



## Minute

### Minutes of a meeting of the Board of IPSA Thursday 16 May 2013

Present	Sir Ian Kennedy, Chair Sir Neil Butterfield Liz Padmore Anne Whitaker Tony Wright  Andrew McDonald, Chief Executive  Nick Lee, Head of Board and Chief Executive Office	Mark Anderson, Head of Communications Philip Lloyd, Director of Finance and Corporate Services John Sills, Director of Policy and Communications  Tony Lord, Head of Policy
Apologies	None.	
Status	Approved for publication at meeting of the Board on 24 July 2013.	
Publication	For publication no later than 17 September 2013.	

## 1. Welcome

- 1.1. The Chair welcomed the Board to the meeting, which had been convened to agree the key points elements of the package for MPs' remuneration for consultation from July 2013.
- 1.2. There were no new declarations of interests.

## 2. MPs' pay and pensions

*All points agreed below represent an agreement of the proposed package on which to consult in July 2013.*

### MPs' remuneration package

- 2.1. The Board agreed to note the agreement already reached with respect to some key elements of MPs' remuneration, and in particular its decisions to:
  - as its preferred option, change MPs' pensions to a CARE-type scheme from 2015, based on the Government's reference scheme (which also moves Normal Pension Age to be the same as State Pension Age);
  - as an alternative (which it did not favour but nevertheless which would also be consulted on), change MPs' pensions to a defined-contribution scheme from 2015;
  - reduce the death in service and spouses pension benefits to the level equivalent to that in the Civil Service, while consulting on whether the benefit previously available should be retained, with MPs paying the extra cost;
  - introduce a cap-and-collar arrangement to make the new pension system sustainable, the details of which would be based on the Government's own scheme and would be agreed with the Trustees of the Parliamentary Contributory Pension Fund;
  - change MPs' accrual rates to 51sts, uprated by CPI each year. MPs would pay 40% of the cost of accrual, while the taxpayer would meet the remaining 60%, this being the average split across public service pension schemes;
  - consult on whether to allow the Lord Chancellor to participate in the MPs' Pension Scheme from autumn 2013 so as to reflect the changes made to the Great Officers' of State pension arrangements; and

- consult on the qualifications for pay as a Committee Chair, to enable the transfer of extant rules governing pay for Committee Chairs from the House of Commons to IPSA;
- to abolish resettlement payments in their current form for the election after 2015 and replace them with a payment equivalent to double the statutory redundancy pay; and
- to remove from the *MPs' Scheme of Business Costs and Expenses* certain personal expenses on the basis that MPs were to be treated as other professionals and should meet them from pay.

### Pensions

#### 2.2. The Board noted that:

- a significant increase in pay could lead to additional liabilities for the taxpayer with respect to the pension scheme if entitlements under the current, final-salary scheme were to be calculated based on the later level of pay;
- for legal reasons, it was unlikely to be possible for IPSA to decide that any increase in salary was non-pensionable for the purposes of the current, final-salary scheme, without individual MPs' agreement to its doing so. Such agreement was unlikely to be forthcoming if it were to mean that individuals' retirement income would fall as a consequence;
- any exercise which required MPs to choose between different levels of remuneration in exchange for different pension benefits would be almost certain to quickly become politicised; and
- IPSA's scope for action in this context was somewhat constrained by the provisions of the Constitutional Reform and Governance Act.

#### 2.3. The Board agreed:

- that it would be preferable, if at all possible, to arrive at a mechanism whereby these costs could be avoided;
- that it could be unfair to offer MPs a choice between a lower level of salary and a more generous pension scheme (as now) against a higher level of salary and a new, CARE-style scheme, as this could create a perverse incentive for MPs to choose the lower salary despite the fact that this would, in the long-term, entail higher costs for the taxpayer;

- to accept that an increase in pay could, in the case of some MPs, unavoidably increase their entitlements under the current scheme and therefore that, in some cases, this would create an additional costs to the taxpayer; and
- to approve, in principle, transitional protection for members of the current scheme consistent with the standard model used in other public service schemes.

**Tony Lord to confirm the approach to transitional protections taken in comparable private-sector pension schemes.**

Pay

2.4. The Board noted that:

- while a number of reports had suggested figures for the level of MPs' pay (not least those of the Senior Salaries Review Body in 2007 and the Baker Review in 2008), all of these had made use of comparators between MPs and other roles which necessarily required the use of judgement so as to determine those comparators and how they were to be applied. There was no reason to think that another study based on comparators, if it were to be commissioned by IPSA, would add further value to the evidence already available;
- it would be important, in considering what the level of pay for MPs should be, to take account of the importance of attracting a range of individuals from different backgrounds, including those from low incomes, those in the professions and those of independent means; and
- there was evidence of a gap between what MPs now were paid and what they might have been paid had the recommendations of previous reviews been applied.

2.5. The Board agreed:

- that IPSA's independent determination of MPs' pay should not be governed by the Government's overall policies on public sector pay. It would, of course, be important for IPSA to consider such policies when it made a determination of MPs' pay;
- to rule out the relevance of comparators in directly determining the level of MPs' pay and its progression but rather to emphasise their importance in providing a context; and
- to consult on an increase in pay to a figure of £74,000, for implementation from 2015.

### Indexation

2.6. The Board noted that:

- there were strong arguments in favour of the automatic indexation of MPs' pay; and
- there were a number of different measures that might be used to achieve this.

2.7. The Board agreed to propose the automatic annual indexation of MPs' pay based on average weekly whole-economy earnings.

### Pay for committee chairs

2.8. The Board agreed:

- to carry out a full review of committee chairs' pay as part of its statutory review of MPs' pay at the start of the next Parliament; and,
- in the meantime, to increase chairs' pay by 1% in April 2014 and propose to increase it by another 1% in May 2015, following the anticipated general election.

### Annual reporting

2.9. The Board agreed that:

- changes in MPs' remuneration packages would be made subject to the in-principle agreement to, and development of, a voluntary, opt-in annual reporting system for MPs; and
- further work would be needed to develop this, but such a mechanism would form an important part of the package which IPSA put forward to the public.

**3. Any other business**

Additional meetings

3.1. The Board agreed to hold a further meeting on 4 June.

**Nick Lee to schedule a meeting of the Board to take place on 4 June.**

**Nick Lee to confirm schedule of Board meetings taking place in June 2013.**

*Meeting closed.*