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8 February 2012

Dear Member of Parliament,

MPs' PENSION SCHEME

As you know towards the end of last year, IPSA was given responsibility for setting a scheme for MPs' pensions following the transfer of powers for setting MPs' pay earlier in the year.

As we have consistently said, we see our responsibility as being to introduce schemes which will address the long term future of MPs' pay and pensions. We will seek a solution which is sustainable and fair to MPs and taxpayers alike. We will be conducting the necessary work through the course of the year and will, for the first time, give the public a say on these matters.

In the meantime, we have to decide whether any interim measures are necessary. In view of the motion passed by the House of Commons inviting IPSA to raise contribution rates, and in the light of the conditions in the wider public sector – with widespread pay restraint and increases to pension contributions - we believe it is appropriate for us to take some interim measures, while continuing with the thorough review.

Today we are confirming that MPs' pay will be frozen for the financial year 2012/13 and that in due course we will consult on a 1% rise in the years 2013/14 and 2014/15, reflecting the Chancellor of the Exchequer's Autumn Statement. The new arrangements for pay will be put in place for the next Parliament.

We are also launching today a consultation on our proposals to increase MPs' pension contributions by 1.85% from 1 April 2012.

In recognition of the high contribution most MPs already pay, in return for relatively high benefits, we are also proposing to allow MPs to switch to a lower accrual rate and thereby pay a commensurately lower contribution. MPs will have three months from 1 April 2012 in which to decide whether to change their accrual rate.

The relationship between accrual rate and the increased level of contribution of 1.85% is set out below.

| Accrual rate | MP contribution | |
|--------------------|-----------------|---------|
| | 2011/12 | 2012/13 |
| 1/40 th | 11.9% | 13.75% |
| 1/50 th | 7.9% | 9.75% |
| 1/60 th | 5.9% | 7.75% |

A copy of the consultation document is attached to this email and will follow in hard copy in the next few days. I encourage you to respond to our proposals by email to mpspensions@parliamentarystandards.org.uk. The consultation will remain open until 29 February and we will consider all responses. We will announce our decision in early March.

Yours sincerely

Professor Sir Ian Kennedy
Chair