INFORMATION NOTE

The United Kingdom Parliamentary Contributory Pension Fund

1. Background

1.1 The Subcommittee on Members' Remuneration and Operation Expenses requested the Research and Library Services Division to conduct a research into overseas practice regarding pension arrangements for legislators. This information note presents a summary of the United Kingdom Parliamentary Contributory Pension Fund (PCPF).

1.2 In this information note, the average 12-month effective exchange rate in 2000 between the British Pound and the Hong Kong Dollar of £1=HK$11.82 is adopted.[1]

2. History

2.1 The parliamentary pension scheme in the United Kingdom was first introduced in 1939 as a grant to ex-Members, their widows and children, on a need basis. The fund was called "Members' Fund". In 1953 a Select Committee was appointed to study whether the Members' Fund fulfilled the purposes for which it was set up. The Select Committee recommended a non-contributory scheme for pensions to be awarded according to the length of service and without regard to need. This recommendation was rejected by the Trustees of the Members' Fund, who proposed in 1955 instead a self-supporting contributory pensions scheme. This proposal was not adopted. It was not until 1963 that another committee was appointed to examine the remuneration and pension of Ministers and Members of the House of Commons. This Committee supported the Trustees' recommendation of 1955 on establishing a contributory pension fund.

2.2 A member's contributory pension fund was thus introduced in 1965 and has undergone significant changes in the 1970's and the 1980's. A summary of the historical development of the pension scheme is at Appendix I.

[1] Hong Kong Special Administrative Region Government, Census and Statistics Department, *Hong Kong Monthly Digest of Statistics, March 2001*, p. 125, Table 7.12.

3. Retirement Fund

Structure of the Pension Fund

3.1 The Parliamentary Contributory Pension Fund (PCPF) is the pension scheme for Members of the House of Commons and is a public service occupational pension scheme.[2] The Fund, like most larger occupational pension schemes, is a final salary scheme, which means that Members' promised benefits are known and are expressed as a fraction of his salary when he retires.

3.2 Members of the House of Commons join the scheme automatically but may opt out of the scheme at any time. At present, all Members have joined the PCPF.[3]

4. Source(s) and Amount of Contributions

4.1 A Member is required to contribute at 6% of his parliamentary salary to the Fund. At the same time, the Exchequer makes a contribution currently at 7.5% of parliamentary salary to the Fund. The parliamentary salary of a Member of the House of Commons was £48,371 [HK$ 571,745] per annum in April 2000.[4]

4.2 The Exchequer contribution rate to PCPF is reviewed every three years by the Government Actuary who makes an assessment of the financial position of the fund. The Exchequer funds the scheme on a balance of cost basis. That is, Members pay a specified contribution, which is currently fixed at 6% of pay and the residual balance required is paid by The Exchequer, which is currently at 7.5%.

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2 There are mainly three types of pension schemes in the United Kingdom: state pensions, private pensions and public service pensions. State pensions refer to "basic state Retirement Pension" and "State Earnings Related Pension Scheme (SERPS)". Private pensions comprise "occupational pensions", "personal pensions" and "stakeholder pensions". Thus these types of pensions have different recognitions for status of the contributor, i.e. people covered by "occupational pensions" are recognised as having an occupation. Public service pensions refer to public sector pension schemes which are set up by, or under statute, for example, the schemes for the Civil Service, local authorities, the police and fire services and most non-departmental public bodies. PCPF is a public service occupational pension which is set up under a statute and a MP's work is considered as an occupation. *Security, Equality, Choice: The Future for Pensions*, vol. 1, Secretary of State for Social Security, June 1994, London. *A guide to your pension options*, Department of Social Security, December 2000 and email reply from Ms Fiona Poole, Business and Transport Section, the UK Parliament, 25 April 2001.

3 Reply from Mr. Tim Jarvis and Ms. Fiona Poole, Business and Transport Section, the House of Common Library, 25 and 12 April 2001. There is also a Supplementary scheme, additional to the PCPF, for Ministers or Office Holders, and contributions and benefits are the same as for the main scheme.

4 *Members' Pay, Pensions and Allowances*, Factsheet M5, House of Commons, November 2000.

4.3 Members may purchase, either by periodical contributions from salary or by a lump sum payment, added years of service reckonable for pension purposes. Please refer to para. 5.5 for details.

5. Period of Contributions

<u>Reckonable Service</u>

Contributory Service

5.1 Contributions to the Fund began on 16 October 1964. All service as a Member of the House of Commons on and after that date is reckonable service.

