i)*** *[Must not exceed 83]*	-
Total from Table 4b	22	17 **(i)**
TOTALS	109 **(i)** [Must not exceed 109]	90 **(i)** [Must not exceed 95]

NOTES

(a) The term "Minister of State" is defined in section 9 of HCDA as a member of the government not in charge of a department and not holding any of the other offices specified in Schedule 2 to that Act or any office in respect of which a salary is payable out of money provided by Parliament under section 3(1)(b) of MOSA. The offices specified in Schedule 2 to HCDA include, in particular, "Parliamentary Secretary in a Government Department other than the Treasury, or not in a department".

(b) The term "Parliamentary Secretary", by virtue of the definition in section 9 of HCDA, "includes a person holding Ministerial office (however called) as assistant to a Member of Her Majesty's Government in the United Kingdom, but not having departmental responsibilities".

(c) The office of Minister for the Civil Service has, so far, been held by the Prime Minister, although it could in theory be held as an independent office outside the Cabinet and a salary paid under head 2 of Part 2 of Schedule 1 to MOSA (i.e. a Minister in charge of a department who is not a member of the Cabinet and who is not eligible for a salary under any other provision of that Act).

(d) For a transitional period pending an order under the Ministers of the Crown Act 1975, John Prescott is also Secretary of State for Transport, Local Government and the Regions. By virtue of S.I. 2001/2568, the offices of First Commissioner of Works and of Minister of Public Building and Works (which are not specified in either MOSA or HCDA) are held ex officio by that Secretary of State, together with the offices of Secretary of State for the Environment, Transport and the Regions and Secretary of State for the Environment, so as to preserve title to property abroad.

(e) The Chancellor of the Exchequer traditionally holds the office of Lord of the Treasury but this latter office does not entitle him to a salary and is not a disqualifying office under HCDA.

(f) The office is listed in MOSA as "Lord President of the Council". But the present appointment is to the office by the title President of the Council.

(g) By virtue of S.I.2002/794, the Secretary of State for Environment, Food and Rural Affairs is ex officio also Minister of Agriculture, Fisheries and Food, so as to preserve title to property abroad.

(h) The office of President of the Board of Trade is traditionally held by the Minister having responsibility for trade but does not appear in MOSA and therefore does not entitle its holder to a salary. The office is however a disqualifying office under HCDA.

(i) John Reid, Lord Sainsbury, Michael Wills, Charlotte Atkins and Gillian Merron do not draw ministerial salaries and are not credited with pension contributions. So they do not count towards the limits under MOSA. Ian Pearson and Angela Smith receive ministerial salaries and are credited with pension contributions in respect of their positions in Table 4b but not their positions in Table 4a, so they do not count towards the limits under MOSA in respect of the latter. All except Lord Sainsbury count towards the HCDA limit, but Ian Pearson and Angela Smith count only once each and so are not included in the total in the third column of Table 4a.

(j) The salary payable to the current Chancellor of the Duchy of Lancaster includes a salary payable to him from the Duchy of Lancaster (see section 3(2) of MOSA).

(k) The offices listed in Part 4 of Schedule 1 to MOSA other than Parliamentary Secretary - i.e. the offices listed in Table 4b - are customarily held by Whips other than the Chief Whip (who by custom holds the office of Parliamentary Secretary to the Treasury).

— PARLIAMENT
PAY + PENSIONS

F

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FAX ADVICE SHEET

TO: Clare Sumner

FAX NUMBER: 7839 9044

FROM: EDWARD STELL and GEOFFREY BOWMAN

DATE: 9/10/02

NUMBER OF PAGES INCLUDING THIS PAGE: 4

MESSAGE:

EJS

Ministerial and other Salaries Act 1975

1975 CHAPTER 27

An Act to consolidate the enactments relating to the salaries of Ministers and Opposition Leaders and Chief Whips and to other matters connected therewith.

[8th May 1975]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

Salaries.

1.—(1) Subject to the provisions of this Act—

(*a*) there shall be paid to the holder of any Ministerial office specified in Schedule 1 to this Act such salary as is provided for by that Schedule; and

(*b*) there shall be paid to the Leaders and Whips of the Opposition such salaries as are provided for by Schedule 2 to this Act.

Section 1 (cont)

Subst. Mins other Pens. and Sal. A. 1991 (c.5) s.3(1)

(2) There shall be paid to the Lord Chancellor a salary (which shall be charged on and paid out of the Consolidated Fund of the United Kingdom) at such rate as together with the salary payable to him as Speaker of the House of Lords will amount to ~~£20,000 a year~~ ~~£2,000~~* a year more than the salary for the time being payable to the Lord Chief Justice

rep. Cts & Legal Servs Act 1990 (c.41) s.84(d)

~~but so that the salary payable to a Lord Chancellor under this subsection shall be abated by the amount of any pension payable to him in respect of any public office in the United Kingdom or elsewhere to which he had previously been appointed or elected.~~

* see SI 1996/1913 (which substitutes £2,500) or later order

(3) There shall be paid to the Speaker of the House of Commons a salary (which shall be charged on and paid out of the Consolidated Fund of the United Kingdom) of ⊕~~£13,000~~ a year; ⊕ and on a dissolution of Parliament the Speaker of the House of Commons at the time of the dissolution shall for this purpose be deemed to remain Speaker until a Speaker is chosen by the new Parliament.

⊕ see SI 1996/1913 (which substitutes £60,000) or later order

Section 1 (cont.)

~~(4) Her Majesty may from time to time by Order in Council~~ substitute another figure for that given ~~by subsection (2) or (3) above~~

by subsection (2) above as the annual amount by which the salary is to exceed that of the Lord Chief Justice or by subsection (3) above

Subst. Min. and Other Pens and Sals Act 1991 (c.5) s.3(2)

or by Schedule 1 or 2 to this Act as the annual amount, or as the case may be the maximum or minimum annual amount, of any salary; but no recommendation shall be made to Her Majesty to make an Order in Council under this subsection unless a draft of the Order has been approved by resolution of each House of Parliament or, if it relates only to the salary to be paid to the Speaker of the House of Commons under sub~~section (3) above, by resolution of that House.~~

Subs (4) repealed, Min + Oth. Sal. Act 1997 c.62 s.1(1)

(5) A person to whom any salary is payable under subsection (1) above shall be entitled to receive only one such salary, but if he is the holder of two or more offices in respect of which a salary is so payable and there is a difference between the salaries payable in respect of those offices, the office in respect of which a salary is payable to him shall be that in respect of which the highest salary is payable.

THE NATIONAL ARCHIVES

DEPARTMENT/SERIES Prem 49 PIECE/ITEM 3272/1 (one piece/item number)	Date and sign
Extract details: Minute dated 28/08/2002	
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Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
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F

Treasury Chambers, Parliament Street, London, SW1P 3AG

RESTRICTED

Rt Hon Robin Cook MP
Privy Council Office
2 Carlton Gardens
London SW1Y 5AA

CS
cc: JJH
JN
DS
CO

12 July 2002

Dear Robin,

PARLIAMENTARY CONTRIBUTORY PENSION FUND

You wrote on 1 July enclosing the SSRB's recommendations on the financing of a new accrual rate of 1/40th for future service in the Parliamentary Scheme and on 5 July, forwarding John Butterfill's proposals as Chairman of the PCPF trustees about how to implement other SSRB recommendations.

2. I share your concern to find a way through these issues which will carry support in the House, but of course we must also be sensitive to the criticisms which we may attract from outside the House if we are seen to be over generous to MPs and disregarding the concerns of pensioners.

3. Regarding the increased accrual rate, I welcome the recommendation of SSRB that members of the scheme should bear the full cost of the accrual rate over time. In the first instance, this means MPs will pay an immediate increase in contributions of 3%, raising their contributions to 9%. And the 2.1% to be funded initially by the Exchequer will be recovered over time in future reviews of MPs' remuneration. However, we will still need to be very careful about the

CHIEF SECRETARY TO THE TREASURY

presentation of this to avoid accusations that the taxpayer is in fact being required to foot a large share of the bill.

4. Turning to the proposals made by the trustees, which you have endorsed, I am sorry that it was not possible for there to be any consultation with my officials both about their content and the timing of their implementation.

5. Without a proper study of the implications, I am unable to accept the basic premise that the Parliamentary Scheme should immediately leave the Public Sector Transfer Club or that we would be prepared to deploy any marginal savings that might arise in a commitment to further improve members' benefits. The SSRB has not made a recommendation to that effect and, it appears to me that the trustees have ignored the merits of the Transfer Club in promoting public service mobility and bringing a wider variety of experience into the House and the Government. Furthermore, the range of savings quoted is highly speculative given the impossibility of predicting the outcome of future elections. In certain circumstances the cost of continuing Transfer Club arrangements, and the savings that might arise from terminating them, could be minimal. I must ask therefore that the Trustees explain their grounds for leaving the Public Sector Transfer Club and carry out further work to explore the scope for achieving real savings. This is a separate issue from bids to increase benefits, which will carry a certain cost and will be extremely difficult to defend in current circumstances.

6. I note the proposal to set up a Parliamentary Transfer Club. This would fulfil another of the SSRB recommendations. However, apart from an approximate outline of how benefits might be calculated under the scheme, no detailed proposals or costings have been provided nor indeed any indication that the other UK Assemblies have been consulted.

CHIEF SECRETARY TO THE TREASURY

You will appreciate the costs, which would of course fall directly on the Exchequer, would have a direct bearing on any savings that might arise from exiting the Public Sector Transfer Club.

7. Turning to the trustees' proposals to introduce lifetime spouses and unmarried partners. I received these proposals only last Friday, and they raise a number of questions about the details and structure of the new benefits and their implementation that need to be resolved. This is of course a highly sensitive subject where what we agree for MPs is likely to be a point of issue for negotiations in the context wider public service pensions policy. The future of defined benefit pension schemes in the private sector is also becoming a subject for vigorous wider debate and we must avoid any impression that MPs are feathering their own nests regardless of public concern.

8. Further work needs to be carried out on these items. Once this has been completed, we should then be a position to discuss how the proposed benefit improvements might be financed with a view to making a further announcement later this year.

9. In considering all these issues we will also need to look at the way in which the Fund is being managed, to ensure that the Exchequer guarantee on the Fund is not being used to justify a pattern of investment that would otherwise be imprudent.

10. You have proposed a Statutory Instrument that would bring the increased accrual rate and other SSRB recommendations into effect. For the avoidance of doubt, the measures which I am content for you to implement before the recess are set out in the first section of the attached annex.

CHIEF SECRETARY TO THE TREASURY

11. In view of the current level of concern about all pension matters and recent interest in the Parliamentary scheme, very careful handling will be required of the inevitable press enquiries that will result from the public announcement of this deal for MPs. Could I ask that your officials provide a line to take and Q&A briefing for use by all parties who may be asked questions and that they agree it with Treasury and DWP officials before you make any announcement?

12. I am copying my letter to the Prime Minister, Andrew Smith, Hilary Armstrong and Sir Richard Wilson.

PAUL BOATENG

ANNEX

I. Agreed SSRB recommendations that can be included in implementing Statutory Instrument

1. That the lump sum death in service payment by increased from three times annual basic salary to four times annual basic salary and that the cost of 0.4% be borne by the Exchequer;

3. That service in the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly, other than such service concurrent with service at Westminster, should count towards the qualifying period for an early retirement pension;

5. That the rules of the scheme should be revised in respect of benefits for children to ensure that all dependent children receive equality of treatment.

7. That an exception to the abatement rules should be made for former Members of the House of Commons in receipt of a pension as an MP who become paid office holders in the House of Lords. This exception to abatement should not extend to any part of the pension earned as a paid office holder in the Commons.

Increased accrual rate to 1/40ths – for service from 5 July 2001 at cost of 5.1%, 3% to be paid by Members, and 2.1% by Exchequer. Additional Treasury contribution is to be taken into account in subsequent reviews of MPs' pay.

II. Implementation of the following recommendations <u>not yet agreed</u>

2, 4 and 8 (lifetime pensions for spouses, establishment of a Parliamentary Transfer Club and provision of survivor pensions) - the Treasury are considering proposals put to them on 5 July.

6. Equality proofing of the PCPF rules to ensure there is no systemic discrimination: no proposals for change yet put forward

Top: PD(CS)
" COS
PPS
Qs
PD (AA)
P&R (SM)

RT HON ROBIN COOK MP
LEADER OF THE HOUSE OF COMMONS
2 CARLTON GARDENS
LONDON SWIY 5AA
TEL: 020 7210 1025

- 8 JUL 2002

FILE

Dear Paul,

RECOMMENDATIONS OF THE TRUSTEES OF THE PARLIAMENTARY CONTRIBUTORY PENSION FUND

I wrote to you on 1 July with the recommendation of the Senior Salaries Review Body on the implementation of the increased accrual rate voted by the House on 5 July 2001.

After that vote the trustees of the pension fund were asked to consider the implementation of a number of the recommendations made in SSRB Report 47 (I attach the full list of recommendations). The recommendations the trustees were asked to consider were:

- how best to implement recommendation two (ending the cessation of a widow or widower's pension on remarriage) at no additional cost to the Exchequer,
- recommendation four on establishing a parliamentary transfer club,
- recommendation six on equality proofing the rules of the fund, and
- recommendation eight to canvass Members' views on extending pensions to unmarried partners.

The trustees have now reported and I attach a copy of their letter. The key point they make is that the savings from leaving the public sector transfer club and instead setting up a parliamentary transfer club (recommendation four) will fund the cost of the introduction of pensions for unmarried partners (recommendation eight) and for abolishing cessation on remarriage (recommendation two).

On recommendation eight, I should point out that the House expressed its view on 5 July when it voted by 289 to 33 in favour of Dr Evan Harris's amendment that "this House believes that survivors' benefits could apply to unmarried partners as well as spouses".

When the Prime Minister asked me to refer the question of the accrual rate to the SSRB he asked that all the measures recommended by the SSRB should be implemented together. Given the costings provided by the trustees I hope that we can now proceed with the statutory instrument implementing all of the SSRB's recommendations so that this issue can be resolved before the summer recess.

SHP 8/7/02

I am copying this letter to the Prime Minister, Hilary Armstrong and Sir Richard Wilson.

Yours sincerely

Robin Cook

ROBIN COOK

Rt Hon Paul Boateng MP
Chief Secretary to the Secretary

RECOMMENDATIONS IN SSRB REPORT 47 ON PARLIAMENTARY PENSIONS

(1) that the lump sum death in service payment be increased from three times annual basic salary to four times annual basic salary and that the increased cost of around 0.4 per cent be borne by the Exchequer;

(2) that the rules should be amended to remove the provision for curtailing the pension of a widow/widower of a deceased Member on remarriage or cohabitation. Any consequential increase in the contribution rate should be borne by the Exchequer;

(3) that service in the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly, other than such service concurrent with service at Westminster, should count towards the qualifying period for an early retirement pension;

(4) that the Trustees of the PCPF should explore with the managers of the MEPs' pension scheme and the Trustees of the pension schemes for Members of the devolved assemblies the merits of establishing a Parliamentary Transfer Club;

(5) that the rules of the scheme should be revised in respect of benefits for children to ensure that all dependent children receive equality of treatment;

(6) equality proofing of the PCPF rules to ensure that there is no systemic discrimination;

(7) that an exception to the abatement rules should be made for former Members of the House of Commons in receipt of a pension as an MP who become paid office holders in the House of Lords. This exception to abatement should not extend to any part of the pension earned as a paid office holder in the Commons.

(8) That the Trustees should canvas the views of Members of the PCPF on the issue of survivor pensions for unmarried partners.

FROM: JOHN BUTTERFILL FRICS MP

HOUSE OF COMMONS
LONDON SW1A 0AA

3 July, 2002.

MP901
President of The Council
Received
-4 JUL 2002
CN
PENSIONS
File

Dear Robin,

The recommendations of the Trustees of the Parliamentary Contributory Pension Fund (PCPF) with regard to changes to the PCPF

Thank you for inviting me to summarise the Trustees' recommendations with regard to unmarried partners and cessation on remarriage.

The costs quoted below are taken from the Government Actuary's Department (Grant Ballantine) letter of 15th May 2002. The Trustees have also taken note of the GAD's lengthy letter of 1st July 2002 regarding cessation (considered further below).

Transfer Club

The PCPF belongs to the Public Sector Transfer club.

A Transfer Club is an arrangement in which members of final salary schemes can move from one Club scheme to another, transferring the cash value of their benefits (if they wish) on terms which are far better than those enjoyed by non-Club transferees. Such arrangements assume that the flow of members will be two-way (i.e. some members will transfer out as well as some transferring in), and that salary levels on transfer will be relatively comparable.

The PCPF rarely has transfers out, but has had many transfers in from other public sector schemes. Many of those transferring (particularly after the General Election in 1997) received a significant pay increase on becoming an MP. These two factors have meant that membership of the Public Sector Transfer Club has been costly for the PCPF.

Recommendation

1. The Trustees entirely concur with the SSRB recommendation that membership of the current Public Sector Transfer Club should cease, and strongly advocate the establishment of a new Parliamentary Transfer Club.

2. A new Parliamentary Transfer Club should be established, with membership restricted to members of other UK Assemblies, plus the European Parliament.

3. If the incoming transfer is based on a salary which is lower than that of a Westminster MP (e.g. Assembly Members), the Pensionable Service granted

FROM: JOHN BUTTERFILL FRICS MP

HOUSE OF COMMONS
LONDON SW1A 0AA

should not be straight "a year in the old scheme becomes a year in the PCPF". The service credit should be pro-rated to reflect the differences in salary. An example may help to clarify this:

An Assembly Member has a salary of (say) £40,000 and has been in an Assembly Pension Scheme for 10 years. He becomes an MP on a salary of (say) £50,000, and wishes to transfer his pension benefits. Instead of granting a service credit of 10 years, this would be pro-rated as follows:

40,000/50,000 x 10 years = 8 years.

This approach still benefits the transferee, as it means that his pension benefits remain linked to pay levels.

Saving

The GAD estimates that the cost was around 1.5% of Parliamentary salaries in 1997, and could be around 1% going forwards.

Adopting the recommendations above would therefore result in a saving of 1%, because the amount of cash transferred is approximately equal to the value of the benefits granted to the transferee.

Pensions for unmarried partners/other dependants ("Adult Dependants")

The rules of the PCPF currently allow for pensions for spouses and eligible children only.

Recommendation

1. Pensions for Adult Dependants would accrue only for future service (i.e. from the date of the relevant Order). For example, if a member who currently has 6 years of service in the PCPF dies in one year's time, the Adult Dependant's pension would be based on service from the date of the Order, projected to the PCPF's Normal Retirement Age of 65.

2. The preferred model to determine when payment to an Adult Dependant should be contemplated is outlined below.

- If there is a surviving spouse, no pension will be payable to another Adult Dependant.

- An Adult Dependant is defined as someone who is:

a) cohabiting at the date of the member's death and was so cohabiting before the member's 65th birthday (or date of retirement if earlier)
and

FROM: JOHN BUTTERFILL FRICS MP

HOUSE OF COMMONS
LONDON SW1A 0AA

b) was nominated in writing as a pension beneficiary by the member at least 12 months prior the member's death

and

c) in the Trustees' opinion, the Adult Dependant was financially dependent on the member, or the member and the Adult Dependant had been financially interdependent and the Adult Dependant has provided proof that this was so for the whole 12 months prior to the member's death

3. If the Adult Dependant is 10 years or more younger than the member, the pension will be reduced on the basis of advice from the Government Actuary.

4. The Adult Dependant's own children (i.e. those who are not the joint offspring off/jointly adopted by the member and the Adult Dependant) will qualify for a Children's Pension, if they were financially dependent on the member at the time of the member's death. They will be subject to the same eligibility criteria re age etc as children who currently qualify for Children's Pensions.

5. If the Adult Dependant remarries, their pension will be treated in the same way as the pension for a bereaved spouse who remarries.

6. A survivor's pension may be payable to a parent or sibling where, in the sole discretion of the Trustees, the parent or sibling was financially dependent on the member for the basic necessities of life at the time of the member's death.

Cost

The GAD estimates the cost of implementing the above proposals as 0.5% (assuming the increased accrual rate is implemented), or 0.4% if the accrual rate remains at 1/50.

(Please note that the GAD has confirmed that extending coverage to "non-partner" dependants is virtually negligible, given the restrictions imposed in point 6 above.)

Cessation on remarriage

The Senior Salaries Review Body has recommended the abolition of cessation, and that the cost for doing this should be borne by the Treasury.

Recommendation

1. The change should apply for future service only. However, to avoid prejudicing the position of those who are currently receiving a spouse's pension and wish to cohabit/remarry, their pension would continue unless the Trustees, at their absolute discretion, and having regard to all the circumstances at the time they exercise that discretion, terminate the spouse's pension. The Trustees also wish to retain a similar general discretion in respect of past service for all members.

FROM: JOHN BUTTERFILL FRICS MP

HOUSE OF COMMONS
LONDON SW1A 0AA

2. Where the marriage takes place after the member has reached the age of 65 (or has retired, if earlier), the spouse's pension will cease if the spouse cohabits or remarries.

3. Where a spouse is more than 10 years younger than the member, the spouse's pension would automatically be reduced if the spouse remarried/cohabited, such reduction to be based on advice given by the GAD.

4. Children's pensions (for children who qualify under the current Regulations) would not be reduced in any way by any of the above.

Cost

If the safeguards above are introduced, the cost is estimated at 0.3% of pay *without* an allowance for the Trustees retaining a discretion as outlined in paragraph 1.

The GAD regards "an indicative cost" of including this proposed discretion to be 0.6% of pay over a 10-year period, but concedes he would revise this estimate if the Trustees gave more precise indications of how they might react to certain scenarios, and/or when the March 2002 Actuarial Valuation data is available.

The Trustees regard such a discretion as essential, although it would be entirely correct to point out that this is likely to be exercised extremely sparingly; they are fully cognisant of the fact that "exceptional reasons" do not, by their very nature, occur often. The Trustees also wish to point out that there is no evidence of a PCPF spouse's pension being stopped because of remarriage or cohabitation. Under the circumstances, they take issue with what they see as an exceedingly cautious estimate and truly believe that the figure of 0.3% is closer to the real cost.

To summarise the costs of the above:

Saving on cessation of Public Sector Transfer Club	-1%	
Less:		
Cost of pensions for unmarried partners	+0.5%	(if accrual rate is increased)
	+0.4%	(if accrual rate is unchanged)
Abolishing cessation on remarriage	+0.3%	(which the Trustees view as the correct figure)
Overall saving assuming accrual rate is increased	-0.2%	

FROM: JOHN BUTTERFILL FRICS MP

HOUSE OF COMMONS
LONDON SW1A 0AA

In short, the Trustees believe that the saving which result from the abolition of the Transfer Club will more than compensate for the introduction of pensions for unmarried partners, and for abolishing cessation on remarriage.

I trust the above is sufficient for your purposes, but please let me know if you require any further information.

