

Cambridge
Cambridgeshire

Tel:

5th June 2009

The Chairman
The Committee on Standards in Public Life
35 Great Smith Street
London
SW1P 3BQ

Dear Sir Christopher Kelly

Review of MPs' Expenses

I expect that the complete overhaul in the system of expenses and allowances, which is clearly so necessary, is also going to result in a call by some for an increase in MPs' salaries.

As an ordinary member of the public I might find an increase to be justified – but on one condition – that the MPs' and ministers' final salary pension schemes are discontinued and replaced by a defined contribution scheme.

There are only 900,000* private sector employees still enrolled in open final salary schemes compared with more than 5 million* in the public sector, and this number continues to decline as more companies close their schemes to new and existing members - BP and Barclays are recent examples.

Furthermore the MPs' scheme is based on 1/40th of final pay** rather than the 1/60th which is the norm elsewhere. So our legislators are well insulated from the effects of their own legislation which has caused so much difficulty in the private pensions sector.

If the MPs' pension scheme remains unchanged then any increase in salary will place yet more burdens on public sector pension debt and will do nothing to persuade other public sector institutions and senior civil servants that change is necessary. A switch to a defined contribution scheme would bring MPs much closer to the real world of so many of their constituents who have to deal with the uncertainties of their own pensions savings and investments. We might get better pensions legislation as a result.

I might add that this view is shared, without exception, by all with whom I have been able to discuss it.

Yours sincerely

M A. Page

* Association of Consulting Actuaries Report Nov 2007

** Alternatively 1/50th for reduced contributions