Non Contributory Service

5.2 In addition, any person with contributory service who was a Member of the House of Commons before 16 October 1964 may count such service as reckonable service provided it does not exceed 15 years in length (ten years if service as a Member last ended before 2 August 1978).

<u>Other Reckonable Service</u>

Transferred Service

5.3 A Member who has pension rights in respect of a previous employment may request that those rights be transferred to the PCPF, provided that the scheme holding those pension rights is approved by Inland Revenue.

5.4 The transfer value payment, representing the capital value of those pension rights will buy a period of service credit in the PCPF. The precise period is calculated by reference to tables constructed from time to time by the Government Actuary.

Added Years

5.5 If Members are not going to reach the maximum pension permitted by Inland Revenue (please refer to para. 10.2), Members can boost his/her pension benefits by purchase of Added Voluntary Contributions (AVCs). The total of regular contributions plus AVCs must not exceed 15% of pensionable salary, thus Members can only pay AVCs of up to 9% only.

6. Management of the Retirement Fund

6.1 The Fund is administered by nine Managing Trustees, appointed by Order of the House, all of whom are Members of the House of Commons. The Custodian Trustee is responsible for all receipts and payments. The Fund's Accounts are presented to Parliament each year.

7. Tax Relief

7.1 Relief from income tax on Members' contributions and on the Fund's investment income is granted under the *Income and Corporation Taxes Act 1988 (c.1)*.

8. Beneficiaries and Income

8.1 The categories and number of beneficiaries in the PCPF at 31 March 2000 were as follows:

Categories	***Number of Beneficiaries***
Retired members	447
Widow(er)s	232
Children	12

8.2 For the year to 31 March 2000, the total pensions payable were £8.14 million (HK$96.21million) and the average pension payable to a retired Member was about £13,110 (HK$155,000).[5]

8.3 The contributions from Members and the Exchequer were £2.07 million (HK$24.47 million) and £2.56 million (HK$30.26 million) respectively for the year to 31 March 2000. The Net Asset (Asset – Liability) of the PCPF was £336.78 million (HK$3,981 million) as at 31 March 2000.[6]

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[5] The pension payable to a retired Member is calculated as "benefits payable to retired members" divided by "number of retired members", that is £5.86 million (HK$69.27 million) divided by 447. *Parliamentary Contributory Pension Fund Account 1999-2000*, the Stationery Office, 15 January 2001, p.9 and 12.

[6] *Parliamentary Contributory Pension Fund Account 1999-2000*, the Stationery Office, 15 January 2001, p.9 and 12.

9. Relationship with National Insurance Contributions

National Insurance Contributions[7]

9.1 Members of the House of Commons are required to pay National Insurance Contributions. Members in the PCPF pay a lower rate of National Insurance Contributions.

10. Benefits: Members

Calculation of Pension

10.1 The Parliamentary Contributory Pension Fund is calculated with an accrual rate of a 50th for every year of reckonable service. The formula is: (A / 50) x B, where A = period of service as a Member of the House of Commons measured in years and B = relevant terminal salary. "Relevant terminal salary" means the amount of a Member's ordinary salary for the last twelve months.[8]

10.2 The pension, including retained benefits, must not exceed "two-thirds" of the relevant terminal salary. "Retained benefits" mean any pension benefits in respect of any period of employment or self-employment prior to election to the House of Commons.

11. Adjustment in Line with Cost of Living

11.1 Pension payments of the Parliamentary Contributory Pension Fund are adjusted according to movements of the Retail Prices Index.

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7 National Insurance Contributions (NICs) are equivalent to a tax on earned income. They are paid by employers and employees and are used to finance state pension (basic retirement pension and State Earnings-Related Pension Scheme), unemployment benefits, incapacity benefits and widow's benefits. Entitlement to all these benefits is based to some extent on the contributions made. Eva Liu and Elyssa Wong, *Health Care Expenditure and Financing in the United Kingdom*, Research and Library Services Division, Provisional Legislative Council Secretariat, 24 June 1998.

8 Members' ordinary salary means a Member's yearly parliamentary salary. Part F, *The Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.*

12. Payment of Pension

Age Factor

12.1 The normal retirement age for men and women in the Parliamentary Contributory Pension Fund is 65 years.

Effect of Employment after Retirement from Legislature

12.2 A Member of the House of Commons cannot take any benefits until he actually retires or until he reaches 75 years of age. If he keeps on working after retirement, he will simply continue to accrue benefits in accordance with the rules of his new scheme.

13. Other Provisions

Early Retirement Pension

13.1 Pension may be paid from the age of 60, provided service as a Member of the House of Commons is of not less than 20 years duration; from age 61 provided that service is not less than 19 years; and from age 62 provided that service is not less than 18 years, etc.