Yours ever,

John Butterfill
Chairman,
Parliamentary Contributory Pension Fund

The Rt Hon Robin Cook MP
Leader of the House of Commons
2 Carlton Gardens
LONDON SW1Y 5AA

F

From: Clare Sumner
Date: 5 July 2002

PRIME MINISTER

cc: Jonathan Powell
Jeremy Heywood
Alastair Campbell
David Hanson
PMOS
Robert Hill

PARLIAMENTARY PENSIONS

Issue
To agree that Robin can implement the SSRB recommendation that the increased accrual rate should be paid for by an increased contribution of 3% by MPs and 2.1% by the Exchequer next week. The Treasury is content.

Background
It is one year on since the House voted on these issues. Robin has promised that he will resolve this matter before the summer recess. Hilary is concerned about the timing but recognises there is never going to be a particularly good time to implement this.

The problem, as ever, will be public perception of MPs voting themselves a better pension package at a time when people are struggling. The Sandler review is due out on Tuesday. You should also be aware that people like Bruce and Jeff Rooker are being penalised as measures agreed by the SSRB and voted on by MPs have not yet been implemented as Robin has wanted to present a package to Parliament.

Given HMT are content with the package and that we will begin to face criticism from MPs if Robin does not keep his promise, David and I think we should implement these measures now. There is likely to be media criticism but we will be able to take the line that this is a House matter and they are voting on recommendations from the SSRB.

Clare Sumner

CLARE SUMNER

F

PRESIDENT OF THE COUNCIL

RT HON ROBIN COOK MP

LEADER OF THE HOUSE OF COMMONS

2 CARLTON GARDENS

LONDON SWIY 5AA

TEL: 020 7210 1025

1st July 2002

CO

cc: JJH
JN
CS

Dear Paul,

PARLIAMENTARY CONTRIBUTORY PENSION FUND

This issue has a long history and a voluminous correspondence between our offices with which your Private Secretary will be wearily familiar! In essence the House voted last July to accelerate the accrual rate to 1/40 at Treasury expense. This prompted extensive discussion within Government on what we were prepared to accept. In March the Prime Minister ruled that I should refer the matter back to the SSRB: "The Government will then amend the SSRB recommendation rather than suggest a compromise. The House would then be implementing an SSRB recommendation rather than a Government one."

I have now received the recommendations of the SSRB and enclose a copy. In summary, the SSRB recommends that the increased contribution of 5.1% should be split 3% to MPs and 2.1% to the Exchequer. It further recommends that the Treasury contribution can be reflected in future salary increases. This is close to the submission by the Treasury to their enquiry.

I propose to lay a Statutory Instrument giving effect to this and the other decisions of the resolution of the House. The Prime Minister's letter of last March stressed "that the issue can be resolved before the summer recess". It is therefore my intention to lay the Statutory Instrument in the week commencing 8 July.

There is one point raised by the SSRB which I would ask you to consider. In its letter the SSRB points out that we rejected its earlier recommendation that the Exchequer fund the cost of ending the withdrawal of a widow or widower's pension on remarriage. The SSRB reiterates its view that the Exchequer should bear the cost of this change, an estimated 0.3%. As members will be funding the larger part of the increased accrual rate I would ask you to consider funding this small additional cost.

I am copying this letter to the Prime Minister, Hilary Armstrong and Sir Richard Wilson.

Yours sincerely

Robin Cook

ROBIN COOK

Paul Boateng
Chief Secretary to the Treasury

OFFICE OF MANPOWER ECONOMICS

OXFORD HOUSE
76 OXFORD STREET
LONDON W1N 9FD

Direct Telephone Line 020 7467
GTN 3059
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0013617

Rt. Hon ~~Robin Cook~~ MP
Leader of the House of Commons
2 Carlton Gardens
LONDON SW1Y 5AA

18 June 2002

Dear Mr Cook,

Parliamentary Contributory Pension Fund

Thank you for your letter of 12 April 2002 welcoming me as Chairman of the Senior Salaries Review Body and providing an update on the implementation of the recommendations contained in our last report on the parliamentary pension scheme, Report No. 47, published in March 2001.

As you observe, the Review Body was aware that its report was debated by the House on 5 July 2001. In this process, the House endorsed a recommendation from the Trustees of the Parliamentary Contributory Pension Fund (the Trustees) 'that the accrual rate be increased to $1/40^{th}$ and the additional cost be borne by the Exchequer'. It noted at the time that this was contrary to our recommendation that a $1/50^{th}$ accrual rate remained appropriate for the time being.

Your letter goes on to ask the Review Body to:

> 'advise the Government on the implementation of an improved pension accrual rate taking account of developments in pension provision since (our) work supporting Report No. 47' and says that 'in particular, the Government looks for advice on the funding of this benefit improvement'.

You said it would be helpful if the Review Body could report by 1 July 2002 to enable the implementation to take place before the summer recess.

Summary of Evidence

The Review Body undertook this task in its normal way - by eliciting and considering evidence. It received written evidence from the Government, the Government Actuary's Department (GAD) and the Trustees. It also took into account your letter of 26 April 2002, summarising the points expressed in a discussion you had with representatives of the Trustees, and of Conservative and Liberal Democrat MPs. It received oral evidence from the Chairman of the Trustees and from the Government Actuary.

The Government Actuary's Office provided evidence on cost. The Review Body was told that, at present, the (total) standard contribution rate was set at 24.5% of pensionable pay of which members themselves contribute 6%; the balance is met by the Exchequer. To fund an improved accrual rate of 1/40th in respect of future service, the standard contribution rate would need to increase to 29.6% of pensionable pay. Thus the additional cost in moving to a 1/40th accrual rate for future service is 5.1% of pensionable pay. If the benefit were to be extended to include past service for existing Members of Parliament, an amount equivalent to a further increase of 6% of pensionable pay for a period of ten years would have to be found. (The Review Body notes these figures are higher than the indicative numbers quoted when the House debated its earlier report, when it was suggested that an increased contribution of around 6% would cover both past and future service).

At the Review Body's request, GAD also commented on recent developments in pension provision. The Review Body was told that there is little evidence of improvements in the level of benefits in final salary schemes in recent times, except where employees themselves are bearing all or most of the costs. On the contrary, for well understood reasons, there has been a trend towards the closure of defined benefit schemes, especially for new entrants, in favour of less onerous and more predictable schemes so far as employers are concerned.

The Trustees said that greater recognition needed to be given to the increasingly transient nature of an MP's tenure of office. Members served, on average, less than ten years in the House before leaving - often on an involuntarily basis. This was said to contrast with the position twenty years ago when the average parliamentary career was more than twenty three years. Many, particularly those in their 50's, found it difficult to resume previous employment or to get suitable employment elsewhere. It was also put to the Review Body that a lack of current experience in previous professions and an outdated knowledge of work place changes made it more difficult for members to gain re-employment if they left the House. It was felt that MPs were therefore now inclined to give greater weight to pensions. Comparisons were also made with other countries and their equivalent parliamentary pension schemes. The Review Body noted that there had been a major change in the average service time of MPs caused in part by the shift in the composition of the House at the 1997 General Election. It was put to the Review Body that this volatility may well be a continuing feature of Parliamentary life. This may indeed come to be the case but the evidence is as yet inconclusive.

The Government's evidence recognised the importance of remuneration for MPs and Ministers being sufficient to attract and reward people of the highest calibre. The pension scheme should compare favourably to provision made in alternative occupations in both the public and private sectors. However the Government was also concerned about the implications of increasing pension benefits (and, by implication, the total remuneration package of MPs) at taxpayer's cost.

Conclusions

In its earlier review of the parliamentary pension scheme, the Review Body considered whether, in the context of the total remuneration package of MPs, an accrual rate of 1/50th still seemed appropriate when considered alongside the rates available in other schemes, particularly those covering MPs' comparator jobs. The Review Body concluded that it did, and that remains its view in the light of the evidence summarised above.

Noting that none of the evidence it received argued for the benefit of a 1/40th accrual rate to be applied to past service, and given the cost, the Review Body concluded that if a new accrual rate of 1/40th is to be conceded, this should be applied to future service only.

As regards who should pay the increased contribution of 5.1% of pensionable pay needed to fund the improved accrual rate of 1/40th for future service, the Review Body concludes that MPs should be the primary contributors and that Members' contributions should increase immediately by 3% to a new total of 9% of pensionable pay. (This figure may need to be revised in light of a more accurate estimate by GAD of the cost involved.) This will leave 2.1% to be funded initially by the taxpayer, but the Review Body considers that this additional contribution should be taken into account in subsequent reviews of MPs pay, particularly taking into account their wish to give greater weight to pension benefits within total remuneration, so that eventually the full cost of implementing the increased accrual rate is borne by MPs on an ongoing basis.

I would like to mention one other matter. One of the recommendations in the Review Body's earlier report was that:

> 'the rules should be amended to remove the provision for curtailing the pension of a widow/widower of a deceased member on remarriage or cohabitation. Any consequential increase in the contribution rate should be borne by the Exchequer.'

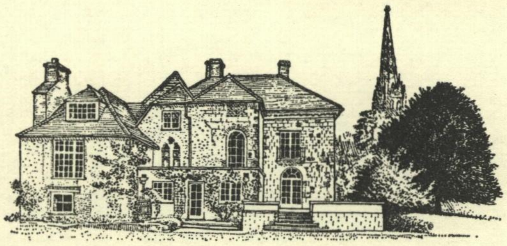
The Government did not accept that the cost of implementing this recommendation - estimated by GAD to be about 0.5% - should be borne by the Exchequer. Consequently, the cost fell on members. Our view remains that the Exchequer should have borne the cost. Since this is an additional and (for the Review Body) unintended burden on members, it asked GAD to confirm that the figure of 0.5% remained a reliable estimate of the cost involved. GAD has now advised the Review Body that, because the proposed rule change includes safeguards against potential abuse, the estimated cost reduces to 0.3%.

Yours sincerely
John Baker

John Baker CBE
Chairman, Senior Salaries Review Body

PM reading box

Simon ✓ (F)



Arundells, 59 The Close, Salisbury, Wiltshire SP1 2ER

26th June 2002

Dear Tony,

Thank you for your letter of 25th June 2002.

I am most grateful to you for the arrangements you have made for my future pension.

Your proposals are indeed welcome news and most gratifying.

Yours

Ted

The Rt Hon Tony Blair MP
The Prime Minister
10 Downing Street
London SW1A 2AA

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Dear Ted,

Further to my recent letter, I have now looked into the issue of your pension in more detail.

For the reasons set out in my previous letter, I do not think it would be wise to attempt to change the basis for calculating the pensions of all former Prime Ministers. As you know, these pensions are determined by legislation. The 1991 Ministerial and other Pensions and Salaries Act gave a one-off boost to the pensions of former Prime Ministers (to bring them up to one half of the salary of the Prime Minister on 28 February 1991). This Act did not, though, allow former Prime Ministers, such as yourself, to re-join the pension scheme for MPs.

However, I do recognise the exceptional circumstances you face, being the only former Prime Minister who also had significant service in the House of Commons after 1991. I have therefore asked the Government Actuary's Department to advise on the pension you might have expected to receive if you had been eligible to join the MPs' pension scheme during your ten years' service after 1991. I propose that this amount (adjusted to take account of the fact that you did not pay any contributions during this time) should be paid to you in future, probably as a monthly supplement to your Prime Ministerial pension. Officials will be in touch with you about the details. You will be aware that we cannot make any payments in advance of getting Parliamentary cover for the expenditure, which we shall need to do by a Winter Supplementary Estimate this December. This means that payments would start in the New Year.

I am pleased that we have been able to recognise your unique position and I hope these proposals will be welcome news to you.

Yours ever,

Tony

The Right Honourable Sir Edward Heath KG MBE

(F)

From: Simon Virley
Date: 21 June 2002

PRIME MINISTER

cc: Jonathan Powell
Jeremy Heywood
Clare Sumner
Sally Morgan

SIR EDWARD HEATH'S PENSION

We have now looked into the practicalities of making a small ex gratia payment to Sir Edward Heath, following your earlier steer.

The basis on which a special payment could be made to Sir Edward is that he is the only Prime Minister who both served as PM before 1991 and had significant service as an MP in the House (10 years' worth) after 1991 (when the rules were changed preventing former PM's rejoining the Parliamentary Pension Scheme). This makes him a unique case.

(You also asked about Mary Wilson. We think it would be very difficult to make a special case for her and that any change to her arrangements would also have to be extended to other former pre-1991 Prime Ministers i.e. Lord Callaghan and Lady Thatcher. And it is difficult to see what case one could make to justify such changes.)

If you are minded to go ahead with a payment to Sir Edward, then the most sensible payment would be one under the authority of the Appropriation Act. This would be based on the pension that he would have expected if he had been eligible to join the MPs' scheme for his 10 years' service post-1991. The Government Actuary's Department advise that that sum (reduced to take account of the fact that he made no contribution to the scheme during those 10 years) would amount to about £7,500 per year until his death.

The justification would be that:

- Sir Edward's 10 years' service as a backbencher had attracted no pension whatsoever (because the 1991 Act prevented him from joining the Parliamentary Pension Scheme during this period);

- he was the only ex-Prime Minister - and the only MP – in such a position; and

- that the sum proposed was being reduced to take account of the fact that he paid no contributions during that time.

We would need to make sure the payment was drawn to the attention of Parliament, through a Winter Supplementary Vote on the authority of the Appropriation Act. This means the payments could not start until the New Year, although they would be backdated to the last election.

Any you content to go ahead on this basis? If so, I attach a draft letter for you to sign.

I assume he must need this money - though I wd have thought he wasn't exactly poor. But it seems fair enough

SIMON VIRLEY

From Edward Stell

Office of the Parliamentary Counsel
36 Whitehall, London SW1A 2AY
edward.stell@cabinet-office.x.gsi.gov.uk
Tel: 020 7210 0957 Fax: 020 7210 0963

MATRIX

f-o
1. PR.
2. file

cc: MH

Mr Powell

cc. Sir Richard Wilson
Mr Galloway
Mr Stone
Ms Hutchinson
Mr Watkins
Mr Ballinger
Mr Braggins

Dear Mr Powell

TABLES OF MINISTERIAL OFFICES

I enclose a revised version of these tables taking account of recent appointments up to Mr Prescott's additional appointment (pending a Transfer of Functions Order) as Secretary of State for Transport, Local Government and the Regions on 16th July.

Yours sincerely

E J Stell

EDWARD STELL

15 June 2001

Mailing List of Table of Ministerial Offices

Jonathan Powell
Chief of Staff
Prime Minister's Office
10 Downing Street
London SW1

Sir Richard Wilson GCB
Secretary of the Cabinet
Cabinet Office
70 Whitehall
London SW1A 2AS

Alex Galloway
Clerk of the Council
Privy Council Office
2 Carlton Gardens
London SW1Y 5AA

Roy Stone
Private Secretary
Government Chief Whip's Office
12 Downing Street
London SW1

Georgia Hutchinson
Central Secretariat
Cabinet Office
Room 118
70 Whitehall
London SW1A 2AS

Mike Watkins
Performance and Reward Division
Cabinet Office
Room 2.7
Admiralty Arch
London SW1

Paul Ballinger
Central Secretariat
Cabinet Office
Room 118
70 Whitehall
London SW1A 2AS

J R J Braggins
Treasury Solicitor's Department
Treasury Advisory Division
Allington Towers
19 Allington Street
London SW1E 5EB

23 JULY 2001

RESTRICTED

AS AT 17 JULY 2002

TABLES

OF

MINISTERIAL OFFICES

CONTENTS

Introduction

1 Ministerial salaries may not be paid except in accordance with the *Ministerial and other Salaries Act 1975* ("MOSA") which both specifies the offices in respect of which salaries may be paid and imposes a series of limits on the numbers of salaries that may be paid. The *House of Commons Disqualification Act 1975* ("HCDA") imposes a limit of 95 on the number of persons holding specified Ministerial offices who may sit and vote in the House of Commons. These Tables are designed to help ensure that these statutory limits are observed. They are not intended to show precedence or courtesy titles.

2 The arrangement of the Tables is based on the structure of Schedule 1 to MOSA. Most of the offices specified for the purposes of HCDA are the same as those specified as offices for which salaries may be paid under MOSA. However, HCDA does not include in the list of specified offices certain offices whose holders are always members of the House of Lords (i.e. the Lord Chancellor and the offices customarily held by Lords' Whips).

3 If a person is the holder of two or more offices in respect of which a salary is payable under MOSA he is entitled to only one salary. Thus he counts only once towards any limit under that Act. The limit in HCDA is on persons holding offices rather than on offices, so if a person holds more than one disqualifying office he will count only once towards the limit.

4 Certain offices and designations appear in italics in the column showing the title of the office. The italicisation is to indicate that the office or designation is not (or is not currently) significant from the point of view of the statutory limits.

5 The list of totals at page 9 should show compliance with the relevant limits.

6 Awkward questions of law or of constitutional propriety may arise in connection with Ministerial changes. The following are by way of illustration only-

(a) Any proposal to create a new Ministerial post, paid or unpaid, without legislation involves considering the definition of Minister of State**(a)** and that of Parliamentary Secretary**(b)**;

(b) A Minister in charge of a department who, if not a member of the Cabinet, would be entitled to a salary only by virtue of head 2 of Part 2 of Schedule 1 to MOSA would not be entitled to a salary if made a member of the Cabinet;

(c) A person who does not draw a Ministerial salary but is credited with pension contributions may count towards the relevant limit or limits under MOSA.

Parliamentary Counsel Office

TABLE 1: Salaries payable under Part 1 of Schedule 1 to the Ministerial and other Salaries Act 1975 (Cabinet)

Title of Office	Name of holder	Commons
Prime Minister, First Lord of the Treasury and Minister for the Civil Service**(c)**	Tony Blair	✓
Deputy Prime Minister and *First* Secretary of State **(d)**	John Prescott	✓
Chancellor of the Exchequer (and *Lord of the Treasury*(**e**))	Gordon Brown	✓
President of the Council and *Leader of the House of Commons* **(f)**	Robin Cook	✓
Secretary of State *for Foreign and Commonwealth Affairs*	Jack Straw	✓
Secretary of State *for the Home Department*	David Blunkett	✓
Secretary of State *for Environment, Food and Rural Affairs* **(g)**	Margaret Beckett	✓
Secretary of State *for International Development*	Clare Short	✓
Secretary of State *for Transport*	Alistair Darling	✓
Secretary of State *for Health*	Alan Milburn	✓
Secretary of State *for Northern Ireland*	John Reid	✓
Secretary of State *for Wales*	Paul Murphy	✓
Secretary of State *for Defence*	Geoff Hoon	✓
Secretary of State *for Work and Pensions*	Andrew Smith	✓
Secretary of State *for Scotland*	Helen Liddell	✓
Lord Privy Seal and *Leader of the House of Lords*	Lord Williams of Mostyn	
Secretary of State *for Trade and Industry* (and President of the Board of Trade(**h**))	Patricia Hewitt	✓
Secretary of State *for Education and Skills*	Estelle Morris	✓
Secretary of State *for Culture, Media and Sport*	Tessa Jowell	✓
Parliamentary Secretary to the Treasury (and *Chief Whip in the Commons*)	Hilary Armstrong	✓
Minister without Portfolio (Minister of State)	Charles Clarke**(i)**	✓
Chief Secretary to the Treasury	Paul Boateng	✓
TOTAL SALARIES: 21 (i) **N.B. SALARIES UNDER PART 1 OF SCHEDULE 1 TO MOSA (I.E. THIS TABLE) ARE SUBJECT TO LIMIT OF 21**		21 (i)

TABLE 2: Salaries payable under Part 2 of Schedule 1 to the Ministerial and other Salaries Act 1975 (Non-Cabinet)

Title of Office	Name of holder	Commons
Chancellor of the Duchy of Lancaster and *Minister for the Cabinet Office* (j)	Lord Macdonald of Tradeston	
Paymaster General	Dawn Primarolo	✓
Financial Secretary to the Treasury	Ruth Kelly	✓
Minister of State (Office of the Deputy Prime Minister)	Nick Raynsford	✓
Minister of State (Office of the Deputy Prime Minister)	Lord Rooker	
Minister of State (Office of the Deputy Prime Minister)	Barbara Roche	✓
Minister of State (Cabinet Office)	Douglas Alexander	✓
Minister of State (Department for Culture, Media and Sport)	Richard Caborn	✓
Minister of State (Department for Culture, Media and Sport)	Baroness Blackstone	
Minister of State (Ministry of Defence)	Adam Ingram	✓
Minister of State (Department for Education and Skills)	David Miliband	✓
Minister of State (Department for Education and Skills)	Margaret Hodge	✓
Minister of State (Department for Environment, Food and Rural Affairs)	Michael Meacher	✓
Minister of State (Department for Environment, Food and Rural Affairs)	Alun Michael	✓
Minister of State (Foreign and Commonwealth Office) Minister of State (Department of Trade and Industry)	Baroness Symons of Vernham Dean	
Minister of State (Foreign and Commonwealth Office)	Peter Hain	✓
Minister of State (Department of Health)	John Hutton	✓
Minister of State (Department of Health)	Jacqui Smith	✓
Minister of State (Home Office)	John Denham	✓
Minister of State (Home Office)	Lord Falconer of Thoroton	
Minister of State (Home Office)	Beverley Hughes	✓
Minister of State (Northern Ireland Office)	Jane Kennedy	✓
Minister of State (Department of Trade and Industry)	Stephen Timms	✓
Minister of State (Department of Trade and Industry)	Brian Wilson	✓
Minister of State (Department of Trade and Industry)	Alan Johnson	✓
Minister of State (Department for Transport)	John Spellar	✓
Minister of State (Department for Work and Pensions)	Nicholas Brown	✓
Minister of State (Department for Work and Pensions)	Ian McCartney	✓
Minister in charge of a public department of Her Majesty's Government in the United Kingdom who is not a member of the Cabinet and who is not eligible for a salary under any other provision of the Ministerial and other Salaries Act 1975	NO PERSON HOLDING AN OFFICE OF THIS DESCRIPTION	

Title of Office	Name of holder	Commons
TOTAL SALARIES: 28 **N.B. SALARIES UNDER PARTS 1 AND 2 OF SCHEDULE 1 TO MOSA (I.E. THIS TABLE AND TABLE 1 ABOVE) ARE SUBJECT TO LIMIT OF 50**		23

TABLE 3: Lord Chancellor and Law Officers (see section 1(2) of and Part 3 of Schedule 1 to the Ministerial and other Salaries Act 1975)

Title of Office	Name of holder	Commons
Lord Chancellor (and *Speaker of the House of Lords*)	Lord Irvine of Lairg	
Attorney General	Lord Goldsmith	
Solicitor General	Harriet Harman	✓
Advocate General for Scotland	Lynda Clark	✓
TOTAL SALARIES: 4		2

TABLE 4a: Salaries payable to Parliamentary Secretaries (other than to the Parliamentary Secretary to the Treasury) under Part 4 of Schedule 1 to the Ministerial and other Salaries Act 1975

