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PRIME MINISTER

Content, subject to

the views of colleagues -

and, in particular, to Treasury  
agreement?

PRIME MINISTER

*Subject to Treasury  
agreement  
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TSRB 13: RECOMMENDATIONS ON PARLIAMENTARY PENSIONS

*MS  
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16-0  
Cabinet agreed in February (CC(80) 5th) to accept the TSRB recommendations on Parliamentary pensions and they subsequently agreed in CC(80) 17th that the necessary legislation should be included in next Session's programme. There were two main recommendations: automatic grants from the Members' Fund for pre-1964 Members; and more flexible transfer provisions.

Members who left the House before October 1964 receive no pension and TSRB recommended that legislation should be introduced to allow this group to receive automatic grants from the Members' Fund. The Members' Fund is currently a benevolent fund which only provides discretionary grants in cases of hardship. I attach an Annex setting out my proposals in detail. I expect these to be widely welcomed in both Houses as a long-overdue rectification of an unfortunate situation.

On the matter of transfer provisions, problems are caused by the time limit which prevents Members from transferring pension rights from previous employment into the scheme if more than a year has elapsed since their election. This means for instance that an individual who was elected at a by-election shortly before a dissolution and is defeated at the subsequent General Election loses all right to transfer should he be re-elected some years later. This and other anomalies would be rectified if we allowed the transfer option whenever somebody is re-elected after having left the House some years before.

The existing rules also mean that when a Member becomes a Minister he is likely to be at a disadvantage if he has not already transferred in. This is because appointment as a Minister rarely happens within a year of being first elected to the House; and because while the attraction of transferring in may not be great for the newly elected backbencher, his obligation to relinquish outside appointments on becoming a Minister may force the Minister to accept a preserved pension from the outside scheme. This may lose considerably in value by the time it comes into payment. There are at least two junior Ministers in the present Government who wish to transfer in, but who are precluded by the present rules. To deal with those already affected by the anomalies, I would propose to allow all existing Members a further once for all transfer option when the new provisions take effect.

Contd...

The transfer proposals should not involve additional expenditure. Transfer values are actuarially assessed on the basis of the level of benefit in the two schemes involved. The transfer value paid over therefore covers fully the additional liability. The Members' Fund proposals however will involve some extra expenditure. How much will depend on the level of minimum grant made available, and a full actuarial assessment of the proposals is now under way. Once firm figures are available, I shall be discussing the matter with Treasury Ministers. Preliminary calculations indicate, however, that expenditure should not exceed £200,000 in a full year, and I have entered a bid to that effect in this year's public expenditure survey. Expenditure will of course fall off gradually over the years, with the decreasing numbers of surviving pre-1964 Members.

I invite you and colleagues to confirm that we should go ahead on this basis, subject to further discussion with Treasury Ministers about cost and the level of minimum grant to be provided from the Members' Fund.

I am sending copies of this minute to members of E Committee, to the Chief Whip and to Sir Robert Armstrong.

NSJS.

N St J S  
2 June 1980

AUTOMATIC GRANTS FROM THE HOUSE OF COMMONS MEMBERS' FUND  
TO PRE1964 MEMBERS OF PARLIAMENT

1. The automatic grants would take the form of a minimum grant lower than the current maximum level of discretionary grant. I propose to limit eligibility to those Members who left the House before 1964 with ten or more years' service only and who are aged 65 or more. To do otherwise would create further anomalies in the treatment of pre- and post-1964 Members. Post-1964 Members who left the House with less than 10 years' service also receive no Parliamentary pension, and will not be eligible for automatic grants from the Members' Fund. (The qualifying period for a pension was reduced to 4 years in 1978.) About 80 of the rather more than 150 surviving pre-1964 Members would qualify on this basis.
2. Reduced grants for widows and dependants are currently available from both the Members' Fund and the Parliamentary Pension Fund, and I propose to have a similar provision for the new automatic grants. The existing structure of means-tested discretionary grants would be unaffected, except that recipients of automatic grants would have this taken into account in assessing eligibility for further discretionary benefits.
3. TSRB suggested that, if the cost proved excessive, grants could be restricted to those over 75 years of age. I would strongly argue against this, because it would be a source of further anomalies, and I am sure that neither House would find it acceptable for this reason. An age limit of 65 would be more

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reasonable and consistent with the provisions of the Parliamentary Pension Scheme.

4. Taken together, these proposals could provide automatic grants of up to £1,000 a year to ex-Members within an expenditure ceiling of £200,000 a year. Current income from contributions to the Members' Fund is about £30,000 a year, financed equally by Members (a contribution of £24 a year each) and an Exchequer grant-in-aid. It would not be reasonable in my view to meet the extra cost by increased contributions from Members, because they can never receive the new benefit. The additional cost would therefore have to be met by the Exchequer.

5. The level of minimum grant may be reviewed annually. It will not be covered by the Pensions (Increase) Act 1971 and will not therefore be increased automatically. There will no doubt be pressure to increase the grants in line with prices, and this will have to be considered in the light of what the Government can afford. In practice, however, a measure of protection against inflation should be possible without substantial increases in expenditure, because the number of recipients will decline steadily.

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