Abated Pension

13.2 An abated pension may be paid on retirement after attainment of age 50 and completion of not less than 15 years service.

13.3 The level of abatement is calculated by the Government Actuary. In 1992, the rate of abatement for a man retiring at age 60 would range from about 7% if service totalled 19 years to 30.8% if service was only 15 years.

Ill Health Retirement

13.4 A Member who retires at any time by reason of ill health may apply to the Trustees for an immediate pension.[9] The pension will be calculated in the normal way but reckonable service will be enhanced to age 65. The pension will attract annual increases.

Commutation into Lump Sum

13.5 A Member may commute part of his pension in exchange for a capital sum not exceeding one and one-half times the relevant terminal salary if service is 20 years or more, a lesser capital sum where service is under 20 years. Please refer to table 1 for the calculation of maximum commutation of pensions.

Table 1 - Maximum Commutation of Pension

Number of years	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
Multiplier	3/80	6/80	9/80	12/80	15/80	18/80	21/80	24/80	30/80	36/80	42/80	48/80	54/80	63/80	72/80	81/80	90/80	99/80	108/80	120/80

Source: Part II, Schedule 3, *The Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.*

13.6 Only the residual pension will attract future increases.

9 For "Ill Health Retirement", the application must be accompanied by medical evidence of the applicant's state of health and the Trustee must be satisfied: (a) that the applicant does not intend to seek re-election to the House of Commons or to accept any future offer of a qualifying office; (b) that the applicant's retirement is a direct consequence of ill health; and (c) that the ill health is such as would prevent the applicant from performing adequately the duties of a Member of the House of Commons. *Parliament Salaries, Allowance and Pensions*, House of Commons, Second Edition, 1992.

14. Benefits for Survivors and Dependants

Widow(s)'s and Children's Pensions

14.1 The fund provides a widow(er)'s pension of five-eighths the deceased Member's pension or notional pension. The Member's notional pension in the case of death in service is calculated in the same way as retirement pension, namely one-fiftieth for service (pro rata for a part year) and reckonable service is enhanced to age 65. The widow(er)'s pension is payable for life unless the pensioner re-marries or co-habits.

14.2 In addition a children's pension equal to one-quarter of the deceased Member's pension or notional pension is payable if there is one eligible child, or three-eighths if there are two or more eligible children. In this context an eligible child is one who is under the age of 17 years or under 22 years and receiving full-time education.

Gratuity Payable on Death in Service

14.3 A gratuity is payable on the death in service of a Member. The death in service gratuity is three times the Member's annual salary in the last 12 months.

14.4 The scheme allows Members to nominate individual, institutions and trusts to receive the death in service gratuity.

15. Internal Disputes Resolution (IDR) Procedure

15.1 According to the Department of Finance and Administration of the House of Commons,[10] there is a two-stage Internal Disputes Resolution (IDR) procedure in place for the PCPF. In the first instance an approach should be made to the Secretariat of the PCPF which will provide Members with an explanation of the governing regulations. The second stage is a right of appeal to the Managing Trustees of the PCPF. The Public Trustee (as Custodian Trustee) has to ratify any decision made by the Managing Trustees.

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[10] *Parliamentary Salaries, Allowances and Pensions*, Second Edition, Fees Office, Department of Finance and Administration, House of Commons, May 1997. The Department of Finance and Administration of the House of Commons administers the Parliamentary Contributory Pension Fund, the House of Commons Staff Pension Scheme and provides financial and accounting services for the History of Parliament Trust, the British Inter-Irish Parliamentary Body and payroll services for the Commonwealth Parliamentary Association and Inter Parliamentary Union. Annex A, *House of Commons Commission, Twenty-first Annual Report 1998-99*.

16. Future Development

16.1 On 16 March 2001 the Review Body on Senior Salaries (SSRB) published its review report of the Parliamentary Contributory Pension Fund. Below are some of the recommendations:

(a) that the lump sum death in service payment be increased from three times annual basic salary to four times annual basic salary;[11]

(b) that the rules of the scheme should be revised in respect of benefits for children to ensure that all dependent children receive equality of treatment;

(c) that the PCPF rules should be made equality-proof to ensure that there is no systemic discrimination;[12] and

(d) that the Trustees should canvass the views of Members of the PCPF on the issue of survivor pensions for unmarried partners.