Title of Office	Name of holder	Commons
Parliamentary Secretary (Office of the Deputy Prime Minister)	Tony McNulty	✓
Parliamentary Secretary (Office of the Deputy Prime Minister)	Christopher Leslie	✓
Parliamentary Secretary (Culture, Media and Sport)	Kim Howells	✓
Parliamentary Secretary (Ministry of Defence)	Lord Bach	
Parliamentary Secretary (Ministry of Defence)	Lewis Moonie	✓
Parliamentary Secretary (Department for Education and Skills)	Baroness Ashton of Upholland	
Parliamentary Secretary (Department for Education and Skills)	Ivan Lewis	✓
Parliamentary Secretary (Department for Education and Skills)	Stephen Twigg	✓
Parliamentary Secretary (Department for Environment, Food and Rural Affairs)	Elliot Morley	✓
Parliamentary Secretary (Department for Environment, Food and Rural Affairs)	Lord Whitty	
Parliamentary Secretary (Foreign and Commonwealth Office)	Mike O'Brien	✓
Parliamentary Secretary (Foreign and Commonwealth Office)	Baroness Amos	
Parliamentary Secretary (Foreign and Commonwealth Office)	Denis MacShane	✓
Parliamentary Secretary (Department of Health)	Lord Hunt of Kings Heath	
Parliamentary Secretary (Department of Health)	Hazel Blears	✓
Parliamentary Secretary (Department of Health)	David Lammy	✓
Parliamentary Secretary (Home Office)	Hilary Benn	✓
Parliamentary Secretary (Home Office)	Bob Ainsworth	✓

Title of Office	Name of holder	Commons
Parliamentary Secretary (Home Office)	Lord Filkin	
Parliamentary Secretary (Home Office)	Michael Wills (i)	✓
Parliamentary Secretary (International Development)	Sally Keeble	✓
Parliamentary Secretary (Lord Chancellor's Department)	Baroness Scotland of Asthal	
Parliamentary Secretary (Lord Chancellor's Department)	Yvette Cooper	✓
Parliamentary Secretary (Lord Chancellor's Department)	Rosie Winterton	✓
Parliamentary Secretary (Northern Ireland Office)	Desmond Browne	✓
Parliamentary Secretary (Privy Council Office)	Ben Bradshaw	✓
Parliamentary Secretary (Scotland Office)	Anne McGuire	✓
Parliamentary Secretary (Department of Trade and Industry)	Lord Sainsbury of Turville (i)	
Parliamentary Secretary (Department of Trade and Industry)	Melanie Johnson	✓
Parliamentary Secretary (Department of Trade and Industry)	Nigel Griffiths	✓
Parliamentary Secretary (Department for Transport)	David Jamieson	✓
Parliamentary Secretary (Treasury) (*Economic Secretary*)	John Healey	✓
Parliamentary Secretary (Wales Office)	Don Touhig	✓
Parliamentary Secretary (Department for Work and Pensions)	Baroness Hollis of Heigham	
Parliamentary Secretary (Department for Work and Pensions)	Malcolm Wicks	✓
Parliamentary Secretary (Department for Work and Pensions)	Maria Eagle	✓
TOTAL SALARIES: 34 (i) **N.B. SALARIES UNDER PARTS 1 AND 2 OF SCHEDULE 1 TO MOSA (I.E. TABLES 1 AND 2 ABOVE) TOGETHER WITH SALARIES TO PARLIAMENTARY SECRETARIES (I.E. THIS TABLE) ARE SUBJECT TO LIMIT OF 83**		27 (i)

TABLE 4b: Salaries payable to office holders other than Parliamentary Secretaries under Part 4 of Schedule 1 to the Ministerial and other Salaries Act 1975 (k)

Title of Office	Name of holder	Commons
Captain of the Honourable Corps of Gentlemen-at-Arms (*Chief Whip, Lords*)	Lord Grocott	
Captain of the Queen's Bodyguard of the Yeomen of the Guard (*Deputy Chief Whip, Lords*)	Lord McIntosh of Haringey	
Treasurer of Her Majesty's Household (*Deputy Chief Whip, Commons*)	Keith Hill	✓
Lord in Waiting (*Government Whip, Lords*) : **LIMIT 5**	Baroness Farrington of Ribbleton	
Ditto	Lord Davies of Oldham	
Ditto	Baroness Andrews	
Ditt	Baroness Crawley	
Ditto	Lord Bassam of Brighton	
Comptroller of Her Majesty's Household (*Government Whip, Commons*)	Thomas McAvoy	✓
Vice-Chamberlain of Her Majesty's Household (*Government Whip, Commons*)	Gerry Sutcliffe	✓
Junior Lord of the Treasury (*Government Whip, Commons*) : **LIMIT 5**	John Heppell	✓
Ditto	Nick Ainger	✓
Ditto	Ian Pearson	✓
Ditto	Jim Fitzpatrick	✓
Ditto	Philip Woolas	✓
Assistant Whip, House of Commons : **LIMIT 7**	Fraser Kemp	✓
Ditto	Angela Smith	✓
Ditto	Ivor Caplin	✓
Ditto	Dan Norris	✓
Ditto	Jim Murphy	✓
Ditto	Derek Twigg	✓
Ditto	Joan Ryan	✓
TOTAL SALARIES: 22		15

TOTALS

	Salaries under MOSA	Office holders in Commons for purposes of HCDA
Total from Table 1	21 (i) [Must not exceed 21]	21 (i)
Total from Table 2	28	23
Total of Tables 1 and 2	*49 (i)* *[Must not exceed 50]*	-
Total from Table 3	4	2
Total from Table 4a	34 (i)	27 (i)
Total of Tables 1, 2 and 4a	*83 (i)* *[Must not exceed 83]*	-
Total from Table 4b	22	15
TOTALS	109 (i) [Must not exceed 109]	88 (i) [Must not exceed 95]

NOTES

(a) The term "Minister of State" is defined in section 9 of HCDA as a member of the government not in charge of a department and not holding any of the other offices specified in Schedule 2 to that Act or any office in respect of which a salary is payable out of money provided by Parliament under section 3(1)(b) of MOSA. The offices specified in Schedule 2 to HCDA include, in particular, "Parliamentary Secretary in a Government Department other than the Treasury, or not in a department".

(b) The term "Parliamentary Secretary", by virtue of the definition in section 9 of HCDA, "includes a person holding Ministerial office (however called) as assistant to a Member of Her Majesty's Government in the United Kingdom, but not having departmental responsibilities".

(c) The office of Minister for the Civil Service has, so far, been held by the Prime Minister, although it could in theory be held as an independent office outside the Cabinet and a salary paid under head 2 of Part 2 of Schedule 1 to MOSA (i.e. a Minister in charge of a department who is not a member of the Cabinet and who is not eligible for a salary under any other provision of that Act).

(d) For a transitional period pending an order under the Ministers of the Crown Act 1975, John Prescott is also Secretary of State for Transport, Local Government and the Regions. By virtue of S.I. 2001/2568, the offices of First Commissioner of Works and of Minister of Public Building and Works (which are not specified in either MOSA or HCDA) are held ex officio by that Secretary of State, together with the offices of Secretary of State for the Environment, Transport and the Regions and Secretary of State for the Environment, so as to preserve title to property abroad.

(e) The Chancellor of the Exchequer traditionally holds the office of Lord of the Treasury but this latter office does not entitle him to a salary and is not a disqualifying office under HCDA.

(f) The office is listed in MOSA as "Lord President of the Council". But the present appointment is to the office by the title President of the Council.

(g) By virtue of S.I.2002/794, the Secretary of State for Environment, Food and Rural Affairs is ex officio also Minister of Agriculture, Fisheries and Food, so as to preserve title to property abroad.

(h) The office of President of the Board of Trade is traditionally held by the Minister having responsibility for trade but does not appear in MOSA and therefore does not entitle its holder to a salary. The office is however a disqualifying office under HCDA.

(i) Charles Clarke, Lord Sainsbury and Michael Wills do not draw ministerial salaries and are not credited with pension contributions. So they do not count towards the limits under MOSA (but Charles Clarke and Michael Wills count towards the HCDA limit).

(j) The salary payable to the current Chancellor of the Duchy of Lancaster includes a salary payable to him from the Duchy of Lancaster (see section 3(2) of MOSA).

(k) The offices listed in Part 4 of Schedule 1 to MOSA other than Parliamentary Secretary - i.e. the offices listed in Table 4b - are customarily held by Whips other than the Chief Whip (who by custom holds the office of Parliamentary Secretary to the Treasury).

FROM: SALLY HINKLEY
Director of Performance
and Change Management Group
Room 2.12
TEL: 276 1501
DATE: 28 May 2002

By e-mail

cc: Julia Wood
Robert Ricks

SIMON VIRLEY

Following your email of 20 May, the answers to your three questions are as follows:

a) The basis on which a payment could be made to **Sir Edward Heath** is that he is the only Prime Minister who served before 1991 who also had significant service as an MP in the House (10 years' worth) after 1991, for which he could not join the Parliamentary Scheme. This makes him a unique case.

It is impossible to draw a similar ring-fence around **Mary Wilson**, and any change you proposed making there would need to extend to Lord Callaghan and Lady Thatcher. (As a widow, Lady Wilson receives ⅝ of the pension of a past Prime Minister, in line with the way the Prime Minister's scheme is drawn.) It is hard to see how to justify a new scheme to cover all three. Many people feel that their pensions are just not big enough, and there seem to be no particular circumstances in these cases which would provide a sound basis for making extra payments.

b) If the Prime Minister still wanted to go ahead with Sir Edward Heath, I am advised that the most sensible payment would be a payment under the authority of the Appropriation Act, based on the pension that he would have expected if he had been eligible to join the MPs' scheme for his 10 years' service post-1991. The Government Actuary's Department advise that that sum (reduced to take account of the fact that he, of course, made no contribution to the scheme during those 10 years) would amount to about £7,500 per year until his death. The justification would be that, since he could not benefit from the changes in the law in 1991 which permitted present and future Prime Ministers to belong to the MPs' pension scheme, 10 years of Sir Edward's service as a backbencher had attracted no pension whatsoever; that he was the only ex-Prime Minister - and the only MP – in such a position; and that the sum had been reduced to take account of the fact that he paid no contributions during that time.

c) If the Prime Minister decided to go ahead, we would need to make sure the payment were drawn to the attention of Parliament, probably through a Winter Supplementary Vote on the authority of the Appropriation Act. (We are exploring this further on a confidential basis with the Treasury.) Although Sir Edward is receiving regular monthly pension under the Prime Ministers' scheme, for reasons of transparency we advise that it would be best to set up a separate regular monthly payment. This would be subject to income tax in the normal way.

This note has been cleared with lawyers. Please let me know if you need more.

(Signed Sally Hinkley)

SALLY HINKLEY

not in Matrix.

File

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

27 May 2002

Dear Ted,

I very much enjoyed our discussion the other day.

On the two issues you raised, I understand that my office has been in touch with yours about the arrangements for giving evidence to the 'Bloody Sunday' inquiry. I hope these arrangements are acceptable to you.

I have also looked into the point you raised about the pension entitlements of former Prime Ministers. As I understand it, your entitlement is determined by the provisions in the 1991 Ministerial and other Pensions and Salaries Act. This gave a one-off boost to the pensions of former Prime Ministers. At the same time, it precluded former Prime Ministers from belonging to the pension scheme for MPs. Since 1991, the entitlement, like other public service pensions, has risen in line with prices.

Any changes to these arrangements would require primary legislation. We would also need to be mindful of setting a precedent for other public service pensions. However, I do recognise the special circumstances you face having served as an MP for ten years after 1991. We will therefore have another look to see whether there is anything more that can be done.

Yours ever,

Tony

The Right Honourable Sir Edward Heath KG MBE

10 DOWNING STREET

<u>**PRIME MINISTER**</u>

SIR EDWARD HEATH

We are following up the idea of an ex gratia payment to Sir Edward and will come back with further advice to you on this next week.

We have also amended the draft letter in light of your steer. Effectively, this is now a holding reply, which highlights the difficulties of changing the arrangements for *all* former Prime Ministers, but recognises that Sir Edward does face special circumstances (without giving any firm commitment to act). A more detailed letter will follow when we have a firm proposition to make.

Please sign the letter if you are content with this approach.

SV
23/5

From: Simon Virley
Date: 16 May 2002

PRIME MINISTER

cc: Jonathan Powell
Jeremy Heywood
Clare Sumner

SIR EDWARD HEATH

Sir Edward Heath raised the issue of his pension with you when he came to see you recently. For the reasons set out below, we recommend against seeking to change the basis on which the pensions of former Prime Ministers are determined, or making an ex gratia payment to Sir Edward. I attach a draft letter for you to sign if you are content with the recommended course of action.

Background

Here are the facts:

- Sir Edward Heath's pension is now £34,592 pa.

- The basis for calculating this was established by the Ministerial and other Pensions and Salaries Act 1991.

- This provided a one-off boost to the pensions of former Prime Ministers, bringing them up to 50% of the Prime Minister's salary on the date of passing the Act (28 February 1991). At the same time, it precluded this group from rejoining the Parliamentary pension scheme and claiming a pension as an MP. Like other public service pensions, Sir Edward's pension rises in line with prices each year.

- The other (pre-1991) former Prime Ministers, Lord Callaghan and Lady Thatcher, receive the same amount. (Lady Wilson's widow's pension is just over £21,000.)

- Sir Edward also has access to a public duty cost allowance of £70,000 pa to cover his office costs; a further £7,000 pa for pension contributions to staff; and the use of an official car and driver.

- Over the last decade, Prime Ministerial salary entitlements have risen faster than prices, so the current Prime Ministerial pension provision stands at £58,218 pa.

Cabinet Office officials met Sir Edward last year to discuss his pension position in detail. He appeared to have two main concerns, which he alluded to again at your recent meeting:

- first, that his pension was rising in line with prices rather than being pegged at 50% of the salary of the Prime Minister of the day; and

- second, that he was not receiving any pension as an MP.

Should we change the pension arrangements for former Prime Ministers?

Any change to the pension arrangements for former Prime Ministers would require primary legislation. This would need to follow an explicit recommendation by the Senior Salaries Review Body (SSRB). Even with the backing of the SSRB, any such move could prompt demands from public service and state pensioners for their pensions to rise with salaries rather than prices. Cabinet Office officials therefore strongly recommend against asking the SSRB to consider this issue.

Similarly, permitting Sir Edward to have re-joined the Parliamentary scheme would only have been possible through primary legislation made while Sir Edward was a sitting member. It seems odd that he did not raise these concerns when the 1991 Act was in preparation.

Are there grounds for treating Sir Edward as a special case?

The argument for treating Sir Edward as a special case would be that he is the only former Prime Minister with service as an MP after 1991.

The initial advice we have received from Treasury Solicitors is that it may be possible to make a small ongoing (ex gratia) payment under the Appropriation Act, provided prior Treasury approval is obtained.

However, there are a number of factors to consider before going down this route:

- first, while Sir Edward (like the other former Prime Ministers) was precluded from rejoining the Parliamentary pension scheme after 1991, there was nothing to stop him making contributions to another scheme to increase his pension provision;

- it would difficult not to extend the more generous provision to other former Prime Ministers. Lady Wilson, for example, has recently queried the amount of her pension with Gordon Brown and Robin Cook;

- more generally, it could set an unhelpful precedent for MPs and other public service pensions. (The maximum pension any MP could have had on leaving the Commons at the last election was £32,427 pa.)

On balance, therefore, we do not recommend that you open up the possibility of an ex gratia payment to Sir Edward. The attached draft reply reflects this advice.

However, if you did want to make a change, then we will investigate further the possibility of making an ex-gratia payment to Sir Edward. We would need to amend the end of the letter to say that we were looking more closely at the options to see whether anything more could be done outside the confines of the scheme.

The reply also makes reference to his query about the location for the 'Bloody Sunday' hearings. It now looks as though these will take place in London, rather than Northern Ireland, which should make it easier for him to attend. We have passed this information on to his office.

SIMON VIRLEY

I think we need to show a little give, tho' I understand what you say. But if it wd help Ted / Mary & have no other consequences. I wd favour a small payment.

Treasury Chambers, Parliament Street, London, SW1P 3AG

RESTRICTED

MATRIX

CS
cc: JJH
JN
JP.

John Baker CBE
SSRB Chairman
Office of Manpower Economics
Oxford House
76 Oxford Street
London W1D 1BS

13 May 2002

Dear John,

PARLIAMENTARY PENSIONS

You have been invited to advise the Government on how the improved pension accrual rate which Members voted for last July should be implemented.

2. I attach the written Government evidence on this issue which the Treasury was asked to prepare and which has been agreed with other interested colleagues.

3. I hope that you will find this helpful and that you will let me know if you need any further information.

Best wishes,

Andrew

ANDREW SMITH

RESTRICTED - POLICY

FROM: JULIA WOOD
Civil Service Pensions
8.05 Grosvenor House
Tel: (GTN 1439) 6490
Fax: (GTN 1439) 6594
DATE: 10 May 2002

SALLY HINKLEY cc: Derek Pain (o/r)

PENSION FOR SIR EDWARD HEATH

1. Derek has advised that No 10 has asked you to revisit the advice I put to them on pensions for Sir Edward Heath. I attach a copy of my note to Clare Sumner, plus a note prepared yesterday by Robert Ricks, our legal adviser. These both cover the statutory background. You will note that Robert Ricks now advises (paragraph 7 of his note) that, if No 10 so desired, it may be possible to rely on general powers to make a (small) ongoing payment without statutory authority, provided Treasury approval is obtained.

2. I am not aware of any precedents for topping up the pensions of former Prime Ministers or former MPs. If No 10 were to go down this route they would be setting a precedent and it could be difficult to ring-fence to this particular case.

Position as a former Prime Minister

3. As a former Prime Minister, Sir Edward Heath is receiving a pension of £34,592 a year. On top of this he has access to public duty cost allowance of £70,000pa (to be used for office costs) and a further £7,000 for pension contributions for staff. He also retains use of an official car (and driver).

4. Sir Edward is receiving exactly the same pension as the other pre-1991 former Prime Ministers, Lord Callaghan and Lady Thatcher. It is difficult to see any justification for topping up his pension without extending any top-up to them. Lady Wilson is also in receipt of a pension as widow of a former Prime Minister. Lady Wilson's pension is somewhat less (just over £21k); she has queried the level of it with Robin Cook and Gordon Brown, and on the face of it may appear to be an equally deserving case.

5. Furthermore, the increasing of pensions by reference to price rather than pay inflation is a constant complaint of pensioner groups who feel that their standard of living is being degraded. Any precedent that could be interpreted as a change of policy could have very expensive repercussions unless it could be ring-fenced robustly.

Position as a former MP

6. Sir Edward was not permitted to rejoin the MPs' pension scheme when we ceased to be Prime Minister. Although the law changed in 1991 to permit Prime Ministers to remain in the MPs' scheme (for service after 1991 only), the change was not made retrospective and Sir Edward was not able to rejoin. I have not, though, seen any evidence that he asked to rejoin (at that time or any other).

7. **<u>If</u>** Sir Edward had been able to rejoin the MPs' pension scheme in February 1991 and had chosen to do so, he would have built up approximately 10.27 years of service by the time he left the Commons at the election in June 2001. This would have resulted in a pension of £9,991pa. But Sir Edward would also have been making contributions at a rate

of 6%pa over these years. The last 12 months' pay for MPs departing at the last election was £48,641 – although it is a gross oversimplification, 10.27 years' worth of contributions based on that pay would have amounted to just under £30,000. Given Sir Edward's age, it is not easy to assess what "loss" he may have suffered by not being able to rejoin the MPs' scheme in 1991.

8. For comparison in all of this, the maximum pension any MP could have had on leaving the Commons at the last election was £32,427.55pa

9. Happy to discuss any points. I am in the office all day but in meetings for some of the time.

Julia Wood

Pension Arrangements For Prime Ministers

1. Prime Ministers' pensions have been dealt differently under legislation, as compared with other ministers and MP's.

2. Under legislation in force at the time Sir Edward Heath became Prime Minister in 1970, someone who ceased to be a Member after 1 April 1965 was entitled to a pension drawn from what was then called the Members' Contributory Pension Fund, but a Member was excluded from that entitlement if he had been Prime Minister: s.7(2) of the Ministerial Salaries and Members' Pensions Act 1965. The Prime Minister had separate arrangements for his pension and was entitled to an amount specified in section 3 of the Ministerial Salaries Consolidation Act 1965, to be paid out of the Consolidated Fund by virtue of s.7(3) of that Act. If a Member had paid contributions into the Members' Fund and then became Prime Minister, those contributions had to be refunded with interest under s. 11(1) (c) of the Ministerial Salaries and Members' Pensions Act. This is what happened in Sir Edward's case. He contributed to the Member's Fund, but upon becoming Prime Minister, his contributions were refunded with interest. Instead he became entitled to a pension paid out of the Consolidated Fund on leaving office in 1974.

3. The Members' Fund was reconstituted by the Parliamentary and Other Pensions Act 1972 and was re-named the Parliamentary Contributory Pension Fund (PCPF). However the arrangements described above remained in place. The Prime Minister remained excluded from the PCPF, and from contributing to it, or receiving a pension from it. The Prime Minister retained his entitlement to a pension paid out of the Consolidated Fund, payable when he ceased to be Prime Minister. Furthermore, section 3(3) of the Act did not allow contributions to the PCPF from people who were or had been Prime Ministers. Therefore, an ex-PM who went back to being a Member was prevented from joining the PCPF as a Member.

4. The Parliamentary and other Pensions Act 1987, s.2(1), empowered the Leader of the Commons to make provision (by regulations), with respect to the PCPF

and its assets, for Members' pensions. However, s.2(3) prohibited such regulations from making provision for the PM's pension out of the PCPF.

5. The 1987 Act was subsequently amended by the Ministerial and other Pensions and Salaries Act 1991. Under section 2(1) of the 1991 Act, the Leader of the Commons could make regulations giving persons with service as a Prime Minister access to the PCPF, if they elected to contribute to it out of their remuneration as Members, whilst holding the office of Prime Minister. Under C1(a) of the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (the Regulations), any person serving as a Member can join the PCPF, except any person who holds or has held the office of Prime Minister and has not exercised the option to join. The effect of the 1991 Act and Regulations, therefore, gave Prime Ministers and ex-Prime Ministers the opportunity to remain in the PCPF as long as they elected to do so whilst holding the office of Prime Minister.

6. None of this altered the position of Sir Edward Heath. Upon ceasing to hold the office of Prime Minister, he was precluded by the 1972 Act from rejoining the PCFC. Even when the law was changed in I991 to enable regulations to provide for Prime Ministers and ex Prime Ministers to remain in the PCFC, he could not elect to do so, because the legislation did not extend to someone in his position who had already ceased to hold office as Prime Minister.

