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Dear

MPs' STAFF PENSIONS AND THE MPs' SCHEME OF BUSINESS COSTS AND EXPENSES

We are publishing today the new edition of the *MPs' Scheme of Business Costs and Expenses* (the Scheme), following our recent review. Changes will come into effect on 1 April 2015 or, in some cases, after the General Election. This letter contains important information about your pension, which was reviewed alongside the rest of the Scheme.

The MPs' Staff Pension Scheme

The Government enacted legislation that came into effect in 2012 requiring employers to automatically enrol all eligible staff in a qualifying pension scheme. The Portcullis Pension Plan, to which most MPs' staff members belong, will not comply with the legislation, so it needs to be replaced for all staff who will be working for an MP re-elected at the General Election.

If you work for an MP who is standing down from Parliament in May, or who is defeated at the General Election, you will continue with your current pension arrangements until your employment ends, so the remainder of this letter is not relevant to you.

If your MP is returned to Parliament in May, he or she will of course remain your employer. But IPSA will fulfil MPs' duties for their staff pensions on MPs' behalf. In order to comply with the legislation, we therefore established an evaluation panel that included representatives from both Members' and Peers' Staff Association (MAPSA) and UNITE, as well as professional advisors, to select a new pension scheme for MPs' staff.

Following an open bidding and selection process, we concluded that Legal & General's Master Trust offered the best combination of service, charges and governance, and that this will be the pension scheme for MPs' staff in the new Parliament. Legal & General's charges on the pension scheme will be 0.28 per cent, compared to the 0.4 per cent currently paid. This represents better value for money for MPs' staff.

IPSA will continue to pay, on behalf of your employing MP, a 10 per cent employer contribution into your pension scheme each month. This is the same amount that we currently pay. The new scheme is a Master Trust which is run by independent Trustees whose duty is to represent the interests of the members of the scheme, rather than individuals being left to manage their pension fund on their own. You do not have to pay any contribution yourself. But you will be free to do so if you wish.

If you have already asked that your employer contributions be paid to a different pension scheme (i.e. other than the Portcullis Scheme), these payments will cease from 1 May (unless your MP is standing down or is defeated) and you will be enrolled in the new pension scheme. If you are in this position, we will write to you again about this very soon.

If you work for an MP who is re-elected in May, please bear in mind the following points:

1. **Welcome Pack.** In May, you will be enrolled into the new scheme with Legal & General. They will send a welcome pack to your home address. This will tell you how the scheme works and how its fund, including your contributions, will be invested. Legal & General will offer you alternative fund choices to select if you wish.
2. **Existing Portcullis Pension Plan.** From 30 April we will make no further contributions to your existing Personal Pension Plans with either Aviva or Friends Life (except if your MP is defeated or standing down). Your fund will remain invested there, and information on the options open to you will follow in September.
3. **Pension Legislation.** The Government has made other changes to pension legislation. From April 2015, savers will have more flexibility over how to draw their pensions. Legal & General will be able to give you the flexibility included in the new legislation should you want it. The new Pension Guidance Service, which is provided free by the Citizens Advice Bureau or The Pensions Advisory Service, is also available to you, if you are aged 55 or more, from April 2015.

4. **Governance.** IPSA will monitor the new pension scheme, including its administration costs and its investments, each quarter. We will communicate with you again to update you as necessary.

So, in sum, the next letter you receive will be from Legal & General with their welcome pack, which will provide further information.

Other changes to the Scheme

I also wanted to take this opportunity to let you know about other changes that we have made to the *MPs' Scheme of Business Costs and Expenses*, for your information. This year, we made only very minor changes to the Scheme ahead of the General Election:

- In addition to the staff pension changes, we have amended the rules to clarify that MPs' staff can only claim subsistence when your overnight stay is directly associated with a claimable journey under the Scheme.
- We have also clarified MPs' responsibilities for notifying IPSA when there is any change to the rental arrangements of a constituency office or residential accommodation.
- We will also implement the rule changes announced in December 2013, including removing hospitality claims and the late sitting food subsidy, tightening the rules on taxis and hotels after late sittings of the House, and no longer allowing claims, under the Accommodation rules, for TV licences and home contents insurance. These changes take effect from 8 May 2015.

Finally, we have reviewed the limits for MPs' budgets. We have increased the Office Costs Expenditure budget by 0.5 per cent to reflect inflation, and MPs' Staffing Expenditure budget by 1 per cent to reflect wider public sector pay policy. The Accommodation Expenditure and Winding Up budgets will remain at their current level.

A copy of the new Scheme is available at the Vote Office or on our website:
www.parliamentarystandards.org.uk.

Yours sincerely,



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