



LEADER OF THE HOUSE OF COMMONS

Written Ministerial Statement

26 July 2010

Publication of Senior Salaries Review Body Report

Leader of the House of Commons and Lord Privy Seal (Rt. Hon Sir George Young Bt MP): On 31 March 2009 my predecessor informed the House (*Official Report*, col 58WS) that the then Prime Minister had written to the Senior Salaries Review Body (SSRB) on 13 February 2009, inviting them to undertake a fundamental review of Parliamentary pension arrangements and to make recommendations. The review was commissioned in response to the Government Actuary's advice that the cost to the Exchequer of accruing benefits was likely to rise above 20% of payroll, the trigger point recommended by the SSRB for such a review.

The SSRB delivered its report to the former Prime Minister earlier this year. Today, the Government are publishing it in full. The report recommends some significant changes to the Parliamentary pension arrangements, including:

- Changing the basis of pension accrual from final salary to career average;
- Increasing the normal pension age from 65 to 68;
- Restricting the rate of indexation to the lesser of RPI or 2.5%;
- Standardising the accrual rate at 1/60th of salary per year of service and the member contribution rate at 5.5% of pay; and
- Benefits already accrued on a final salary basis to be frozen and uprated in line with RPI.

Taken together, the SSRB estimates that this package would reduce the underlying rate of Exchequer contribution to 10.5% of payroll.

The SSRB's report provides helpful and thoughtful advice and a timely input into the current debate on public service pension arrangements. We are grateful to the SSRB for its work and for its willingness to tackle this matter thoroughly and independently.

In taking matters forward, we need to be mindful of developments which have taken place since the SSRB carried out its work:

1. The House has legislated to make the determination of hon. Members' allowances and, from 2012/13 their salary and pensions, independent of the House. The independent determination and administration of these matters through the

establishment of the Independent Parliamentary Standard Authority (IPSA), is a crucial part of the process of restoring trust in Parliament.

2. As stated in the Coalition Agreement, the Government has committed to consulting with IPSA on how to move away from the generous final salary pension scheme for Members of Parliament. IPSA is due to take over responsibility for Members' pension arrangements in 2012/13, as originally recommended by the Committee on Standards in Public Life in November 2009 and provided for in the Constitutional Reform and Governance Act 2010.
3. We have established, under the Chairmanship of Lord Hutton, an Independent Public Service Pensions Commission and asked the Commission to make recommendations aimed at ensuring the ongoing affordability, sustainability and fairness of public service pension arrangements.
4. The Chancellor of the Exchequer announced in his Budget statement that, from April 2011, the Consumer Prices Index (CPI) will be used for the price indexation of all benefits, tax credits and public service pensions.

The Parliamentary scheme is not included explicitly within the scope of the Hutton Commission's review. However, the Government strongly believes decisions about the Parliamentary scheme should be informed by the Commission's recommendations in respect of public service pensions more broadly, and that the SSRB report should be available as evidence to the Commission.

We will therefore await Lord Hutton's recommendations on public service pensions. However, in the specific case of MPs, there is broad party political acceptance that the current final-salary pension terms for Members of Parliament are not sustainable and that reform is needed. We anticipate that the current scheme for MPs will end. We propose to consult with IPSA on these matters and to make a further statement after Lord Hutton has published his findings.