7. Although there appears to be no existing statutory route whereby Sir Edward could be paid additional pension, the question arises whether the Government could pay money voted to it under the Appropriation Acts. Two questions arise. The first is whether the legislation referred to above has by implication removed this power, i.e. to pay from other funds available. In my it has not. The second is whether the payment breaches the PAC Concordat of 1932 that reliance will not be placed solely on the Appropriation Act, as opposed to specific statutory authority, where a commitment to continuing expenditure is incurred. A pension would fall within this, but there is a general exception where the cost will be less than £900,000 and Treasury approval is obtained.

Robert Ricks, Treasury Solicitor's Department 9.05.2002

F

FROM: SALLY HINKLEY
Director of Performance
and Change Management Group
Room 2.12
TEL: 276 1501
DATE: 10 May 2002

By e-mail

cc: Derek Pain
Julia Wood
Robert Ricks
Andrew Allberry

SIMON VIRLEY

PENSION FOR SIR EDWARD HEATH

We have now received the legal advice on whether it is possible to make an ex gratia payment to Sir Edward Heath. You will see from the papers attached that Treasury Solicitor's advice is that it is not impossible to make a payment under the Appropriation Act so long as Treasury approval is obtained.

However, there are some policy issues you would need to address in considering whether to pursue this route:

i. Sir Edward Heath's pension at £34,592 is exactly the same as that for other pre-1991 former Prime Ministers, Lord Callaghan and Lady Thatcher. Lady Wilson's widow's pension is just over £21,000.

ii. The basis for Sir Edward's complaint may be that pay inflation has out stripped price inflation (which is the basis for pensions uprating). If this argument were accepted, there would be implications for other pensioner groups who make the same points, and are firmly resisted.

iii. Sir Edward may not be worse off than any other MP. The maximum pension any MP could have had on leaving the Commons at the last Election was £32,427. Sir Edward also has access to public duty cost allowance of £70,000 per annum to cover his office costs; a further £7,000 for pension contributions to staff; and the use of an official car and driver.

On the other hand:

iv. Sir Edward is the only former Prime Minister with service as an MP after 1991 (10 years of it) for which he has been excluded from the Parliamentary Contributory Pension Fund (PCPF). The 1991 Act allowed people who became Prime Minister after that time to remain in the PCPF as MPs for their period of service after 1991. No other former Prime Minister has service as an MP after 1991 which is excluded.

If you would like us to explore further the ex gratia options, we would need to consider:

a. how to provide a basis for the resulting payment(s). On this we would need advice from the Government Actuary;

b. how the ex gratia payment(s) should be ring fenced. iv. above may provide a way;

c. whether a one-off decision now might set an unhelpful precedent for the future.

In the meantime, you clearly need to let Sir Edward have a letter. I attach a redraft for you. It contains alternative sentences in square brackets, depending on whether or not you decide to pursue the ex gratia route.

Please let me know if you need more.

SALLY HINKLEY

DRAFT LETTER TO SIR EDWARD HEATH

You recently raised with the Prime Minister the question of your pension as a former Prime Minister. I am pleased to be able to tell you that this has been increased from 8 April this year to £34,592.31 a year. This is in line with pensions paid to all former Prime Ministers, and as you know, is based on 50 per cent of the salary of the Prime Minister on 28 February 1991, uprated, as all public service pensions are, by the movement in price inflation. Under the legislation, all those leaving Prime Ministerial office before 1991 were explicitly catered for and could not also belong to the MP's pension scheme.

I am afraid that it is very difficult to see how we could help you further given the clarity of the statutory position, and the common basis for inflation-proofing with all other public service pensions. [I am sorry not to be able to give a more helpful answer.] [However, given the exceptional length of your service in the House of Commons after leaving Prime Ministerial office, we will have another look to see whether there is anything more than can be done.]

JJH

CS
JPo
AA
JN

Treasury Chambers, Parliament Street, London, SW1P 3AG

Rt Hon Robin Cook MP
Leader of the House of Commons
2 Carlton Gardens
London SW1Y 5AA

9 May 2002

Dear Leader,

PARLIAMENTARY PENSIONS

Thank you for your letter of 7 May. I enclose a revised draft of Government Evidence to the SSRB on which I should be grateful for your final comments by Monday 13th May. I think it may now be difficult for the review Body to follow its original timetable but I should still like to get the evidence to them before their meeting on 15th May if possible.

2. I have incorporated all your comments in the new draft. I hope that you will now be able to agree it. I should just make two points about the line which we are taking. First, we must not consider ourselves bound by the precise terms of the House's resolution. That resolution called for a very large increase in the value of benefits payable by the Parliamentary Pension Scheme with the extra costs being met entirely at Exchequer expense. In seeking further advice from the Review Body on the implementation of the increase in benefits we are also seeking advice on who should bear the costs and one option must be for the cost to be met in full by members through higher member contribution. However, as the draft makes clear, I am prepared to see some sharing of costs provided that can be done in a way which is consistent with our wider policies on

CHIEF SECRETARY TO THE TREASURY

public service pensions and which does not undermine the important principles of independent review.

3. Second, I should explain that my original draft did not suggest defunding the scheme and appropriating the assets for the Exchequer, as you suggested in your comments. On the contrary, the original text merely explained that one option for the future would be to fix the Exchequer contribution at some level (which could be higher than the current level) and let member contributions rise or fall in line with future decisions about the level of benefits to be offered, and the performance of the fund. That would make some sense of the current practices for funding the scheme and managing the assets of the fund, but I am happy for us to look at that in the longer term and in the meantime to delete from the evidence the reference to that option and the commitment to maintaining the fund.

4. My hope is that the review body will give us cover for a shared cost approach by recommending one of the options offered but I do not think we can go any further in ourselves recommending further taxpayer expense on MPs and Ministers pensions in the current climate. I hope you will agree.

Yours sincerely,

p.p. **ANDREW SMITH**
(approved by the Chief Secretary and signed in his absence)

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DRAFT GOVERNMENT EVIDENCE TO THE SSRB ON PARLIAMENTARY PENSIONS

The Review Body made recommendations last year on various proposals for changes to the rules of the Parliamentary Pension Scheme. One of the proposals from the trustees was that the accrual rate for benefits should be increased substantially, from 1/50 of final salary for each year of service to 1/40. The Review Body in report to the Government recommended against such an increase in benefits from the scheme at Exchequer cost. The House of Commons subsequently resolved in July 2001 that the accrual rate should be increased to 1/40 at Exchequer cost; and the Government now seeks further advice from the Review Body on the implementation of an increase in the accrual rate of benefits from the scheme.

2. It is important to the Government that the remuneration of MPs and Ministers should be sufficient to attract and reward people of the highest calibre to hold Parliamentary office. Provision for a pension in retirement is an integral part of a good remuneration package, and the terms of the Parliamentary Pension Scheme should be set with these considerations in mind. The benefits of the scheme should bear favourable comparison with pension provision available in alternative occupations in both the public and private sectors, taking account of the distinguishing features of Parliamentary careers, and being seen in the context of other elements in the remuneration package and the contribution which pension arrangements make to that overall package in relation to the relevant terms and conditions of service.

3. Given the special nature of the position of members of the Parliamentary Scheme, it is important that their remuneration is seen to be fair in relation to what is available to those in other occupations, and that this should be seen as fair and proportionate. The Government therefore attaches particular importance to the continuation of the independent Review Body process; and the Government is most reluctant to implement changes to remuneration of MPs and Ministers, including any

improvements to their pension benefits, which have not been recommended by the Review Body.

4. The Government notes the opinion of the review body in its last report on Parliamentary Pensions that the current rate of 1/50 is fair and that its relative generosity helps to compensate for the unusual features of an MP's job.

5. The Government continues to believe that the existing accrual rate of 1/50 represents an adequate provision taking account of all the circumstances of parliamentary careers. The observation that few members of the scheme achieve maximum pension benefits under its rules is one which could be made of many occupational pension schemes, indeed very few members of any pension scheme will attain maximum benefits. Where members serve in Parliament for part of their careers, the Government considers it reasonable to expect that some sort of pension provision should be made by members in respect of other periods of employment. The existing accrual rate is already higher than that of most occupational pension schemes in either the public or private sectors in the UK. The level of member contributions required by the scheme, at 6 per cent of pay, is not abnormally high by comparison with other occupational schemes offering lower benefits to members; and not only does the Exchequer already carry the great majority of the costs incurred by the scheme but it also carries the entire risk that without any change to the benefit structure the costs of provision may rise over time for instance on account of increasing longevity of scheme members and their eligible dependants. And if members draw pensions earlier than assumed, because of greater than expected turnover in membership following elections, any extra costs will also fall to the Exchequer.

6. The Parliamentary Pension Scheme is effectively guaranteed by the Exchequer. The legislation establishing the scheme makes provision for pension benefits defined mainly as a function of the length of service and final salary of members; the members' contributions are fixed as a percentage of their pay in the rules of the scheme, and the Government Actuary makes periodic recommendations as to the level

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of Exchequer contribution to the scheme's fund with a view to balancing the liabilities of the scheme by the assets of the fund on prudent actuarial assumptions. The expectation is that if the actuarial assumptions are found by experience to be incorrect, or overtaken by events, the Exchequer contribution will be adjusted by the Government Actuary to keep liabilities and assets in balance over the long term.

7. The Government does not regard the state of the fund – whether it is in deficit or surplus – to be a relevant consideration in determining the level of benefits or whether the Exchequer or members should meet the cost of benefit improvements. The Exchequer guarantees the benefits of the scheme which means that however badly the investments perform or however long MPs live, the Government will make good the fund's deficit. The proper use of any temporary surpluses on the fund is therefore to reduce the employer contribution, as is the current practice. The Government considers that it would be inappropriate for a surplus in the fund to be used to secure greater benefits or reduce member contributions. Such an asymmetry – of the Government bearing any losses and members benefiting from any surpluses – would simply encourage an inappropriately risky management of the fund in effect gambling with the Government's money with no downside to the members.

8. The Government Actuary will nevertheless be providing evidence separately to the Review Body on its latest projections of the long term funding position in the scheme. These are likely to show that any funding surplus identified hitherto has already been dissipated if not already overdrawn without any increase in benefit commitments. But whether the latest projections show some surplus or some deficit, the Government believes that consideration of further benefit improvements and the extent to which their cost is borne by member or Exchequer contributions should be on the basis of long-term costs calculated as standard contribution rates.

9. An increase in the benefits provided by the scheme without any increase in member contributions, would effectively represent an increase in the remuneration of members of the scheme at taxpayers' expense. The Government does not believe that any retrospective increase in accrual rates to cover the past service either of active

members or pensioners or deferred pensioners of the scheme could be justified in any circumstances. The issue is therefore whether an effective increase in the remuneration of current active members in respect of their future service can be justified as a call upon the taxpayer. In this respect, the important consideration is not merely the ongoing additional cash costs to the Exchequer but whether improvements can be justified as a special case for members of the Parliamentary Scheme given widespread demands for increased remuneration, including increased pension benefits, for other public servants at a time of increasing uncertainty about the form and level of pension benefits for workers in private sector occupations.

10. The migration of private sector employers away from such open ended defined benefit pension commitments in the private sector, and what this may imply in the longer term for the patterns of retirement income provision, is an issue which the Government is considering. It is a cause of concern for many who are currently saving towards their retirement and the Government believes that this should be a factor influencing final decisions on the financing of any increases to the defined benefits already provided by the Parliamentary Scheme.

11. The Government opposed the resolution of the House to increase its pension benefits at taxpayer cost when it was debated by the House, and the Government remains extremely uneasy about the implications of such an increase if it were not seen to be paid for by the membership.

12. There are a number of ways in which an increased accrual rate could be implemented without an addition to the long-term ongoing commitment by the taxpayer in respect of the scheme. These include:

i) an increase in the rate of member contributions at a level recommended by the Government Actuary to cover the full costs of the additional benefit;

ii) that the cost of an increase in benefits should be shared between the Exchequer and members in the short term. The resulting higher level of

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Exchequer costs should be recouped over time from members by means of their being taken into account by the Review Body and effectively offset against any future recommendations for increases in Exchequer pension contributions or other elements in the remuneration of members;

13. The detail of any such arrangements would need to be defined with advice from the Government Actuary and from the Trustees of the scheme and in the Government's view those details would not have to be settled immediately to allow a recommendation in principle on the best way forward. But for illustration, the level of member contribution required under option (i) would be of the order of 11.1 per cent compared with the existing contribution rate by members of 6 per cent. Under option (ii) the Review Body would need to make its own judgement on the level of increase and Exchequer costs in the short term which could be reasonably justified as an advance on any future increases in remuneration which the Body might recommend.

14. The Government will consider any other proposals which the Review Body may recommend but it should be clear that any substantial increase in long-term commitments of the taxpayer towards remuneration of members beyond those already imposed by the existing benefit structure and financing structure of the scheme would require a careful and very strong justification for the Government to be able to accept their implementation.

FROM: **JULIA WOOD**
Civil Service Pensions
8.05 Grosvenor House
Tel: **(GTN 1439) 6490**
Fax: **(GTN 1439) 6594**
DATE: **1 May 2002**

by email

CLARE SUMNER

Pension arrangements for former Prime Ministers

1. You asked for advice following Sir Edward Heath's recent meeting with the Prime Minister, at which Sir Edward drew attention to the level of his pension.

Prime Ministerial pension entitlement

2. Former Prime Ministers are entitled to a pension based on their salary on leaving office. The pension is payable immediately provided the individual is not receiving any other income from the Consolidated Fund (other than salary as an MP).

3. When Sir Edward left office, the Prime Minister's pension was based on 15/40 of salary, regardless of length of service. It was increased annually in line with prices, but this was subject to the resulting pension not exceeding 15/40 of the salary of the incumbent Prime Minister. In the event, Prime Ministerial pay frequently rose more slowly than prices during the 1970s and 80s, and this restriction often bit.

4. The Ministerial and other Pensions and Salaries Act 1991 (the 1991 Act) implemented a recommendation of the Senior Salaries Review Body and changed the basis of calculation to 50% of salary, to be increased in line with prices. The Act also provided for all former Prime Ministers to be given a once-off increase in pension to bring them up to the level of 50% of the Prime Minister's salary on the date of passing of the Act (28 February 1991). This recognised that former Prime Ministers (effectively Sir Edward and Lord Callaghan) had had smaller pensions increases than they might have expected (as noted above).

5. The effect of the change in 1991 means that all former Prime Ministers who left office before 28 February 1991 are receiving the same amount of pension – namely 50% of the Prime Minister's salary on 28 February 1991, increased over the years in line with prices. These pensions now stand at £34,592.31 a year.

6. Over the last decade, Prime Ministerial salary entitlements have risen faster than prices and the Prime Minister could currently expect a pension of £58,218 a year.

Prime Minister's pension entitlement as an MP

7. Before 1991, on becoming Prime Minister an MP was required to leave the Parliamentary pension scheme, and he duly received a refund of his contributions. He was not permitted to rejoin the scheme on leaving office. The 1991 Act permitted a change to

these rules, and the current position is that a Prime Minister can elect to remain in the Parliamentary pension scheme, but only in relation to his service as an MP after 1991. This change did not extend to permitting former Prime Ministers who had remained in the Commons to rejoin the Parliamentary scheme.

Impact on Sir Edward

8. Sir Edward is unusual in spending many (26) years in the Commons after leaving Prime Ministerial office. The effect of the rules as outlined above mean that, although he has been receiving his Prime Ministerial pension since 1975, he has no additional pension from his subsequent years as a Commons backbencher.

9. I met with Sir Edward last year, shortly before he left the Commons, to explain his pension position. He appeared to have two concerns, first that his Prime Ministerial pension was increasing in line with prices, rather than being pegged at 50% of the salary of the Prime Minister of the day and second, that he was not receiving any pension as an MP. Sir Edward has subsequently asked his solicitors to investigate the position and I believe that we satisfied them that there was no scope for change without primary legislation.

10. Changing the basis of increasing the pensions for former Prime Ministers so that they rose in line with the salary entitlement for the office would only be possible through primary legislation. Although the direct costs of such a change would be small, we would strongly advise against it unless it were explicitly recommended by the Senior Salaries Review Body. Even with the backing of an SSRB recommendation, any such move would be bound to trigger demands from public service and State pensioners for their pensions to increase by reference to salaries rather than prices. We would not therefore recommend that the SSRB is asked to consider this issue.

11. Similarly, permitting Sir Edward to have re-joined the Parliamentary pension scheme would only have been possible through primary legislation made while Sir Edward was still a sitting member. I find it strange that Sir Edward did not raise his concerns when the 1991 Act was in preparation and seek to be permitted to rejoin the Parliamentary pension scheme for his service after 1991.

12. I attach a couple of paragraphs which could be used in a letter to Sir Edward, subject to suitable "topping and tailing" (I am afraid that I do not have Sir Edward's address).

Julia Wood

DRAFT LETTER TO SIR EDWARD HEATH

You asked about your pension as a former Prime Minister, and I can advise you that this has been increased, with effect from 8 April, to £34,592.31 a year.

As you know, your pension was originally based on 15/40 of your salary on leaving office in 1975. The Ministerial and other Pensions and Salaries Act 1991 (the 1991 Act) implemented a recommendation of the Senior Salaries Review Body to increase this fraction to one half for Prime Ministers in the future. The Act also provided for a degree of retrospection, by bringing the pensions of all Prime Ministers who had left office before 28 February 1991 up to 50% of the salary of the Prime Minister on that day. This meant that you received a once-off increase to your pension at that time. Since 1991, your Prime Ministerial pension, in common with other public service pensions, has increased annually in line with prices and I do not think I can hold out any prospect of change to this basis in the future.

You also asked about your service as a Member of Parliament. Pensions for former MPs are paid from the Parliamentary Contributory Pension Fund, which operates under regulations made under the Parliamentary and other Pensions Act 1987. Section 2(3) of this Act, as amended by the 1991 Act, prohibits the assets of the Fund being used to provide a pension for a Prime Minister who left office before 1991, so I am afraid that it would appear that you are not entitled to any pension as a former MP.

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, London, SW1P 3AG

RESTRICTED

Rt Hon Robin Cook MP
President of the Council and Leader of the House of Commons
Privy Council Office
2 Carlton Gardens
London SW1Y 5AA

Top CS

cc JJH
AA.
JN.
JPo

29 April 2002

Dear Robin,

PARLIAMENTARY PENSIONS

Following the Prime Minister's request that the issue of the increase in Members' pension accrual rate be referred to the SSRB, you have written to Mr Baker, the SSRB Chairman, to invite the SSRB to consider how this improvement which Members voted for last July should be financed.

2. I attach a first draft of the written Government evidence which the Prime Minister asked the Treasury to coordinate. I look forward to receiving your comments and agreement so it can be submitted to the SSRB for their consideration.

3. Copies of this go to the Prime Minister, Alistair Darling, Hilary Armstrong, Christopher Leslie and to Sir Richard Wilson.

Yours ever,

Andrew

ANDREW SMITH

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DRAFT GOVERNMENT EVIDENCE TO THE SSRB ON PARLIAMENTARY PENSIONS

The Review Body made recommendations last year on various proposals for changes to the rules of the Parliamentary Pension Scheme. One of the proposals from the trustees was that the accrual rate for benefits should be increased substantially, from 1/50 of final salary for each year of service to 1/40. The Review Body in report to the Government recommended against such an increase in benefits from the scheme at Exchequer cost. The House of Commons subsequently resolved in July 2001 that the accrual rate should be increased to 1/40 at Exchequer cost; and the Government now seeks further advice from the Review Body on the implementation of any increase in the accrual rate of benefits from the scheme.

2. It is important to the Government that the remuneration of MPs and Ministers should be sufficient to attract and reward people of the highest calibre to hold Parliamentary office. Provision for a pension in retirement is an integral part of a good remuneration package, and the terms of the Parliamentary Pension Scheme should be set with these considerations in mind. The benefits of the scheme should bear favourable comparison with pension provision available in alternative occupations in both the public and private sectors, taking account of the distinguishing features of Parliamentary careers, and being seen in the context of other elements in the remuneration package and the contribution which pension arrangements make to that overall package in relation to the relevant terms and conditions of service.

3. Given the special nature of the position of members of the Parliamentary Scheme, it is important that their remuneration is seen to be fair and proportionate in relation to what is available to those in other occupations. The Government therefore attaches particular importance to the continuation of the independent Review Body process; and the Government is most reluctant to implement changes to remuneration of MPs and Ministers, including any improvements to their pension benefits, which have not been recommended by the Review Body.

4. The Government notes the opinion of the review body in its last report on Parliamentary Pensions that the current rate of 1/50 is fair and that its relative generosity helps to compensate for the unusual features of an MP's job.

5. The Government continues to believe that the existing accrual rate of 1/50 represents an adequate provision taking account of all the circumstances of parliamentary careers. The observation that few members of the scheme achieve maximum pension benefits under its rules is one which could be made of many occupational pension schemes, indeed very few members of any pension scheme will attain maximum benefits. Where members serve in Parliament for part of their careers, the Government considers it reasonable to expect that some sort of pension provision should be made by members in respect of other periods of employment. The existing accrual rate is already higher than that of most occupational pension schemes in either the public or private sectors in the UK. The level of member contributions required by the scheme, at 6 per cent of pay, is not abnormally high by comparison with other occupational schemes offering lower benefits to members; and not only does the Exchequer already carry the great majority of the costs incurred by the scheme but it also carries the entire risk that without any change to the benefit structure the costs of provision may rise over time for instance on account of increasing longevity of scheme members and their eligible dependants.

6. The Parliamentary Pension Scheme is effectively guaranteed by the Exchequer. The legislation establishing the scheme makes provision for pension benefits defined mainly as a function of the length of service and final salary of members; the members' contributions are fixed as a percentage of their pay in the rules of the scheme, and the Government Actuary makes periodic recommendations as to the level of Exchequer contribution to the scheme's fund with a view to balancing the liabilities of the scheme by the assets of the fund on prudent actuarial assumptions. The expectation is that if the actuarial assumptions are found by experience to be incorrect, or overtaken by events, the Exchequer contribution will be adjusted by the Government Actuary to keep liabilities and assets in balance over the long term.

7. The Government does not regard the state of the fund – whether it is in deficit or surplus – to be a relevant consideration in determining the level of benefits or whether the Exchequer or members should meet the cost of benefit improvements. The Exchequer guarantees the benefits of the scheme which means that however badly the investments perform or however long MPs live, the Government will make good the fund's deficit. The proper use of any temporary surpluses on the fund is therefore to reduce the employer contribution, as is the current practice. The Government considers that it would be inappropriate for a surplus in the fund to be used to secure greater benefits or reduce member contributions. Such an asymmetry – of the Government bearing any losses and members benefiting from any surpluses – would simply encourage an inappropriately risky management of the fund in effect gambling with the Government's money with no downside to the members.

8. The Government Actuary will nevertheless be providing evidence separately to the Review Body on its latest projections of the long term funding position in the scheme. These are likely to show that any funding surplus identified hitherto has already been dissipated if not already overdrawn without any increase in benefit commitments. But whether the latest projections show some surplus or some deficit, the Government believes that consideration of further benefit improvements and the extent to which their cost is borne by member or Exchequer contributions should be on the basis of long-term costs calculated as standard contribution rates.

