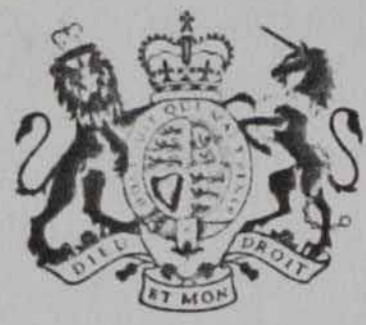


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cc Mr Gow

CDL 10/80



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PRIME MINISTER

Astonishingly good news

MS 12/14 ✓

NOTE OF MEETING ON MPs' PAY AND PENSIONS HELD ON 10 NOVEMBER 1980

Present : Chancellor of the Duchy of Lancaster
Mr Edward Du Cann, MP
Sir Paul Bryan, MP
Mr Charles Morrison, MP
Mr Kenneth Baker, MP

In Attendance :

Mr Saunders) CSD
Mr Williams)
Mr Birch

ms

The Chancellor summarised the results of a discussion with the Members as follows :

- a. It was agreed that the representatives of the 1922 Committee would not press for the pensionable rate of pay to be set at £13,750 and that they would hope that a non-amendable Motion setting the pensionable rate of pay at £13,150 and accompanied by The Queen's recommendation would be passed by the House.
- b. On linkage, as a basis for determining the pay of MPs, the discussion had shown that, in general, the proposals in the paper for quinquennial independent review and intermediate updating of salary by reference to a basket of analogues would find favour with the 1922 Committee and, in their view, a Back Bench committee should be appointed, chaired by Mr Du Cann, to study the possibility in greater detail. In view of the state of opinion in the House, it was desirable to leave this issue in play for a while, avoiding outright rejection.
- c. On the rate of accrual of pensions, it was the clear view of the executive of the 1922 Committee that, in principle, accrual at the rate of 1/40th of final pensionable salary per year was appropriate but that this was impossible in present circumstances. It would, however,

assist the Government in securing rejection of the principle of "40ths" if certain concessions could be made on the following lines :

- (1) In addition to the existing facility to buy added years by lump sum within 12 months of entering the House, a further once-for-all option for 12 months only from a current date, and
- (2) Provision, if this were possible, for purchase of added years by lump sum to be made easier by payment through periodical subscriptions.

In discussion with officials, the point was made that the option to purchase added years by lump sum could not be maintained on a continuous basis since the individuals would then be able to gain unfair advantage by choosing the times at which they bought their added years (by buying them cheaply just before a substantial pay rise). If the option were opened once-for-all for existing Members for a further 12 months, this would not preclude further new Members in the future being given the option in the usual way during the first 12 months of their membership of the House. The idea of buying added years by monthly instalments (for example) would need to be examined; it could be much more attractive for Members but would need to be subject to a time limit (eg. it would be necessary for instalments to be completed within a period of, say, five years) and it would have to be made clear that unlike the instalments under the normal arrangements for buying added years, these payments did not attract tax relief.

In conclusion, the Chancellor said that he would look into the form of the Government Motion which he would need to present to the House relating to the pensionable rate of pay and would consider whether such a Motion should extend to subjects of linkage and additional arrangements for the purchase of added years.

RAB

RA BIRCH
11 November 1980

Copy to : Mr Sanders (No 10); Mr Le Cheminant, Mr Hyde (Cab Off)
Mr Maclean, (Chief Whip), Mr Williams, Mr Saunders (CSD)

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