9. With the pension benefits effectively guaranteed by the Exchequer, the usual private sector rationale for having a fund – security in the event of bankruptcy or wind up – does not apply. The Government has no plans or proposals for altering the current practice of maintaining a fund. Nevertheless, the existence of the fund does provide an opportunity to adopting a different approach to the financing of and determination of the scheme's benefits. This is included in one of the options outlined below for the Review Body's consideration.

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10. An increase in the benefits provided by the scheme without any increase in member contributions, would effectively represent an increase in the remuneration of members of the scheme at taxpayers' expense. The Government does not believe that any retrospective increase in accrual rates to cover the past service either of active members or pensioners or deferred pensioners of the scheme could be justified in any circumstances. The issue is therefore whether an effective increase in the remuneration of current active members in respect of their future service can be justified as a call upon the taxpayer. In this respect, the important consideration is not merely the ongoing additional cash costs to the Exchequer but whether improvements can be justified as a special case for members of the Parliamentary Scheme given widespread demands for increased remuneration, including increased pension benefits, for other public servants at a time of increasing uncertainty about the form and level of pension benefits for workers in private sector occupations.

11. The migration of private sector employers away from such open ended defined benefit pension commitments in the private sector, and what this may imply in the longer term for the patterns of retirement income provision, is an issue which the Government is considering. It is a cause of concern for many who are currently saving towards their retirement and the Government believes that this should be a factor influencing final decisions on any increases to the defined benefits already provided by the Parliamentary Scheme.

12. The Government opposed the resolution of the House to increase its pension benefits at taxpayer cost when it was debated by the House, and the Government remains extremely uneasy both about the implications of such an increase and in particular about the implications of implementing such an increase against the recommendations of the independent Review Body process.

13. There are a number of ways in which an increased accrual rate could be implemented without an addition to the long-term ongoing commitment by the taxpayer in respect of the scheme. These are:

i) an increase in the rate of member contributions at a level recommended by the Government Actuary to cover the full costs of the additional benefit;

ii) that the cost of an increase in benefits should be shared between the Exchequer and members in the short term. The resulting higher level of Exchequer costs should be recouped over time from members by means of their being taken into account by the Review Body and effectively offset against any future recommendations for increases in Exchequer pension contributions or other elements in the remuneration of members;

iii) an innovative option would be to revisit the nature of the scheme financing commitments and recommend a fixed level of Exchequer contribution leaving member contributions liable to a variation in the future in the light of developments in the cost structure and the state of the fund.

14. The detail of any such arrangements would need to be defined with advice from the Government Actuary and from the Trustees of the scheme and in the Government's view those details would not have to be settled immediately to allow a recommendation in principle on the best way forward. But for illustration, the level of member contribution required under option (i) would be of the order of 11.1 per cent compared with the existing contribution rate by members of 6 per cent. Under option (ii) the Review Body would need to make its own judgement on the level of increase and Exchequer costs in the short term which could be reasonably justified as an advance on any future increases in remuneration which the Body might recommend. Under option (iii), consideration would need to be given by the Government Actuary as to the appropriate level of Exchequer contribution to be fixed in the rules of the scheme, regardless of developments in demographic profile, financial performance of the fund, and so on. There would also need to be consideration of the relevant legislation to reflect removal of the open-ended Exchequer guarantee.

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15. The Government will consider any other proposals which the Review Body may recommend but it should be clear that any substantial increase in long-term commitments of the taxpayer towards remuneration of members beyond those already imposed by the existing benefit structure and financing structure of the scheme would require a careful and very strong justification for the Government to be able to accept their implementation.

From: Simon Virley
Date: 24 April 2002

MATTHEW RYCROFT - item 1
CLARE SUMNER - item 2

cc: Jonathan Powell
Jeremy Heywood

SIR EDWARD HEATH

Two issues arising out of the PM's meeting with Sir Edward Heath this afternoon:

(1) **'Bloody Sunday' inquiry:** if the Tribunal agrees that Sir Edward and relevant civil servants can give evidence to the inquiry, then he would welcome a view from here on whether he should give evidence here, or over in Northern Ireland. **Matthew** - can you get some discrete advice on this and pass it on to his office if and when it's appropriate.

(2) **Pensions of former PMs:** Sir Edward explained that he is only entitled to a pension of 'just over £20K' because of decisions made about his contributions back in 1970-74. He has been told that this can't be changed now and that he could only alter the terms 'when in office'. Apparently, Jim Callaghan and Margaret Thatcher are caught by the same rules. He thinks this is most unfair, and asked the PM to see what could be done about it. He suggested that the forthcoming legislation on the Civil Service might be an appropriate vehicle to use to change the position. **Clare** – can you get some advice on this from Cabinet Office.

Happy to discuss.

SIMON VIRLEY

file (motrix)

10 DOWNING STREET
LONDON SW1A 2AA

From the Senior Policy Adviser

26 March 2002

Dear Catherine,

PARLIAMENTARY PENSIONS

The Prime Minister has given further consideration to the issue of implementation of the increased accrual rate for MPs pensions from 1/50th to 1/40th, together with the remaining pension measures that need to be implemented by the Government.

Given it is not going to be possible to overturn the MPs vote the Prime Minister believes the best way forward is as follows.

First, that the motions to enable implementation of all measures that the SSRB recommended on pensions, and that the House agreed, should be done after Easter.

Secondly, that given the SSRB did not recommend an increased accrual rate, and given the current pensions climate, that the Leader should at the same time refer the issue of implementation back to the SSRB for their recommendation on how much MPs and the Government should contribute.

The Prime Minister believes it is important that the Government remains one step removed from the decision, and should not be seen to be endorsing the Commons vote. The SSRB should take the decision on implementation. The Government will then implement the SSRB recommendation rather than suggest a compromise. The House would then be implementing an SSRB recommendation rather than a Government one. The Treasury should provide a submission to the SSRB on the nature of funding from the Government's point of view in the usual way.

The SSRB should be set a short timescale, something like July 1st, so that the issue can be resolved before the summer recess. I would be grateful if the Leader could take this forward, and that the Chief Secretary should take the lead in submitting the Government's evidence.

JG

I am copying this letter to Lucy Makinson (Chief Secretary's Office), Neil Couling (DWP), Roy Stone (Chief Whip's Office), Terry Bird (Cabinet Office) and Andrew Allberry.

Yours ever

Clare Sumner

CLARE SUMNER

Catherine Nalty
President of the Council's Office

12/03/2002 19:33 SOS DSS → NO 10 DUTY CLERK NO.419 D02

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Top: PD (CO)
PD(EC)
PD(AA)
PD(GS)
QS

MATRIX

From the Secretary of State
for Work and Pensions

DWP Department for Work and Pensions

Richmond House
Room 205
79 Whitehall
London
SW1A 2NS

Telephone
020 7238 0800

Facsimile
020 7238 0661

Email
ministers@dwp.gsi.gov.uk
www.dwp.gov.uk

RESTRICTED - POLICY

Rt Hon Robin Cook MP
President of the Council and Leader of the House of Commons
Privy Council Office
2 Carlton Gardens
London SW1Y 5AA

12 March 2002

Dear Robin,

PARLIAMENTARY PENSIONS

1. I have seen Andrew Smith's letter to your of 7 March and I agree with the general thrust of his argument. With the recent moves by a number of employers to reduce the pension entitlements of their employees by closing their final salary schemes, this is not the right time to be making further improvements to the arrangements for Parliamentary pensions.

2. Indeed I would go further than Andrew. If the House wants to improve MPs' pensions then the full cost of these improvements should be borne by MPs themselves through their contributions to the scheme.

3. In the current climate surrounding pensions imposing additional burdens on taxpayers to fund improvements to the pension entitlements of MPs will be difficult to justify. And although this is, of course, a

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decision for the House and not the Government, it will not be seen as such.

4. A copy of this letter goes to the Prime Minister, Gordon Brown, Andrew Smith and Sir Richard Wilson.

Yours

Alistair

ALISTAIR DARLING

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, London, SW1P 3AG

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Rt Hon Robin Cook MP
President of the Council and Leader of the House of Commons
Privy Council Office
2 Carlton Gardens
London SW1Y 5AA

CS
cc: JMH
JMo

7 March 2002

Dear Robin,

PARLIAMENTARY PENSIONS

At our meeting in late January I promised to reflect further on this issue and have done so very carefully. I am sorry that this has taken longer than we would have liked.

2. The judgement about how to proceed has not been made any easier by the public debate on pensions. There will never be 'a good time' with regard to wider public service pensions to announce a settlement which is generous to MPs, but the current high-profile switching of private sector employers from defined benefit to defined contribution pension arrangements makes it all the more inadvisable to allow Members to improve their own pensions at public cost when so many in the private sector are seeing their future pension prospects cut. I think many Members will find it increasingly hard to justify such an increase to their constituents.

3. Therefore, you will understand that I would prefer to reject the House resolution outright. If that were not feasible politically, I think you should seriously consider putting the issue of increased accrual to one

side for the time being, at least until the cross-cutting DWP/HMT team looking at pensions has reported to Ministers.

4. If you think that we can proceed despite the wider pensions debate to announce the increase in Parliamentary pension accrual and if Ministers generally are prepared to back such a course of action, there remains the question of who pays for it. I have considered carefully the proposal you put to me at our meeting to split the difference between Members and the Exchequer on a crude 50:50 basis. I have concluded that the drawbacks still outweigh the benefits. Although I recognise that Members would bear a higher proportion of costs through a straight splitting of the costs than under the option you previously proposed, and you could argue that you had been pushed hard by the Government when presenting the deal to Members, nevertheless it still represents a significant benefit improvement at employer cost which would be seized on by every public service union – who are very well aware that our pensions policy is that benefit improvements are paid at member cost – and certain sections of the media.

5. On reflection, the farthest I would be prepared to go would be a 3 per cent Members, 2.1 per cent Exchequer split; i.e. a Member contribution of 9 per cent – reversing the reduction recommended in 1991 – with the balance of the cost met by the Exchequer. My agreement would also be dependent on the following conditions being satisfied:

- that you provide a commitment that the increase in Exchequer costs will be taken into account and seek to recoup them in the Government's evidence to future SSRB reviews;

- that the outcome should be presented as a short term compromise pending a return to compliance with the SSRB's findings to ensure that we have a defensible position with public service unions;

- that our officials should be remitted to explore other options for reducing the costs of such an improvement to the Exchequer.

6. I consider that any further impact on the taxpayer beyond the 2.1 per cent Exchequer contribution, or being seen in the long-term to condone a package which is more than the SSRB is prepared to recommend, would be difficult to defend and even harder to justify. It will still be difficult to present such a package to unions, public servants and the media as fair: though undoubtedly Members themselves will regard it as tough. Nevertheless, in my view it lessens the read-across to other public services and represents a better deal for the taxpayer. In terms of the increase in Member contribution, I hope you will recognise that it is not so very different from the compromise which you indicated that you were prepared to settle for, and which will have the added benefit of avoiding the impression that we are able to split the differences between recommendations by the SSRB and unsupported claims by members for higher employer costs.

7. I very much welcome the assurance you gave me that the increased accrual rate will only apply from 5 July, the date of the vote. I am content with your proposal to allow MPs the option of backdating the

accrual rate change to 5 July, provided MPs pay the full cost of the backdating.

8. Regarding the matter of pension payments to Lords Rooker and Grocott, which you also raised with me, I am not aware that there is an issue for the Treasury here since I have accepted the SSRB recommendation that an exception to the abatement rules could be made for former Members who become paid office holders in the House of Lords. I understand that the regulations are waiting agreement on other issues, but that the Lords affected will receive payments backdated to 5 July. Please do let me know if this is not the case.

9. I am copying this letter to the Prime Minister, the Chancellor, Alistair Darling, and Sir Richard Wilson.

Best wishes,

Andrew

ANDREW SMITH

50/50 2.5 2.5

RC started with 3 [HMT] 2 [MP]

AS 3 [MP] 2.1 [MP].

cost of compromise £1.2M

RC – funded pension scheme which is in surplus

—

MP vote on accrual rate for benefits to uc

from 1/50th to 1/40th of final salary per

year of service.

3.2M – pay 6%.

CONFIDENTIAL

① → SSRB correct proportion shd be
② → given HMT → apportionment. → .

F

MPs vote themselves this now after all the pensions controversy will be v. unpopular. Why not get the pay review body to predict this

From: Clare Sumner
Date: 12 March 2002

PRIME MINISTER

cc: Jeremy Heywood
Robert Hill
David Hanson

③ When do we ~~[illegible]~~ submit to SSRB
④ So cleared other stuff now.

PARLIAMENTARY PENSIONS

Issue

Robin and Andrew have been unable to agree what to do with regard to the MPs vote to increase the accrual rate of their pension scheme from 1/50th to 1/40th which went against the SSRB recommendation. This requires an additional 5% of contributions. The SSRB recommended that no increase should occur, despite representations made by the Trustees of the scheme.

Background

Robin wants to pursue a 50/50 split of costs between MPs and HMT - 2.5% each. His original bid was 3% HMT and 2% MPs. He is adamant that he cannot move any further and will not defend any other decision in the House.

Andrew recommends that HMT should pay 2.1% and MPs 3%. Alistair Darling has also written saying that in the current pensions climate he thinks it is untenable for MPs to be seen to be voting themselves more money, and thinks if MPs want to have the scheme they should pay for it themselves.

The basic fact remains that we will be unable to over-turn the vote – if we seek to over-turn the vote then Hilary and I think there is no chance of the House voting for a compromise which is what we need to get through this.

In the current pension climate anything that MPs vote themselves is going to be criticised heavily, especially given this has no independent backing from the SSRB.

Hilary and David do not think we would be able to get HMT proposals through. MPs contributions would stand at 9%. If we pursued the HMT option, the House would be unlikely to agree a further compromise, if we failed.

Hilary and David think getting a 50/50 split through will be difficult but that it is just about achievable - however they both feel that there is a real question of whether the Government offering this is the right thing to do politically.

The figures involved are small - Andrew has conceded it will cost £1.2m. Andrew continues to be worried about the impact to other public sector schemes, which affect 4 million people. He is also worried that if we were to follow the policy for MPs for these other schemes then the cost to the Exchequer could be £2bn. In reality this will not happen.

However in the current pensions climate and with many companies abandoning final salary schemes, MPs will be heavily criticised for voting themselves more money, the Government will be seen to be complicit in it and comparisons will be made to other public sector schemes.

Recommendation

I have spoken to Hilary about this and on balance we think you should accept Robin's 50/50 split provided that he agrees to stress that it is not right for MPs to vote against SSRB recommendations and this is not a practice that the Government wishes to encourage. He should also say that in future the SSRB would take account of this decision. A free vote would then determine the outcome. Andrew has some other caveats - such as MPs paying the full amount if they wish to backdate the scheme to the 5th July 2001 the date of the vote - that I think we should agree to.

We also think that this should not be done this side of the local elections. Hilary thinks we do not have the option of doing nothing.

However you may not wish to over-rule HMT and DWP on this in which case we could put the HMT compromise to the House, which would probably be defeated and therefore prolong the pain.

This is a sorry state of affairs not least because Robin would not allow a payroll vote on this and HMT Ministers did not turn up to vote in any event.

Clare

CLARE SUMNER

~~BF CJ 17/5~~

CS

cc: ~~JB~~

F

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AS AT 11 FEBRUARY 2002

TABLES

OF

MINISTERIAL OFFICES

CONTENTS

Introduction

1 Ministerial salaries may not be paid except in accordance with the *Ministerial and other Salaries Act 1975* ("MOSA") which both specifies the offices in respect of which salaries may be paid and imposes a series of limits on the numbers of salaries that may be paid. The *House of Commons Disqualification Act 1975* ("HCDA") imposes a limit of 95 on the number of persons holding specified Ministerial offices who may sit and vote in the House of Commons. These Tables are designed to help ensure that these statutory limits are observed. They are not intended to show precedence or courtesy titles.

2 The arrangement of the Tables is based on the structure of Schedule 1 to MOSA. Most of the offices specified for the purposes of HCDA are the same as those specified as offices for which salaries may be paid under MOSA. However, HCDA does not include in the list of specified offices certain offices whose holders are always members of the House of Lords (i.e. the Lord Chancellor and the offices customarily held by Lords' Whips).

3 If a person is the holder of two or more offices in respect of which a salary is payable under MOSA he will be entitled to only one salary. Thus he will count only once towards any limit under that Act. The limit in HCDA is on persons holding offices rather than on offices, so if a person holds more than one disqualifying office he will count only once towards the limit.

4 Certain offices and designations appear in italics in the column showing the title of the office. The italicisation is to indicate that the office or designation is not (or is not currently) significant from the point of view of the statutory limits.

5 The list of totals at page 9 should show compliance with the relevant limits.

6 Awkward questions of law or of constitutional propriety may arise in connection with Ministerial changes. The following are by way of illustration only-

(a) Any proposal to create a new Ministerial post, paid or unpaid, without legislation involves considering the definition of Minister of State**(a)** and that of Parliamentary Secretary**(b)**;

(b) A Minister in charge of a department who, if not a member of the Cabinet, would be entitled to a salary only by virtue of head 2 of Part II of Schedule 1 to MOSA would not be entitled to a salary if made a member of the Cabinet;

(c) A person who does not draw a Ministerial salary but is credited with pension contributions may count towards the relevant limit or limits under MOSA.

Parliamentary Counsel Office

TABLE I: Salaries payable under Part I of Schedule 1 to the Ministerial and other Salaries Act 1975 (Cabinet)

Title of Office	Name of holder	Commons
Prime Minister, First Lord of the Treasury and Minister for the Civil Service**(c)**	Tony Blair ✓	✓
Deputy Prime Minister and *First* Secretary of State	John Prescott ✓	✓
Chancellor of the Exchequer (and *Lord of the Treasury***(d)**)	Gordon Brown ✓	✓
President of the Council and *Leader of the House of Commons* **(e)**	Robin Cook ✓	✓
Secretary of State *for Foreign and Commonwealth Affairs*	Jack Straw ✓	✓
Secretary of State *for the Home Department*	David Blunkett ✓	✓
Secretary of State *for Environment, Food and Rural Affairs* **(f)**	Margaret Beckett ✓	✓
Secretary of State *for International Development*	Clare Short ✓	✓
Secretary of State *for Work and Pensions* **(f)**	Alistair Darling ✓	✓
Secretary of State *for Transport, Local Government and the Regions* (and *First Commissioner of Works* and *Minister of Public Building and Works*) **(f) (g)**	Stephen Byers ✓	✓
Secretary of State *for Health*	Alan Milburn ✓	✓
Secretary of State *for Northern Ireland*	John Reid ✓	✓
Secretary of State *for Wales*	Paul Murphy ✓	✓
Secretary of State *for Defence*	Geoff Hoon ✓	✓
Chief Secretary to the Treasury	Andrew Smith ✓	✓
Secretary of State *for Scotland*	Helen Liddell ✓	✓
Lord Privy Seal and *Leader of the House of Lords*	Lord Williams of Mostyn ✓	
Secretary of State *for Trade and Industry* (and President of the Board of Trade**(h)**)	Patricia Hewitt ✓	✓
Secretary of State *for Education and Skills* **(f)**	Estelle Morris ✓	✓
Secretary of State *for Culture, Media and Sport*	Tessa Jowell ✓	✓
Parliamentary Secretary to the Treasury (and *Chief Whip in the Commons*)	Hilary Armstrong ✓	✓
Minister without Portfolio (Minister of State)	Charles Clarke**(i)** ✓	✓
TOTAL SALARIES: 21 (i) **N.B. SALARIES UNDER PART I OF SCHEDULE 1 TO MOSA (I.E. THIS TABLE) ARE SUBJECT TO LIMIT OF 21**		21 **(i)**

TABLE II: Salaries payable under Part II of Schedule 1 to the Ministerial and other Salaries Act 1975 (Non-Cabinet)

Title of Office	Name of holder	Commons
Chancellor of the Duchy of Lancaster and *Minister for the Cabinet Office* (j)	Lord Macdonald of Tradeston	
Paymaster General	Dawn Primarolo	✓
Financial Secretary to the Treasury	Paul Boateng	✓
Minister of State (Cabinet Office)	Barbara Roche	✓
Minister of State (Department for Work and Pensions)	Nick Brown	✓
Minister of State (Department for Work and Pensions)	Ian McCartney	✓
Minister of State (Department for Transport, Local Government and the Regions)	John Spellar	✓
Minister of State (Department for Transport, Local Government and the Regions)	Nick Raynsford	✓
Minister of State (Department for Transport, Local Government and the Regions)	Lord Falconer of Thoroton	
Minister of State (Foreign and Commonwealth Office)	Baroness Symons of Vernham Dean	
Minister of State (Foreign and Commonwealth Office)	Peter Hain	✓
Minister of State (Home Office)	John Denham	✓
Minister of State (Home Office)	Keith Bradley	✓
Minister of State (Home Office)	[Lord] Rooker	
Minister of State (Department for Environment, Food and Rural Affairs)	Michael Meacher	✓
Minister of State (Department for Environment, Food and Rural Affairs)	Alun Michael	✓
Minister of State (Department for Education and Skills)	Stephen Timms	✓
Minister of State (Department for Education and Skills)	Margaret Hodge	✓
Minister of State (Department for Culture, Media and Sport)	Richard Caborn	✓
Minister of State (Department for Culture, Media and Sport)	Baroness Blackstone	
Minister of State (Department of Trade and Industry)	Douglas Alexander	✓
Minister of State (Department of Trade and Industry) twice?	Baroness Symons of Vernham Dean	
Minister of State (Department of Trade and Industry)	Brian Wilson	✓
Minister of State (Department of Trade and Industry)	Alan Johnson	✓
Minister of State (Ministry of Defence)	Adam Ingram	✓
Minister of State (Scotland Office)	George Foulkes	✓
Minister of State (Department of Health)	John Hutton	✓
Minister of State (Department of Health)	Jacqui Smith	✓
Minister of State (Northern Ireland Office)	Jane Kennedy	✓

Title of Office	Name of holder	Commons
Minister in charge of a public department of Her Majesty's Government in the United Kingdom who is not a member of the Cabinet and who is not eligible for a salary under any other provision of the Ministerial and other Salaries Act 1975	NO PERSON HOLDING AN OFFICE OF THIS DESCRIPTION	
TOTAL SALARIES: 28 **N.B. SALARIES UNDER PARTS I AND II OF SCHEDULE 1 TO MOSA (I.E. THIS TABLE AND TABLE I ABOVE) ARE SUBJECT TO LIMIT OF 50**		23

TABLE III: Lord Chancellor and Law Officers (see section 1(2) of and Part III of Schedule 1 to the Ministerial and other Salaries Act 1975)

Title of Office	Name of holder	Commons
Lord Chancellor (and *Speaker of the House of Lords*)	Lord Irvine of Lairg	
Attorney General	Lord Goldsmith	
Solicitor General	Harriet Harman	✓
Advocate General for Scotland	Lynda Clark	✓
TOTAL SALARIES: 4		2

TABLE IVa: Salaries payable to Parliamentary Secretaries (other than to the Parliamentary Secretary to the Treasury) under Part IV of Schedule 1 to the Ministerial and other Salaries Act 1975

Title of Office	Name of holder	Commons
Parliamentary Secretary (Treasury) (*Economic Secretary*)	Ruth Kelly	✓
Parliamentary Secretary (Cabinet Office)	Christopher Leslie	✓
Parliamentary Secretary (Department for Work and Pensions)	Baroness Hollis of Heigham	
Parliamentary Secretary (Department for Work and Pensions)	Malcolm Wicks	✓
Parliamentary Secretary (Department for Work and Pensions)	Maria Eagle	✓
Parliamentary Secretary (Department for Transport, Local Government and the Regions)	David Jamieson	✓
Parliamentary Secretary (Department for Transport, Local Government and the Regions)	Sally Keeble	✓
Parliamentary Secretary (Department for Transport, Local Government and the Regions)	Alan Whitehead	✓
Parliamentary Secretary (Foreign and Commonwealth Office)	Ben Bradshaw	✓
Parliamentary Secretary (Foreign and Commonwealth Office)	Baroness Amos	
Parliamentary Secretary (Foreign and Commonwealth Office)	Denis Macshane	✓
Parliamentary Secretary (Home Office)	Bev Hughes	✓
Parliamentary Secretary (Home Office)	Robin Ainsworth	✓
Parliamentary Secretary (Home Office)	Angela Eagle	✓
Parliamentary Secretary (Department for Environment, Food and Rural Affairs)	Elliot Morley	✓
Parliamentary Secretary (Department for Environment, Food and Rural Affairs)	Lord Whitty	

Title of Office	Name of holder	Commons
Parliamentary Secretary (Department for Education and Skills)	Baroness Ashton of Upholland	
Parliamentary Secretary (Department for Education and Skills)	Ivan Lewis	✓
Parliamentary Secretary (Department for Education and Skills)	John Healey	✓
Parliamentary Secretary (Department of Trade and Industry)	Lord Sainsbury of Turville **(i)**	
Parliamentary Secretary (Department of Trade and Industry)	Melanie Johnson	✓
Parliamentary Secretary (Department of Trade and Industry)	Nigel Griffiths	✓
Parliamentary Secretary (Ministry of Defence)	Lord Bach	
Parliamentary Secretary (Ministry of Defence)	Lewis Moonie	✓
Parliamentary Secretary (Department of Health)	Lord Hunt of Kings Heath	
Parliamentary Secretary (Department of Health)	Hazel Blears	✓
Parliamentary Secretary (Department of Health)	Yvette Cooper	✓
Parliamentary Secretary (Culture, Media and Sport)	Kim Howells	✓
Parliamentary Secretary (Northern Ireland Office)	Des Browne	✓
Parliamentary Secretary (Wales Office)	Don Touhig	✓
Parliamentary Secretary (International Development)	Hilary Benn	✓
Parliamentary Secretary (Privy Council Office)	Stephen Twigg	✓
Parliamentary Secretary (Lord Chancellor's Department)	Baroness Scotland of Asthal	
Parliamentary Secretary (Lord Chancellor's Department)	Michael Wills	✓
Parliamentary Secretary (Lord Chancellor's Department)	Rosie Winterton	✓
TOTAL SALARIES: 34 (i) **N.B. SALARIES UNDER PARTS I AND II OF SCHEDULE 1 TO MOSA (I.E. TABLES I AND II ABOVE) TOGETHER WITH SALARIES TO PARLIAMENTARY SECRETARIES (I.E. THIS TABLE) ARE SUBJECT TO LIMIT OF 83**		27 **(i)**

TABLE IVb: Salaries payable to office holders other than Parliamentary Secretaries under Part IV of Schedule 1 to the Ministerial and other Salaries Act 1975 (k)

Title of Office	Name of holder	Commons
Captain of the Honourable Corps of Gentlemen-at-Arms (*Chief Whip, Lords*)	Lord Carter	
Captain of the Queen's Bodyguard of the Yeomen of the Guard (*Deputy Chief Whip, Lords*)	Lord McIntosh of Haringey	
Treasurer of Her Majesty's Household (*Deputy Chief Whip, Commons*)	Keith Hill	✓
Lord in Waiting (*Government Whip, Lords*) : **LIMIT 5**	Baroness Farrington of Ribbleton	
Ditto	Lord Davies of Oldham	
Ditto	Lord Grocott	
Ditto	Lord Filkin	
Ditto	Lord Bassam of Brighton	
Comptroller of Her Majesty's Household (*Government Whip, Commons*)	Thomas McAvoy	✓
Vice-Chamberlain of Her Majesty's Household (*Government Whip, Commons*)	Gerry Sutcliffe	✓
Junior Lord of the Treasury (*Government Whip, Commons*) : **LIMIT 5**	Anne McGuire	✓
Ditto	John Heppell	✓
Ditto	Tony McNulty	✓
Ditto	Nick Ainger	✓
Ditto	Graham Stringer	✓
Assistant Whip, House of Commons : **LIMIT 7**	Ian Pearson	✓
Ditto	Fraser Kemp	✓
Ditto	Angela Smith	✓
Ditto	Ivor Caplin	✓
Ditto	Jim Fitzpatrick	✓
Ditto	Philip Woolas	✓
Ditto	Dan Norris	✓
TOTAL SALARIES: 22		15

TOTALS

	Salaries under MOSA	Office holders in Commons for purposes of HCDA
Total from Table I	21 **(i)** [Must not exceed 21]	21 **(i)**
Total from Table II	28	23
Total of Tables I and II	*49 (i)* *[Must not exceed 50]*	-
Total from Table III	4	2
Total from Table IVa	34 **(i)**	27 **(i)**
Total of Tables I, II and IVa	*83 (i)* *[Must not exceed 83]*	-
Total from Table IVb	22	15
TOTALS	109 **(i)** [Must not exceed 109]	88 **(i)** [Must not exceed 95]

NOTES

(a) The term "Minister of State" is defined in section 9 of HCDA as a member of the government not in charge of a department and not holding any of the other offices specified in Schedule 2 to that Act or any office in respect of which a salary is payable out of money provided by Parliament under section 3(1)(b) of MOSA. The offices specified in Schedule 2 to HCDA include, in particular, "Parliamentary Secretary in a Government Department other than the Treasury, or not in a department".

(b) The term "Parliamentary Secretary", by virtue of the definition in section 9 of HCDA, "includes a person holding Ministerial office (however called) as assistant to a Member of Her Majesty's Government in the United Kingdom, but not having departmental responsibilities".

(c) The office of Minister for the Civil Service has, so far, been held by the Prime Minister, although it could in theory be held as an independent office outside the Cabinet and a salary paid under head 2 of Part II of Schedule 1 to MOSA (i.e. a Minister in charge of a department who is not a member of the Cabinet and who is not eligible for a salary under any other provision of that Act).

(d) The Chancellor of the Exchequer traditionally holds the office of Lord of the Treasury but this latter office does not entitle him to a salary and is not a disqualifying office under HCDA.

(e) The office is listed in MOSA as "Lord President of the Council". But the present appointment is to the office by the title President of the Council.

(f) For a transitional period pending orders under the Ministers of the Crown Act 1975:
Margaret Beckett is also Minister of Agriculture, Fisheries and Food;
Alistair Darling is also Secretary of State for Social Security;
Stephen Byers is also Secretary of State for the Environment, Transport and the Regions;
Estelle Morris is also Secretary of State for Education and Employment.

(g) The offices of First Commissioner of Works and of Minister of Public Building and Works are not specified in either MOSA or HCDA. The offices are held ex officio by the Secretary of State for the Environment, Transport and the Regions (by virtue of S.I. 1997/2971) so as to preserve title to property abroad.

(h) The office of President of the Board of Trade is traditionally held by the Minister having responsibility for trade but does not appear in MOSA and therefore does not entitle its holder to a salary. The office is however a disqualifying office under HCDA.

(i) Charles Clarke and Lord Sainsbury do not draw ministerial salaries and are not credited with pension contributions. So they do not count towards the limits under MOSA (but Charles Clarke counts towards the HCDA limit).

(j) The salary payable to the current Chancellor of the Duchy of Lancaster includes a salary payable to him from the Duchy of Lancaster (see section 3(2) of MOSA).

(k) The offices listed in Part IV of Schedule 1 to MOSA other than Parliamentary Secretary - i.e. the offices listed in Table IVb - are customarily held by Whips other than the Chief Whip (who by custom holds the office of Parliamentary Secretary to the Treasury).

File

10 DOWNING STREET
LONDON SW1A 2AA

19 December 2001

THE PRIME MINISTER

Dear Robin,

PARLIAMENTARY PENSIONS

You raised this issue with me some time ago, and I am aware that we need to seek to resolve this next year, together with the other pension matters which MPs voted on and now need to be implemented.

I agree with you and Hilary that we will not be able to overturn the vote, but given that MPs voted against SSRB advice I do not think we should concede the whole amount.

Like you, I favour a compromise, but the question in my mind is whether the 3 per cent HMT, 2 per cent for MPs split is the right one.

I would be grateful if you could provide me with further advice agreed with Andrew and Hilary on a suggested way forward, together with timing that takes into account the possible read across to other public sector schemes.

I am copying this letter to Andrew Smith and to Hilary Armstrong.

Yours ever

Tony

The Right Honourable Robin Cook MP

MATRIX

PRESIDENT OF THE COUNCIL

RT HON ROBIN COOK MP
LEADER OF THE HOUSE OF COMMONS
2 CARLTON GARDENS
LONDON SWIY 5AA
TEL: 020 7210 1025

CS
cc: JJH

Prime Minister

PARLIAMENTARY PENSIONS

I have seen Andrew Smith's minute to you of 25 October. The case for compromise was expressed in detail in my previous minute; I will not repeat myself here but I would register the following points arising from Andrew's minute.

I welcome Andrew's clarification that the cost to the Exchequer of my compromise would be £1.2 million. This is a very modest sum on which to pick a fight with a majority of Labour MPs. If we refuse to make this small outlay, we may court defeat by disaffected MPs on a policy issue with a much bigger price tag.

I note Andrew's minute does not contest my point that the Treasury contribution to the Parliamentary Scheme has for a decade been the lowest in the public service, and will remain the lowest throughout most of this Parliament even after the increase under my compromise.

I was not wrong in asserting the unique character of the Parliamentary Pension Fund because of its funded nature. What I said in my minute is that it was the only major funded scheme in Central Government. I notice Andrew does not produce any other example in Central Government. The fact that the Parliamentary Pension Fund is a funded scheme in healthy surplus should enable robust negotiators to resist spurious comparisons with members of pay-as-you-go schemes in the public sector. Andrew's assertion that he would dispute that the surplus is the property of the members makes it hard to understand what is the advantage of a funded scheme, or indeed what is the incentive to the Trustees to keep it in surplus.

Finally I note that Andrew suggests that it would be helpful to hear out the unions "by saying that we are still considering the position of MPs." I want to be helpful over the timing of any announcement. However I would hope we can conclude on the compromise in the near future. The longer the delay the greater will be the problem in obtaining goodwill for what is a compromise decision which will still require a significant increase in Member's contributions.

pp. [signature]

RC

approved by the Leader & signed in his absence

30 OCT 2001

F

From: Clare Sumner
Date: 26 October 2001

Fine. Let's oppose but only if we can win it & I don't think we can.

PRIME MINISTER

cc: Jeremy Heywood
Jonathan Powell
Robert Hill

PARLIAMENTARY PENSIONS

Issue
The Treasury is vehemently opposed to Robin's proposed compromise solution on parliamentary pensions as they feel that the rest of the public sector will use it to negotiate similar benefits. They feel it is hard to justify different treatment for MPs. However you indicated to Robin that you were attracted to his scheme.

Background
Robin argues that the MPs have a funded pension scheme, which is currently in surplus. He argues that MPs should be able to benefit from that surplus. That is his key argument for recommending that MPs pay 2% extra contributions and that HMT pick up the rest at 3%.

Andrew Smith argues that the MPs scheme is not the only funded scheme - one million local government employees have a funded scheme which is currently in deficit. Although the MP scheme is currently in surplus they argue that it is likely to go into deficit and in any event fluctuations could mean the taxpayer ends up footing the bill for more benefits to MPs. Another real possibility is that over time contributions by either MPs or HMT would have to increase to around 5.1% to sustain this.

? The cost of the MP scheme is £1.2m but HMT argue that the potential read across could be £2bn a year, however this is unlikely to be realised.

What is more likely is complaint from those public sector workers who pay similar contributions to MPs but receive less benefits - this amounts to 3.2 million workers including nurses and local government workers.

HMT refuse to acknowledge that we will simply not be able to overturn the vote. Nor do they acknowledge that MPs have contributed to the current surplus.

Way forward
We do not need to make an instant decision although Robin is pushing very hard for one as he sees it as part of his package for winning support from MPs.

Gordon and Andrew may press you to agree with them that the vote should be overturned. You should resist this at the moment, as it is very unlikely that we would win a vote to overturn the MPs decision and a compromise option does have real merit in reducing the burden on HMT.

Andrew suggests that we should postpone the decision until more public sector talks have occurred including one with the civil service on Monday. When the previous Government faced a similar situation they waited for a year before seeking to overturn the MPs vote so we do have time to consider this further.

?Content to agree with Andrew and consider further

Possible Options
The SSRB are unhappy that MPs ignored their advice. One option would be to ask Robin to explore whether there is any further work they could do which would assist us either in reaching a compromise position or giving us some legitimacy in seeking to overturn any vote.

Or, the alternative is for you to back the compromise proposed by Robin and get HMT to focus more on the differences between the MP scheme and the other public sector ones rather than the similarities. Or suggest a different compromise if they don't find Robin's workable.

The difficulty as ever will still be that MPs will have voted themselves more money and better benefits than many public sector workers will receive.

?Any views

Cl Sumner

CLARE SUMNER

Treasury Chambers, Parliament Street, London, SW1P 3AG

Faxed
25 October 2001

PRIME MINISTER

PARLIAMENTARY PENSIONS

You asked for my further advice in the light of Robin Cook's minute to you of 17 October, responding to mine of 15 August. Robin proposes that the accrual rate for benefits in the Parliamentary pension scheme should be increased from $1/50^{th}$ to $1/40^{th}$ (of final salary per year of service) in line with the House Resolution on 5 July (but against the advice of the Senior Salaries Review Body); and that the costs should be shared with Members making extra contributions of 2% (raising the member contribution rate from 6% to 8% of pay) and the Exchequer picking up the residual cost (an extra 3.1% of pay).

2. Robin sets out a number of arguments to justify the extra Exchequer costs. Firstly, that the risk of repercussion onto other public service schemes from his proposal is minimal, because it is too difficult to make meaningful comparisons between different pension schemes. It is the issue of knock-on effects that most concerns me. Pensions are complicated, but there is no way to disguise that the increase in benefits which the House voted for is very large (increasing the accrual rate by ¼), was rejected by the SSRB, and that under Robin's proposal the taxpayer would nevertheless be footing most of the bill. It would cost us about £1.2 million in this scheme, but to put it in perspective it would cost about £2 billion a year to provide a similar uplift in employer contributions to

CHIEF SECRETARY TO THE TREASURY

the pensions of ordinary public servants. Colleagues are dealing with long-running union campaigns for Exchequer-financed increases in public service pension benefits adding up to over £1 billion. It will be increasingly difficult to defend against those campaigns, as we must do, if at the same time we award ourselves and other Members of the Parliamentary scheme extra benefits from the taxpayer which are proportionately very much larger.

3. Robin also points to the low rate of Exchequer contributions to the scheme, on account of the actuarial surplus on the scheme's fund. Whether the scheme fund is in surplus or deficit, Members' benefits are secure because the Exchequer contribution will cover any deficit that emerges. When there is a surplus it is used to defray the Exchequer contribution, but as long as there is effectively an Exchequer guarantee the state of the fund is irrelevant to the comparison with other public service schemes guaranteed by the Exchequer. In any case, at the last valuation of the scheme the Government Actuary warned that the Exchequer contribution would have to revert to at least the full rate (of over 18% of pay) by April 2004, and since then we have agreed the SSRB recommendation to increase death benefits in the scheme at Exchequer cost, which will reduce the surplus even faster.

4. Even if we accepted the argument that the temporary surplus belongs to the Members, which I do not, and we reverted immediately to the standard Exchequer contribution of 18.6%, the surplus on the scheme would probably not cover the increased accrual cost for more than two or three years, if that, after which either Exchequer contributions or member contributions would have to rise by 5.1% of pay.

CHIEF SECRETARY TO THE TREASURY

5. Robin is in any case not right to say that the Parliamentary scheme is unique amongst statutory schemes in being funded. There are over 1 million active members of the Local Government Pension Scheme (LGPS), which is a funded scheme. The funds within it are mostly not in surplus – mostly they are still in recovery from deliberate running down of funding levels under the last Administration. But whether other public service workers are in funded schemes or unfunded schemes, their unions will not miss the point that if we agree to a large increase in taxpayer contributions to fund a large increase in MP's pension benefits, we are making a special case of MPs and they will be able to use that against us.

6. Nor is Robin right to suggest that the member contributions in the Parliamentary scheme are unusually high. For historic reasons the member contributions in the Civil Service and Armed Forces are low or non-existent, but in these cases the value of the pension scheme has always been a factor in setting pay and pay comparisons. At 6% the contributions paid by MPs are the same as paid by members of the LGPS, and also by teachers and NHS employees – in all, some 3.2 million public sector workers who all get markedly inferior pension benefits to those which MPs already get. We can justify this as long as higher benefits in the Parliamentary scheme are supported by independent review body recommendations. For at least the last quarter century there has been no increase in taxpayer contributions to the scheme which was <u>not</u> recommended by the review body. But that is not the case with Robin's proposal.

7. I am grateful for Robin's agreement that we should reject the House Resolution as it stands, and not provide extra Exchequer contributions on the scale demanded. But I am afraid that his proposal will still make it very difficult for colleagues to justify rejection of much more modest, but still unaffordable, demands from public service unions. We risk giving ammunition to opponents of our public sector modernisation and reform.

8. There does not seem to be a need to settle our position immediately, and it may be helpful in the meantime if we can respond to unions by hearing out their concerns about fair treatment between MPs and other workers and saying that we are still considering the position. I gather that the Civil Service unions will want to raise the issue with you when you meet them on Monday.

10. I am sending copies of this to Robin Cook and Hilary Armstrong, and to Sir Richard Wilson.

Andrew

ANDREW SMITH

RESTRICTED

File (in matrix)

cc RH
JPo
JH

10 DOWNING STREET
LONDON SW1A 2AA

From the Senior Policy Adviser

19 October 2001

Dear Rupert,

PARLIAMENTARY PENSIONS

Following the President's meeting with the Prime Minister on Tuesday 16 October, the Prime Minister has given further consideration to the President's minute of the same date.

Given the difficulty of over-turning the vote on this issue, the Prime Minister continues to see some attraction to ensuring that there is a split between HMT and MP funding of the proposal, rather than conceding that the entire amount should fall to HMT. However given the public cost implications the Prime Minister would welcome the views of the Chief Secretary before any action is taken.

I would be grateful if Neil Murphy, could ensure that we receive the Chief Secretary's advice by Friday 26th October so that the Prime Minister can reach a final decision.

I am copying this letter to Tom Scholar (Chancellor's Office), Neil Murphy (Chief Secretary's Office), Roy Stone (Chief Whips Office) and Andrew Allberry (Cabinet Office).

Yours ever

Clare Sumner

CLARE SUMNER

Rupert Holderness
President of the Council's Office

RESTRICTED

JC

MATRIX

C8
cc: JDM
JPo

RT HON ROBIN COOK MP
LEADER OF THE HOUSE OF COMMONS
2 CARLTON GARDENS
LONDON SWIY 5AA
TEL: 020 7210 1025

PRIME MINISTER

PARLIAMENTARY PENSIONS

I am writing in response to the minute from Andrew Smith. I regret the delay in responding, but Andrew's letter has prompted us to carry out considerable research.

It is difficult to make meaningful comparison between very different pension schemes. This is particularly true in the case of the Parliamentary Pension Scheme which is the only major funded scheme in central Government. All other pension schemes are met on a pay as you go basis. Nevertheless the bottom lines do not support any criticism by members of other schemes that the Parliamentary Pension Scheme is treated more favourably.

The first bottom line is that the Treasury contribution to the Parliamentary Pension Scheme is already the second lowest in central government and from next year it will be the lowest. The Government Actuary recommends a standard contribution rate to be paid by the Treasury to the parliamentary scheme. For over a decade now the Treasury contribution has been about half the standard contribution recommended by the Government Actuary.

Second, Members contributions are already higher than most other public sector schemes. Indeed at 6% the Parliamentary contribution is four times the current contribution of civil servants and will remain double the level of the revised civil service scheme. Andrew refers to the case of the partner of Bombardier Tinnion. Whilst I fully understand the compassionate reasons for making an exception in her case it is difficult to accept its relevance to the Parliamentary Pension Scheme as the Armed Forces make no contribution to their pension scheme.

As I mentioned above the parliamentary scheme is unique in being a funded scheme. As a result of prudent management by the Trustees the fund has produced a healthy surplus in each year for a decade. This surplus would have been more than adequate to meet the costs of the accelerated accrual rate. In other words members contributions have been sufficient at their historic level to meet the improvement in the scheme. However members have not been allowed to enjoy any of the benefits from the surplus, which has been used entirely to defray the standard contribution due from the Treasury. The sense of unfairness that the Treasury should deprive members of any value of the surplus on their fund is one of the reasons why MPs rejected the Government advice in July.

I am not willing to revert to the House to invite them to overturn their previous decision. I fear we would merely court a bigger defeat than the first time. It would not be acceptable in principle to attempt to impose a Whip on what is plainly a House matter rather than Government business and the attempt to impose a Whip would produce an outcry at the PLP meeting where it would be announced. Moreover I doubt whether the imposition of the Whip would necessarily change minds on our own side, and a defeat on a Whipped vote would be even more embarrassing.

There would also be a wider cost to the Government. Backbench MPs would strongly resent a Government decision to ignore the vote on 5 July and would be less likely to give the Government the benefit of the doubt on other policy issues where defeat could have bigger financial implications to the Treasury.

Given the high Members contributions and the low Treasury contributions to the Parliamentary Pension fund, I do not accept that representatives of other pension schemes can produce a valid parallel that need trouble robust negotiators. Nevertheless I am willing to put a compromise to the House by which the additional cost of the increase to the accrual rate is split between Members and the Treasury. The improved accrual rate could be met by an additional 2% by Members and 3% by the Treasury. This would put Members contribution way in front of all but one other public sector scheme and still leave the Treasury's contributions the second lowest of any central government scheme. In my judgement we may be able to secure a majority for such a compromise, but if we make no move to meet the expressed will of the House we will face a further defeat.

Robin Cook

RC

16 OCT 2001

This letter has been copied to Andrew Smith, Hilary Armstrong and Sir Richard Wilson.

020 7270 5456

BF CS 26/09

CHIEF SECRETARY TO THE TREASURY

F

RESTRICTED

CS

JPH

cc: JPo o/r
CS
MA

RH

PRIME MINISTER

CS

The case for
resisting this (or trying to!)
seems overwhelming.

1.
→ JPH
I will add it to
meeting agenda with
RC.
2. RTM

PARLIAMENTARY PENSIONS

gc

On 5 July the House passed a Resolution calling for an increase in the accrual rate of benefits under the Parliamentary pension scheme, from 1/50 to 1/40 of final salary for each year of service, to be paid for by the Exchequer. This was despite an explicit recommendation from the Senior Salaries Review Body that no such increase was deserved. You asked for my views on how we should respond.

2. The Government evidence to the SSRB was neutral, leaving it to the Review Body to assess the merits of the case being made by the trustees of the scheme for an increase to 1/40th. In its recommendations the SSRB explicitly rejected the arguments for a higher accrual rate, including all the points which were later rehearsed in favour of an increase in the debate on 5 July. The SSRB considers that the current accrual rate, of 1/50, takes full account of all the unusual features of Parliamentary careers.

(F)

PM, (Reading)

You asked for HMT view – Andrew + Robin + Hilary will investigate whether we should go back to the House to seek to overturn this, and insist Members pay for the additional benefit.

Clare

JOH

cc: JPo o/r
CS
AA

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PRIME MINISTER

PARLIAMENTARY PENSIONS

On 5 July the House passed a Resolution calling for an increase in the accrual rate of benefits under the Parliamentary pension scheme, from 1/50 to 1/40 of final salary for each year of service, to be paid for by the Exchequer. This was despite an explicit recommendation from the Senior Salaries Review Body that no such increase was deserved. You asked for my views on how we should respond.

2. The Government evidence to the SSRB was neutral, leaving it to the Review Body to assess the merits of the case being made by the trustees of the scheme for an increase to $1/40^{th}$. In its recommendations the SSRB explicitly rejected the arguments for a higher accrual rate, including all the points which were later rehearsed in favour of an increase in the debate on 5 July. The SSRB considers that the current accrual rate, of 1/50, takes full account of all the unusual features of Parliamentary careers.

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3. If we now implement the House's Resolution, against clear Review Body recommendations, we risk undermining our position on other public service pension schemes, which have over 4 million active members. Our general policy is that these schemes are already generous enough in their overall benefits, and that any further improvements should be paid for by members, not the taxpayer. It is important that we are seen to apply the same principles to the Parliamentary pension scheme.

4. This does not mean blocking any improvements to the scheme, but it does means that if Members wish to obtain pension benefit improvements which have not been recommended by the Review Body, they should pay for them themselves through increased member contributions. It would be possible for the trustees to split the scheme into two sections, one of which would have a higher benefit structure and higher member contribution levels, to give Members a choice. But it must be clear that the Exchequer is not financing higher benefits for MPs and Ministers when this is being denied to other groups.

5. Otherwise we risk serious damage to industrial relations and the climate for reform in the public services, and we open our flanks to renewed campaigning for expensive benefit improvements in other public service pension schemes. The only exception to the policy of members paying for improved benefits has been the decision by HS Committee last year to make a strictly limited concession to a small group of Armed

CHIEF SECRETARY TO THE TREASURY

RESTRICTED

Forces widows allowing them to retain their pensions if they remarry, at Exchequer cost. This was explicitly agreed as a one-off, not to be extended even to other hard cases. In all other cases we have held the line against intense campaigning. In the Civil Service union leaders have so far been reluctantly supporting our policy of increasing employee contribution rates by 2 percentage points to cover the entire cost of a modernised pension scheme, including an increase in the accrual rate from 1/64th to 1/60th to match mainstream private sector schemes, and provision of survivor pensions for unmarried partners. That support is at risk following the 5 July Resolution. Pensions are a touchstone in many of the other reforms to public services on which we are staking our credibility.

6. If we made improvements to other schemes commensurate with those proposed for the Parliamentary scheme, it would cost at least £3 billion a year in the future and a one-off addition to the sum of past service liabilities of about £30 billion if the improvements were retrospective, as the trustees recommend for the Parliamentary scheme.

7. Clearly this is impossible. But we will certainly be heavily criticised by lobbies campaigning on behalf of unmarried partners, remarried widows and so on, whose demands would add between £0.5 billion and £1 billion annually to future costs, and there is an overhang of demands for upgrading past service benefits retrospectively which would cost about

RESTRICTED

£10 billion. Any contrast between our treatment of MPs and our treatment of ordinary public servants could cause genuine anger amongst our supporters outside the House and would be seized on by our opponents and pension campaigners.

8. In addition to other lobbies, we are of course now under pressure to treat Anna Homsi, the partner of Bombardier Tinnion, as if she were married to him before his death; and a link to the 5 July Resolution has already been made by union leaders and other supporters of her campaign, claiming that it is "hypocritical" to deny a widow's pension to Ms Homsi when MPs voted to give pensions to their own unmarried partners.

9. This criticism is inaccurate, because the vote to which it refers was on a separate Resolution calling for unmarried partner pensions to be introduced to the Parliamentary scheme <u>at Member cost</u>, which is in line with our policy and entirely at odds with campaigns for the taxpayer to finance higher pensions for public servants. But it illustrates again the sensitivity of linkages amongst the various public service schemes. Not only must we take great care that any special arrangements made for the benefit of Bombardier Tinnion's daughter were robustly ring-fenced, but we must be wary of the risks we shall run if we try to treat MPs, and ourselves, as special cases for a higher accrual rate in spite of the Review Body report.

CHIEF SECRETARY TO THE TREASURY

RESTRICTED

10. I have discussed these concerns with Robin Cook and we have asked officials to draw up options for responding to the Resolution, before we meet again in October. I believe it is essential that we consider the option of going back to the House and saying that the Government will not meet the costs of a higher accrual rate, and Members should instead consider whether they wish to pay for higher benefits.

11. There will be important handling considerations as to whether this can be a Whipped Vote, and whether we could win one which wasn't, on which Robin and Hilary will want to advise.

12. I am sending copies of this to Robin, Hilary and to Sir Richard Wilson.

Andrew

ANDREW SMITH
August 2001

CHIEF SECRETARY TO THE TREASURY

RESTRICTED

Faxed

PRIME MINISTER

PARLIAMENTARY PENSIONS

On 5 July the House passed a Resolution calling for an increase in the accrual rate of benefits under the Parliamentary pension scheme, from 1/50 to 1/40 of final salary for each year of service, to be paid for by the Exchequer. This was despite an explicit recommendation from the Senior Salaries Review Body that no such increase was deserved. You asked for my views on how we should respond.

2. The Government evidence to the SSRB was neutral, leaving it to the Review Body to assess the merits of the case being made by the trustees of the scheme for an increase to 1/40th. In its recommendations the SSRB explicitly rejected the arguments for a higher accrual rate, including all the points which were later rehearsed in favour of an increase in the debate on 5 July. The SSRB considers that the current accrual rate, of 1/50, takes full account of all the unusual features of Parliamentary careers.

RESTRICTED

3. If we now implement the House's Resolution, against clear Review Body recommendations, we risk undermining our position on other public service pension schemes, which have over 4 million active members. Our general policy is that these schemes are already generous enough in their overall benefits, and that any further improvements should be paid for by members, not the taxpayer. It is important that we are seen to apply the same principles to the Parliamentary pension scheme.

4. This does not mean blocking any improvements to the scheme, but it does means that if Members wish to obtain pension benefit improvements which have not been recommended by the Review Body, they should pay for them themselves through increased member contributions. It would be possible for the trustees to split the scheme into two sections, one of which would have a higher benefit structure and higher member contribution levels, to give Members a choice. But it must be clear that the Exchequer is not financing higher benefits for MPs and Ministers when this is being denied to other groups.

5. Otherwise we risk serious damage to industrial relations and the climate for reform in the public services, and we open our flanks to renewed campaigning for expensive benefit improvements in other public service pension schemes. The only exception to the policy of members paying for improved benefits has been the decision by HS Committee last year to make a strictly limited concession to a small group of Armed

RESTRICTED

Forces widows allowing them to retain their pensions if they remarry, at Exchequer cost. This was explicitly agreed as a one-off, not to be extended even to other hard cases. In all other cases we have held the line against intense campaigning. In the Civil Service union leaders have so far been reluctantly supporting our policy of increasing employee contribution rates by 2 percentage points to cover the entire cost of a modernised pension scheme, including an increase in the accrual rate from $1/64^{th}$ to $1/60^{th}$ to match mainstream private sector schemes, and provision of survivor pensions for unmarried partners. That support is at risk following the 5 July Resolution. Pensions are a touchstone in many of the other reforms to public services on which we are staking our credibility.

6. If we made improvements to other schemes commensurate with those proposed for the Parliamentary scheme, it would cost at least £3 billion a year in the future and a one-off addition to the sum of past service liabilities of about £30 billion if the improvements were retrospective, as the trustees recommend for the Parliamentary scheme.

7. Clearly this is impossible. But we will certainly be heavily criticised by lobbies campaigning on behalf of unmarried partners, remarried widows and so on, whose demands would add between £0.5 billion and £1 billion annually to future costs, and there is an overhang of demands for upgrading past service benefits retrospectively which would cost about

CHIEF SECRETARY TO THE TREASURY

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£10 billion. Any contrast between our treatment of MPs and our treatment of ordinary public servants could cause genuine anger amongst our supporters outside the House and would be seized on by our opponents and pension campaigners.

8. In addition to other lobbies, we are of course now under pressure to treat Anna Homsi, the partner of Bombardier Tinnion, as if she were married to him before his death; and a link to the 5 July Resolution has already been made by union leaders and other supporters of her campaign, claiming that it is "hypocritical" to deny a widow's pension to Ms Homsi when MPs voted to give pensions to their own unmarried partners.

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CHIEF SECRETARY TO THE TREASURY

RESTRICTED

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11. There will be important handling considerations as to whether this can be a Whipped Vote, and whether we could win one which wasn't, on which Robin and Hilary will want to advise.

12. I am sending copies of this to Robin, Hilary and to Sir Richard Wilson.

Andrew.

ANDREW SMITH
14 August 2001

JVH
cc/SV

Secretary of the Cabinet and Head of the Home Civil Service

From the Private Secretary

PRIME MINISTER cc Chief Secretary

SENIOR SALARIES REVIEW BODY: TERMS OF REFERNCE

Sir Michael Perry has proposed revised terms of reference for the Senior Salaries Review Body (SSRB) to cover the Scottish Parliament and Welsh and Northern Ireland Assemblies. I attach a draft letter for you to send to him agreeing the changes.

2. In October 2000 you wrote to Sir Michael Perry, Chairman of the Senior Salaries Review Body (SSRB) to say that you would welcome the devolved bodies making use of the Review Body's expertise and having direct access to its advice on the pay, pensions and allowances of its members. Sir Michael responded positively and suggested revised terms of reference to cover the Scottish Parliament and Welsh and Northern Ireland Assemblies.

3. The Deputy Prime Minister also asked the SSRB to advise on the salaries of members of the Greater London Authority when it was first set up. Given that further advice will be needed in the future, it seems prudent to include the GLA whilst amending the terms of reference.

4. If you agree, the changes will have immediate effect and be announced through a written Parliamentary Question when the House returns.

5. The revised terms of reference are attached along with a letter which you may wish to send to Sir Michael.

RW

RICHARD WILSON
31 July 2001

Ref. AO2001/2204

DRAFT LETTER FROM THE PRIME MINISTER TO SIR MICHAEL PERRY

Sir Michael Perry CBE
Chairman of the Senior Salaries Review Body
Office of Manpower Economics
Oxford House
76 Oxford Street
London W1N 9FD

July 2001

Further to your letter of 5 January I am pleased to agree changes to the terms of reference of the Senior Salaries Review Body to allow the Scottish Parliament, the Northern Ireland Assembly, the National Assembly for Wales and the Greater London Authority to make use of the Review Body's expertise and have direct access to its advice.

--- The revised terms of reference are attached. These indicate which officer or officers of the devolved bodies may seek for the Review Body's advice are attached.

The change will be announced through an arranged written Parliamentary Question in due course.

Ref. AO2001/2204

B/F CS 2/8

JJH

cc JPo
~~CS~~
~~SU~~

(F)

Secretary of the Cabinet and Head of the Home Civil Service

B F CS 3/9

PRIME MINISTER

what is HMT advice?

cc Lord Macdonald
Sir Andrew Turnbull
Mavis McDonald
Michael Barber
Sally Hinkley

PM/ The vote was 215 : 172 in favour (rejecting govt). It would be difficult, not impossible, to overturn. JS

The House has voted to improve the accrual rate for Parliamentary Pensions from $^1/_{50}$ to $^1/_{40}$ at Exchequer cost. As we have discussed, this is a substantial improvement in MPs' pensions which the Treasury would not be prepared to finance for other public sector workers. It goes against the advice of the SSRB. If the improvement goes ahead it will cause trouble with the unions, be hard to defend, and be a bad backdrop for improving public service delivery.

2. On 5 July the House voted to improve the pension accrual rate for MPs to $^1/_{40}$ for each year of service. This was despite the fact that:

i. the SSRB had considered and rejected a proposal by the Trustees of the pension scheme that the accrual rate be improved to $^1/_{40}$; and

ii. the Leader had reminded the House of this, and said that an improvement would "create quite a remarkable differential between our pension scheme and others in the public sector" and would risk costly repercussions.

3. The Vote on the amendment attracted little attention in the press, probably because the value of the improvement and its significance was not understood. The Leader of the House described the change as "a cut" in the debate in the House.

4. The change has however been seized upon by leaders of the public service unions. Nigel de Gruchy of the NUT and Unison leaders for instance are reported to be outraged that MPs have bolstered their own pension scheme while failing to improve benefits for other public sector workers. The Vote is also embarrassing in relation to the major revision of the Civil Service pension scheme which we have in hand at the moment, which is being financed at no extra cost to the taxpayer. Civil Service trade union leaders have said that their position will be made untenable if valuable improvements are made to the Parliamentary scheme at Exchequer cost while civil servants are expected to meet the cost of improvements to their scheme. The review body chairmen are also alarmed. The Chairman of

Ref. AO2001/2143

SSRB is "upset" that his review body's unambiguous advice has been overturned, and may write.

5. The policy of the Treasury, which is applied across all public service pension schemes, is that **improvements should be made only where scheme members want those improvements and are prepared to meet the cost in full**.

6. Reviews of nearly all public service pension schemes are currently in progress. The most advanced of these is for the **Civil Service** where changes have been agreed in principle with the Civil Service unions. The **entire** cost of the improvements will be recovered through an increased employee contribution. There is, of course, no difference in principle between an improvement in the accrual rate for the Parliamentary scheme and for the Civil Service and this may now prove awkward for taking the Civil Service scheme forward with increasingly militant unions. The argument that the nature of a Parliamentary career justifies an Exchequer funded improvement is difficult to maintain in circumstances where the SSRB have explicitly rejected such a case made by the Trustees.

7. The Leader of the House and the Chief Secretary will be meeting at some stage to discuss implementation. The timing is not yet clear. The Treasury are concerned about the risk of repercussions but also recognise that there has been a clear expression of the will of the House. If changes conceded to the Parliamentary scheme are at Exchequer cost, it will be essential to make it clear that **existing policy will be maintained for other public service schemes**. The public service unions are certain to run with the issue. That could of course affect staff morale and hence the Government's public service delivery agenda.

8. If improvements to the Parliamentary scheme are made, but the Government require them to be made in accordance with Government policy, and therefore at scheme member cost, this could increase the current tensions between the House and the Government.

9. Andrew Smith meets Robin Cook this afternoon on other business. We understand that the Chief Secretary, if the Leader raises pensions, will say this is all very difficult, point to the risks of costly repercussions, and the need for collective discussion. You may want to speak to the Chief Secretary endorsing this line and the potential for pensions to have an impact on the Government's delivery agenda for public services.

R Abel

pp **RICHARD WILSON**
26 July 2001

Ref. AO2001/2143

DCO ~~Do you have any PQs.~~ File

27/7

LORD GRAHAM OF EDMONTON

House of Lords

PRIME MINISTER'S
CORRESPONDENCE SECTION
RECEIVED
27 JUL 2001

CS
cc: JJH
JPO

24 July 2001

The Rt Hon Tony Blair MP
Prime Minister
10 Downing Street
London SW1A 2AA

Dear Prime Minister,

You wrote to me, as Chairman of the Peers' Group, on 10 October 2000 telling me that you had referred to the Senior Salaries Review Board a number of matters which appertained to peers' expenses.

I am writing, briefly, to say that as a result of combined efforts across all back benches in the House of Lords, the report of the SSRB has been almost universally endorsed as a major step forward in conditions relating to membership, and I have been asked by many to express to you their appreciation. I most happily do this.

Yours sincerely,

Ted

File

Copy in DCO In Box

cc CO.

10 DOWNING STREET
LONDON SW1A 2AA

19 July 2001

THE PRIME MINISTER

Dear Ted,

Thank you for your letter of 2 July about the Public Duties Allowance.

The link between this and the Office Costs Allowance has been broken now that the House has decided that the latter should be abolished. We now intend to link the Public Duties Allowance with the new centralised arrangements agreed in the House last week for MPs with London constituencies.

The new rate will be £70,000 and will come into effect from 5 July. This will mean an increase of almost a third from the current Office Costs Allowance of £52,760. The change will be announced in due course through a written Parliamentary Question.

Yours ever

Tony

The Rt Hon Sir Edward Heath KG MBE

ea

Top: PA/PS
cos
PAPS
SU

F

Secretary of the Cabinet and Head of the Home Civil Service

PRIME MINISTER

PUBLIC DUTIES ALLOWANCE FOR FORMER PRIME MINISTERS

Sir Edward Heath has written to ask how the Public Duties Allowance payable to former Prime Ministers is to be affected by the decision last week of the House of Commons to abolish the Office Costs Allowance to which it is linked. The Public Duties Allowance is paid to cover the additional costs incurred for continuing political and charitable work largely based in London.

2. From 5 July the Office Costs Allowance will be replaced by central arrangements for the payment by the House Authorities of MPs' secretarial and support staff up to a ceiling of £60,000 (£70,000 for those with London constituencies).

3. The current link between the two allowances has stood the test of time and provides a consistent approach. It is important to make arrangements which can keep pace with the real costs of accommodation and staff salaries in London. On balance, we believe that a link with the new ceiling for the central payment by the House Authorities of support and secretarial staff makes sense. This would give an increase of almost a third from the current Office Costs Allowance of £52,760 to £70,000 and would come into effect on 5 July. An announcement would be made in due course through a written Parliamentary Question.

--- 4. I attach a draft letter which you may wish to send to Sir Edward explaining the change.

RW.

RICHARD WILSON

17 July 2001

Ref. AO2001/2044

SKP 17/7/01

GR please type up for PM sig + back to me.

DRAFT LETTER FROM THE PRIME MINISTER TO

The Rt Hon Sir Edward Heath KG MBE
17 Wilton Street
London
SW1X 7AX

July 2001

Thank you for your letter of 2 July about the Public Duties Allowance.

The link between this and the Office Costs Allowance has been broken now that the House has decided that the latter should be abolished. We now intend to link the Public Duties Allowance with the new centralised arrangements agreed in the House last week for MPs with London constituencies.

The new rate will be £70,000 and will come into effect from 5 July. This will mean an increase of almost a third from the current Office Costs Allowance of £52,760. The change will be announced in due course through a written Parliamentary Question.

TONY BLAIR

Ref. AO2001/2044

The Private Office of the Rt Hon Sir Edward Heath KG MBE
17 Wilton Street
London
SW1X 7AX

F

2 July 2001

Dear Tony,

As you know, the House will be voting on 5 July on Motions relating to the Senior Salaries Review Board Report and related issues.

The Public Duties Allowance, payable to former Prime Ministers, has traditionally been the same as the Office Costs Allowance. I am writing to ask what effect the SSRB recommendations will have on the Public Duties Allowance.

I believe that former Prime Ministers such as myself who have opted not to go to the House of Lords should be treated under the SSRB recommendations as London Members. As I am sure is the case with other former Prime Ministers, I still undertake a large amount of work both political and charitable and a London base is essential for this.

I hope that you will be able to ensure that former Prime Ministers are treated fairly when the House votes on the matter.

May I also add that there is a further important matter on which I intend to write to you soon namely the pension arrangements for former Prime Ministers, which is of course of great importance to me now that I have left the House of Commons.

Yours

Ted

The Rt Hon Tony Blair MP
10 Downing Street
London SW1A 2AA.

F

From: Clare Sumner
Date: 28 June 2001

FAXED

PRIME MINISTER

cc: Chief Whip
Jonathan Powell
Jeremy Heywood
Robert Hill
David Hanson

SSRB - HANDLING OF AMENDMENTS

We have been discussing with the Chief Whip the handling of likely amendments from MPs of all parties to the SSRB motions. We need to discuss this on Monday.

Before the election, and following the announcement of Cabinet Pay we have adopted an entirely neutral approach. In my view to move away from this would be a mistake.

It would be helpful to give us a steer at the Monday meeting.

The parties have different priorities. The PLP are focusing on issues relating to staffing costs and constituency work. The Conservatives are focusing on improving MPs allowances and employing external consultants.

Possible amendments

Higher limit for staff based in London - not just London MPs (so that the provision is increased from £60k to £70k)

Out of all the requests this is the most reasonable. It can also be presented in similar terms to making special arrangements for public sector staff in London – housing allowances etc...

Additional Cost Allowance - higher rate to bring it into line with rate for Lords – I understand John Butterfil is pushing for this and we understand that Clive Betts is likely to table this amendment.

SSRB did not recommend anything for the Commons. The Lords are given allowances on the basis they don't draw a salary. An amendment is likely to be in the scope of the motion but will be seen as MPs seeking to line their own pockets further.

Office costs - not £14,000 but £16,000 + telephone costs (roughly £18k)

Officials are against this change – they argue that the OCA is in effect rising by c£25k – they currently get £53k – they will get £14k plus £60/70k staffing plus free computers and copiers and answer phones. This is a significant increase. However members of the PLP feel strongly about it.

Clarify employers cost limits will also cover full employer costs - eg maternity pay

These will not need to be amendments as the staffing allocation will cover both employers' and employee's NI. On maternity there is a separate allowance for Temporary Secretarial Assistance to cover replacement staff when a secretary/researcher is off on maternity leave or ill.

Pensions

In addition there may be some amendments to the pensions proposals to increase the payments made when the pension scheme comes to fruition, by moving the scale from 1/50 to 1/40. The SSRB opposed this. We are keeping the Treasury informed.

House votes

At the end of the day the House will decide. Increases based on London weighting and OCA are more defensible than further specific increases to MPs themselves.

Clare we shd just keep right out of it.

CLARE SUMNER

020 7270 5456

VCS F

CC: AA
RK.

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, London, SW1P 3AG

The Rt Hon Robin Cook MP
President of the Council and
Leader of the House of Commons
2 Carlton Gardens
LONDON SW1Y 5AA

25 June 2001

Dear Robin,

SSRB REVIEW OF PARLIAMENTARY PENSIONS

I understand that our officials have agreed that we should resist the Exchequer meeting the costs of improvements to the benefits of the Parliamentary Pension Scheme by making spouse pensions payable for life, which is helpful.

2. That said, there should be no objection to this change being brought in if the cost is covered by increased member contributions, in the same way as our policy on pensions for unmarried partners allows active members to contribute to this benefit if they want it and are prepared to pay for it. In either case there is a number of ways in which the change could be made for active members, and it may be best if we handle this by linking Recommendation 2 in the SSRB Report (lifetime pensions) to Recommendation 8 (unmarried partners), where the SSRB recommends the scheme trustees to consult members about the change and the higher member contributions which it would entail.

CHIEF SECRETARY TO THE TREASURY

3. Introducing survivor pensions for unmarried partners is best seen in the context of lifetime pensions anyway, as the rule on withdrawing survivor pensions on remarriage becomes exposed by admission of survivors who never were married, and the rule on co-habitation becomes more prominent and problematic. It is workable to have lifetime pensions without unmarried partner pensions, but we do not envisage any public service scheme trying to introduce unmarried partner pensions without simultaneously introducing lifetime survivor pensions. For instance in the new Civil Service pension scheme being developed to launch in 2002 it has already been announced that unmarried partner pensions and lifetime survivor pensions will be introduced together and the Government Actuary has costed that change as a package in calculating the extra employee contribution that members of the new scheme will have to pay.

4. The simplest way to introduce such changes may be to launch a new scheme for new entrants and give existing staff the option to join it if they wish. This avoids issues about imposing higher employee contributions on existing members on the assumption that they will value the higher benefits. And it also allows easily for options for existing staff who join the new scheme to upgrade their past service benefits as well as beginning to contribute to the higher benefits in respect of their future service: an actuarial reduction is made to their length of past service when it is transferred to the new scheme. This is in fact the model which the Civil Service will be using when it brings in the higher contributions and higher benefits.

5. In the case of the Parliamentary scheme, none of us envisages a new scheme and we do not want to propose that the trustees should consider that. Members can be offered higher benefits for higher contributions by modification to the existing scheme, but we do need to consider then whether it is best to go to the House with a preferred option for a specific approach and debate that, or whether it would be better to ask the scheme trustees to consider options and come forward with proposed rule changes in due course.

6. For instance, a new rule could apply lifetime pensions across the board in respect of future service. Preliminary calculations by the Government Actuary's Department indicate that the member contribution would have to increase by 0.35% of pay to cover that. Or individual members could be given the choice, in which case the costing might be different. It is also possible to give members the option to pay more to upgrade their past service benefits. Again, if done across the board this would require a further 0.7% of pay in member contributions. There are also some options available on the technical detail of the rule change which might affect costings, on which the Government Actuary could advise the trustees to inform consultation with members.

7. Provided we have firmly established our position on members having to cover the costs of Recommendation 2, in the same way as the SSRB recommends that they cover the costs of any changes made under Recommendation 8, I would be content for the precise details of the change and the extent to which members may make individual choices, to

CHIEF SECRETARY TO THE TREASURY

be remitted to the trustees if you thought that would make handling easier. It would save us from having to second guess member preferences by devising a specific way forward before the Resolution is laid on Wednesday, or trying to manage what amounts to a very technical consultation on complicated options by way of a debate on the floor of the House. It is clear in any case that the SSRB recommendations as they stand are only an outline and not a detailed prescription for change. On recommendation 2 the SSRB says nothing at all about retrospection

8. If you agree, I think a good case can be made for wrapping Recommendation 2 up with Recommendation 8, with the proviso that there will be no additional cost on the Exchequer from either of the changes under consideration, and asking the scheme trustees to come forward with detailed proposals for new rules and the associated new contribution rates after consulting members in the normal way.

9. I hope that this will be helpful. If you agree I will ask my officials to give every assistance to yours in working up any details which need to be covered.

10. I am copying this letter to the Prime Minister, the Chancellor and the Chief Whip.

Best wishes,

Andrew.

ANDREW SMITH

F

From: Robert Hill & Clare Sumner
Date: 22 June 2001

cc Charles Clarke
David Hanson
Jonathan Powell
Jeremy Heywood
Anji Hunter
Alastair Campbell
Sally Morgan

PRIME MINISTER

MPs' PAY AND OFFICE COST ALLOWANCES

In March the Senior Salaries Review Body reported on MPs' pay and expenses, and issued a separate report on pensions. It recommended:

- £2,000 more for each MP in 2001 and 2002 on top of their normal annual uprating
- Ministers to get this increase in their role as MPs but only to have an annual uprating in Ministerial pay
- Office staff costs covered up to a limit of £60,000 (or £70,000 with MPs with London constituencies).
- IT kit centrally supplied and maintained
- Office costs allowance abolished and replaced by an Incidental Expenses Provision of £14,000 to cover constituency office expenses.

Action and the vote on this was deferred until after the election although we have said publicly that the Government is neutral and it is a matter for the House to decide.

Clive Soley's letter

Attached is a letter from Clive Soley which he has sent to Robin and Hilary. He has two main concerns:

1. He wants the vote on this before the summer recess. He told me on the phone that if we resist this then we can kiss goodbye to anyone being elected as PLP chair (whether it was him or anyone else) who was sympathetic to the leadership.

2. He wants various adjustments to the recommendations. The first one would apply the £70,000 limit for office to all MPs who base their offices at Westminster. The second would raise the Incidental Expenses limit from £14,000 to £18,000.

Other members are also canvassing for support on issues such as ensuring photo copiers are supplied centrally.

There is support for the recommendations, which will be decided on a free vote, across all three main parties – though as you will see the Tories want to propose one change themselves. And there is strong PLP support for Clive's amendments

Proposed action

Robin is proposing to write round on this imminently as is required with draft orders. The key thing will be the attitude of Gordon and the Treasury.

The Business Managers are provisionally tabling this for the vote to take place on July 5th in both Houses.

Presentationally the Government has remained neutral. We have argued, in relation to Cabinet pay, that we are implementing the recommendations of an independent body. And on members' pay and conditions we have said that this is ultimately a matter for the House to decide.

In line with this approach we recommend that the Government tables neutral motions, based on the SSRB recommendations, in order to allow the House to vote.

If Clive and others then wish to amend the motion they can do. Members can then vote accordingly. Robin supports this approach.

?Content for the motion to be neutral ✓ yes but timed c̄ the Tories & Lib Dems

There is a further complication in that even after the vote it will take several months to make some of the changes as they involve moving to the House of Commons being responsible for supplying all IT equipment. There is talk of some interim arrangements being necessary – but this is not yet clear.

Other issues

Pensions

There will be a separate motion including the SSRB recommendations on pensions.

One is controversial – to remove the curtailing of widows' pensions if they remarry or co-habitat with a new partner, with the extra cost borne by the Treasury. The Treasury resisted this last session.

However Andrew Smith and Robin have agreed that we could accept the recommendation if costs were borne by the members themselves as an increase to their contribution. This would bring it in to line with the civil service pension arrangements so is credible. MPs currently contribute about 6% of their salaries and if everyone signed up to such a scheme they would pay a further 1%. The smaller the scheme take up the higher any further contribution would be.

A second option could be for the Trustees of the Pension scheme to look at this issue again when they consider the issue of pensions for non-married partners. I think this would be a fudge and not necessarily take the issue any further forward. They might insist that they think the Treasury should pay.

?Content to agree that we accept the recommendation on the basis proposed by the Treasury

Jack Straw's negligence case

You will also recall that we promised to act on this post election. Hilary proposes to bring this before the House on 5 July for their consideration. Jack is saying that his costs are mounting and he now needs the cover. **?Content for them to proceed on this basis**

19 June 2001

Rt Hon Hilary Armstrong MP
Government Chief Whip
House of Commons
LONDON SW1 0AA

Dear Hilary

RE: OFFICE COSTS ALLOWANCE AND SSRB

As you know, I regard it as particularly important that we get the SSRB Report voted through the House as soon as possible, and before the Summer Recess so that the new arrangements can be implemented on our return in October. The Finance and Administration Department regard this as an appropriate timescale and one they can administer satisfactorily.

The Report is generally good but there are a few amendments necessary. Firstly, there is a recommended maximum of £70,000 for staff costs for London MPs, and £60,000 for those outside. This, however, takes no account of those out of London MPs who base their offices at Westminster and thus will be expected to pay London salaries. We need to clarify this.

We also need to make it clear that the maximum amounts quoted covers all reasonable employers' costs, such as NI contributions, maternity and holiday cover, etc. It might be preferable if the level of these benefits were linked to those for other staff in the House. Alternatively the FAD could administer a separate allowance to ensure that MPs can meet the legal requirements of small employers.

The main area of difficulty is the new Incidental Services Provision, recommended by the Report at £14,000. This does not give sufficient weight to additional expenses. For example, there is no recognition of telephone costs for constituency offices and these can be a heavy burden. However, other costs are also under-estimated. I would therefore propose that we increase this amount to £18,000 which would give greater flexibility to cover the varying needs of MPs.

All such costs would of course still be subject to the 'solely, exclusively and necessarily on Parliamentary business' rule.

I understand that John Butterfill MP is recommending a change to the Additional Costs Allowance. This is not something the PLP asked for but personally I would not oppose it if it helps to keep the Opposition on board. As I understand it, the three main parties are in broad agreement about the structure and recommendations of the Report, and I believe we will get consensus on the amendments I've outlined above.

I am writing in similar terms to Robin Cook and copying this to the Prime Minister's office for information.

Yours sincerely

CLIVE SOLEY MP

Q & A MINISTERS' SALARIES

Prime Minister and Cabinet Minister

Q. What salaries are the Prime Minister and Cabinet Ministers entitled to and what were they drawing before the Election?.

A. Salaries are as follows:

	Salary (£) drawn	Salary (£) entitlement	*Total Salary (£) drawn (including MPs' salary)*	*Total Salary (£) entitlement*
Prime Minister	66,517	113,596	*116,339*	*163,418*
Cabinet Minister (Commons)	49,971	68,157	*99,793*	*117,979*
Cabinet Minister (Lords)	74,911	88,562		

Q. How much have they forgone?

A. Since May 1997, the Prime Minister has waived some 41% of the salary he is entitled to. Cabinet Ministers in the Commons have waived some 27% of the salary they are entitled to, with Cabinet Ministers in the Lords waiving some 24% (15% for Baroness Jay when Leader of the House of Lords). From 1 April 2001, the cash value of the amount waived was as follows:

	Cash amount waived (£)
Prime Minister	47,079
Cabinet Minister (Commons)	18,186
Cabinet Minister (Lords)	13,651

Q. What are the implications for severance pay?

A. Severance pay is based on one quarter of the final Ministerial salary actually drawn.

Q. How can such large salary increases be justified?

This is an existing entitlement which is fully justified in the view of the independent Senior Salaries Review Body as a fair rate for the job. The increases which were recommended in 1996 are increases to which Cabinet Ministers are fully entitled and which have been voluntarily foregone since the Election. It is unfair to expect this position to continue indefinitely.

Q. Why not carry on giving a good example?

A. The Cabinet made a voluntary commitment to forego part of the increase in salary to which Cabinet Ministers were entitled. The commitment originally made has been more than met.

Q. Why have Cabinet Ministers now chosen to draw their full entitlement?

A. They recognise the force of the SSRB's argument in its 2001 report that continuing to operate the voluntary restraint is distorting the parliamentary pay system and creates inequity.The SSRB recommended this should be remedied as soon as possible.

Q. What impact will this have on pensions on retiring Cabinet Ministers?

A. None. Ministerial pensions are based on salaries entitled to rather than salaries drawn.

Q. When will Cabinet Ministers receive their new salary?

A. From the day of taking office.

<u>Other issues</u>

Q. What will now happen regarding the Senior Salaries Review Body's recommendations on MPs' pay, Lords Ministers' pay, the Office Costs Allowance and Peers' Allowances?

A. As the Government stated in its response to the SSRB's report of 16 March, acceptance of these recommendations will be a matter for both Houses to decide. Dates of the debates will take place when parliamentary time allows. Resolutions of the House will be needed to implement any increase in the parliamentary salary, changes to the Office Costs Allowance and Peers' allowances. Secondary legislation will be required to implement any increase in Ministerial salaries.

Q. What effect, if any, will any increase in MPs' pay (eg pensions) have on those MPs who left at the General Election?

A. This is for the House to decide.

Q. What effect, if any, will any increase in MPs' pay have on the Resettlement Grant for those MPs who left at the General Election?

A. This is for the House to decide.

Q. When is the next review on Parliamentary pay and allowances?

A. The Senior Salaries Review Body are due to conduct their next review of parliamentary pay and allowances in 2003-2004.

TOTAL SALARY FORGONE SINCE 1997 GENERAL ELECTION

	1997-98 (£)	1998-99 (£)	1999-00 (£)	2000-2001 (£)	2001-2002 (£)*	TOTAL (£)
Prime Minister	37,990	42,583	44,419	45,707	7,847	**178,546**
Cabinet Ministers (Commons)	278,825	312,351	326,002	335,464	57,580	**1,310,222**
Cabinet Minister (Lords)	14,885	14,769	12,952	13,254	2,275	**58,135**
TOTAL (£)	**331,700**	**369,703**	**383,373**	**394,425**	**67,702**	**1,546,903**

* amount forgone so far

F

From: Robert Hill
Date: 19 June 2001

cc Charles Clarke
David Hanson
Jonathan Powell
Jeremy Heywood
Anji Hunter
Alastair Campbell
Sally Morgan

PRIME MINISTER

MPs' PAY AND OFFICE COST ALLOWANCES

Last November the Senior Salaries Review Body reported on MPs' pay and expenses. It recommended:

- £2,000 more for each MP in 2001 and 2002 on top of their normal annual uprating
- Ministers to get this increase in their role as MPs but only to have an annual uprating in Ministerial pay
- Office staff costs covered up to a limit of £60,000 (or £70,000 with MPs with London constituencies).
- IT kit centrally supplied and maintained
- Office costs allowance abolished and replaced by an Incidental Expenses Provision of £14,000 to cover constituency office expenses.

Action and the vote on this was deferred until after the election.

Clive Soley's letter

Attached is a letter from Clive Soley which he has sent to Robin and Hilary. He has two main concerns:

1. He wants the vote on this before the summer recess. He told me on the phone that if we resist this then we can kiss goodbye to anyone being elected as PLP chair (whether it was him or anyone else) who was sympathetic to the leadership.

2. He wants various adjustments to the recommendations. The first one on applying the £70,000 limit for office to all MPs who base their offices at

Westminster seems to me to be reasonable. The second on raising the Incidental Expenses limit from £14,000 to £18,000 seems to me to be much more questionable.

There is support for the recommendations, which will be decided on a free vote, across all three main parties – though as you will see the Tories want to propose one change themselves.

Clive says that he will raise this at the Parliamentary Committee tomorrow.

Proposed action

Robin is proposing to write round on this imminently as is required with draft orders. The key thing will be the attitude of Gordon and the Treasury.

The Business Managers are provisionally tabling this for decision on July 5th.

As I understand it the Government tables a motion. Backbenchers and the opposition can table amendments and the free vote(s) decide the outcome. Reaction to Robin's write round will help to determine the exact terms of the Government motion.

There is a further complication in that even after the vote it will take several months to make some of the changes as they involve moving to the House of Commons being responsible for supplying all IT equipment. There is talk of some interim arrangements being necessary – but this is not yet clear.

The key thing at this stage is that you are content for the issue to be decided in the next few weeks. It will trigger bad publicity – particularly after the decision on Cabinet Ministers' pay but it is probably better to get it over and done with. Presuming you agree I think you – or Robin - should signal this at the Parliamentary Committee – though we may want to reserve our position on Clive's proposed amendments for the time being.

Robert

I agree. But we must bind the Tories in.

19 June 2001

Rt Hon Hilary Armstrong MP
Government Chief Whip
House of Commons
LONDON SW1 0AA

Dear Hilary

RE: OFFICE COSTS ALLOWANCE AND SSRB

As you know, I regard it as particularly important that we get the SSRB Report voted through the House as soon as possible, and before the Summer Recess so that the new arrangements can be implemented on our return in October. The Finance and Administration Department regard this as an appropriate timescale and one they can administer satisfactorily.

The Report is generally good but there are a few amendments necessary. Firstly, there is a recommended maximum of £70,000 for staff costs for London MPs, and £60,000 for those outside. This, however, takes no account of those out of London MPs who base their offices at Westminster and thus will be expected to pay London salaries. We need to clarify this.

We also need to make it clear that the maximum amounts quoted covers all reasonable employers' costs, such as NI contributions, maternity and holiday cover, etc. It might be preferable if the level of these benefits were linked to those for other staff in the House. Alternatively the FAD could administer a separate allowance to ensure that MPs can meet the legal requirements of small employers.

The main area of difficulty is the new Incidental Services Provision, recommended by the Report at £14,000. This does not give sufficient weight to additional expenses. For example, there is no recognition of telephone costs for constituency offices and these can be a heavy burden. However, other costs are also under-estimated. I would therefore propose that we increase this amount to £18,000 which would give greater flexibility to cover the varying needs of MPs.

All such costs would of course still be subject to the 'solely, exclusively and necessarily on Parliamentary business' rule.

I understand that John Butterfill MP is recommending a change to the Additional Costs Allowance. This is not something the PLP asked for but personally I would not oppose it if it helps to keep the Opposition on board. As I understand it, the three main parties are in broad agreement about the structure and recommendations of the Report, and I believe we will get consensus on the amendments I've outlined above.

I am writing in similar terms to Robin Cook and copying this to the Prime Minister's office for information.

Yours sincerely

CLIVE SOLEY MP

BRIEF B

PAY OF CABINET MINISTERS

Following the SSRB recommendation that Cabinet Ministers should draw their full entitlement to salary, and discussion with the Prime Minister before the Election, Departments have been given the guidance in the letter below as the working assumption on which they should operate unless their individual Ministers decide not to draw their full entitlement.

Further background is given the attached note.

<u>Text of letter from Sir Richard Wilson sent to departments on Thursday afternoon 7 June 2001</u>

CABINET MINISTERS' PAY

I am writing about the arrangements for the payment of salaries to Cabinet Ministers in the next Government.

As colleagues will recall, Cabinet Ministers in the last Government chose not to draw their full entitlement to their Ministerial salary (the Lord Chancellor of course being in an exceptional position). My understanding is that this action, which was the result of individual decisions by each Minister, was intended to last for lifetime of the last administration. Whichever Party wins the Election we should therefore work on the assumption that all Cabinet Ministers in the next Government will take their full entitlement to their Ministerial salary with immediate effect from the day of their appointment unless individually they decide otherwise, and you should make arrangements accordingly. You will just want to check that any returning Cabinet Ministers, who had of course previously waived their entitlement, are happy to adopt this approach. If there is any Minister in the next Government who decides not to take their full entitlement, I would be grateful if you would let me know.

I am copying this to the Permanent Secretaries of Cabinet Ministers and to Ian Gordon, Alison Jackson, Roy Stone and Alex Galloway.

Attachment to Brief B

MINISTERIAL PAY

Since May 1997 all Cabinet Ministers, apart from the Lord Chancellor, are believed voluntarily to have waived a proportion of their Ministerial salary. The SSRB report published in March 2001 strongly advised the Prime Minister that the Cabinet should take its full entitlement at the earliest opportunity.

1. Since May 1997 Cabinet Ministers have waived 27% of their Ministerial salary entitlement (15% for Baroness Jay when Leader of the House of Lords). From 1 April 2001 the cash value of the amount waived is £18,186 per annum for Cabinet Ministers in the Commons and £13,651 for the Leader of the Lords. The Prime Minister has waived £47,079 (41%) of his salary as from 1 April. All Ministers receive their MP's salary in full. The position is set out below.

	MPs Salary (£)	Current Salary (£)		Full Entitlement (£)	
		Ministerial	**Total**	Ministerial	**Total**
Prime Minister	49,822	66,517	**116,339**	113,596	**163,418**
Commons Minister	49,822	49,971	**99,793**	68,157	**117,979**
Lords Minister	n/a	74,911	**74,911**	88,562	**88,562**

Note: The Lord Chancellor's salary is linked to the Lord Chief Justice and is taken in full.

2. Severance pay for **outgoing Cabinet Ministers** will be calculated on the lower amount (i.e. the Ministerial salary drawn) whereas pension entitlement will be based on the higher amount because departments have been contributing to the Parliamentary pension scheme an amount equivalent to 6% of the salary waived. All **Ministers below Cabinet rank** have drawn their full salary entitlement since May 1997 and will continue to do so.

3. Lawyers advise that Ministers re-appointed to the Cabinet need to make individual decisions to withdraw their earlier waivers and to accept their full salary entitlement. Allowing Permanent Secretaries to confirm Ministers' decisions on this matter simplifies the process.

4. The decision to draw full entitlement will attract media interest. There would appear to be a strong case for releasing this change in policy in a low-

key way soon after Cabinet Ministers have individually taken their decisions. This could be in the form of a press release early in the week after the election which confirmed all Ministerial appointments and their salaries.

5. The March 2001 **SSRB report** on Parliamentary pay and allowances (and the separate report on Parliamentary pensions) remains to be debated by the House. There will be pressure for this to happen quickly when Parliament re-assembles. In respect of pay, the report recommends increases to MPs' and Lords Ministers' pay of £4,000 (in two installments of £2,000) in addition to the normal automatic annual uprating. The report also recommends increases to allowances in both the Commons and Lords. There are no additional recommendations on Cabinet Ministers pay. The President of the Council will be offering separate advice on the Parliamentary handling of this report.

Cabinet Office
8 June 2001

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PARLIAMENT; PAY & PENSIONS Part 1

Annex A – Review Body on SENIOR SALARIES; Review of Parliamentary Pay & Allowances

– Volume 1 – Report

– Volume 2 – Independent Study on Pay and Allowances

– Review of the Parliamentary Pension Scheme

niceday by Guilbert

Published Papers

The following documents, which were enclosed on this file, have been removed and destroyed, and can be found elsewhere. Published items are not kept by the Cabinet Office.

Cm 4996: Review Body on Senior Salaries, Report No. 47
Review of the Parliamentary Pension Scheme
The Stationery Office Limited, March 2001
[ISBN 0-10-149962-0]

Cm 4997-I: Review Body of Senior Salaries, Report No. 48
Review of parliamentary pay and allowances, Volume 1: Report
The Stationery Office Limited, March 2001
[ISBN 0-10-149972-8]

Cm 4997-II: Review Body on Senior Salaries, Report No. 48
Review of parliamentary pay and allowances,
Volume 2: Independent study on pay and allowances
The Stationery Office Limited, March 2001
[ISBN 0-10-149973-6]

Signed SWayland Date 2 April 2024

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