16.2 The Government will hold a debate on this report. This will give the House of Commons a chance to consider the report and the draft regulations implementing the SSRB recommendations. The date for the debate has not been fixed as of the date of the publication of this report

[11] The death in service benefit as shown in the 1999 National Association of Pension Funds (NAPF): Annual Surveys of Occupational Pension Schemes was four times basic annual salary in 51 per cent of private sector schemes, compared with three times salary in the PCPF. The Review Body on Senior Salaries believed it would be appropriate to recognise the financial problems associated with Members' non-typical career patterns by an increase in the death in service benefit from three to four times annual basic salary. Review Body on Senior Bodies, *Review of the Parliamentary Pension Scheme*, Report No. 47, March 2001, p.3.

[12] Any unwitting discriminations elsewhere in the detailed rules of the scheme. *Review of the Parliamentary Pension Scheme*, Report No. 47, March 2001, p.4.

17. Criticisms Against and Support for the PCPF

17.1 Since 1971, the Review Body on Senior Salaries (formerly known as Review Body on Top Salaries) has produced a number of reports on matters concerning the PCPF. Members of Parliament also expressed their opinions on PCPF during parliamentary debates. The following points, amongst others, are the most controversial and fundamental to the PCPF.

Accrual Rate of 1/50th

Criticism

17.2 During the parliamentary debates in 1991, some MPs considered that an accrual rate higher than 1/50th would be justified as many MPs enter Parliament relatively late (typical age was around 40) and for some their stay may be short or interrupted.[13]

17.3 In the Review Body on Senior Salaries Report No. 47 2001, the Trustees of the PCPF expressed a similar view: "taking account of the comparable accrual rates in industry, job insecurity and the difficulty of securing subsequent employment, they urged that the accrual rate be increased to 1/40th and that the additional costs be borne by the Exchequer".[14]

Support

17.4 The Review Body on Top Salaries considered that the existing rate of 1/50th remained appropriate. The Review Body believed that general improvements in preserved pension rights and pension "portability" [Transfer Service and AVC, para. 5.3-5.5] should, with the existing rate of accrual, enable MPs in future to acquire a good overall pension, irrespective of the length of their parliamentary career. And according to the 1990 survey by the National Association of Pension Funds, 71 per cent of pension schemes had an accrual rate of 1/60the compared with the rate of 1/50th for MPs.[15]

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13 Review Body on Top Salaries, *Review of the Parliamentary Pension Pay Scheme and of Resettlement Grants for Members of Parliament*, Report No. 31, 1991, p.8.

14 Review Body on Senior Salaries, *Twenty-Third Report on Senior Salaries*, Report No. 46, February 2001, p.2.

15 Review Body on Top Salaries, *Review of the Parliamentary Pension Pay Scheme and of Resettlement Grants for Members of Parliament*, Report No. 31, 1991, p.8.

17.5 The Review Body on Senior Salaries also viewed that the right comparators for MPs were posts of equivalent job weight in the public sector/professional arena.[16] The 1999 National Association of Pension Funds survey showed that, except for directors and senior executives in the private sector, few schemes enjoy as good an accrual rate as the PCPF. In the public sector an accrual rate better than 1/60th is exceptionally rare. In the Review Body's view, the current 1/50th rate was fair: its relative generosity helped to compensate for the unusual features of an MP's job.[17]

Relationship Between the Exchequer and Member Contribution

<u>Criticism</u>

17.6 Under the existing arrangements, the total contribution required is shared between Members and the Exchequer. Members pay a specified contribution while the Exchequer pays the residual balance required (balance of cost method). The Trustees of the PCPF and many individual MPs took the view that the character of the scheme in which the Exchequer makes contributions in this way - taking the benefit of surpluses and making good any deficit - should be changed. Their preference would be for a system which held a fixed relationship between the Exchequer and Member contribution - say in the ratio 5:3 or 6:4. To match the current system, such a system would need to be symmetrical with regard to both surpluses and deficits, implying that the Member and the Exchequer contributions would move up or down according to the state of the Fund.[18]

16 Research conducted for the 22nd report on Review Body on Senior Salaries in 1985 indicated that benefits on retirement for private sector employees at comparator levels accrued at the rate of 1/55th. Review Body on Senior Salaries, *Twenty-Third Report on Senior Salaries*, Report No. 46, February 2001, p.2.

17 Review Body on Senior Salaries, *Twenty-Third Report on Senior Salaries*, Report No. 46, February 2001, p.2.

18 John MacGregor, *Letter from the Lord President of the Council and Leader of the House of Commons*, 4 February, 2001.

Support

17.7 The Review Body on Top Salaries Report No. 31 1991 recommended that the balance of cost method should be retained for determining the relationship between the Exchequer and Member contributions to the Parliamentary Contributory Pension Fund for the following reasons:

- The Members' contributions, if made according to a fixed proportion of the total cost, would become volatile. For example, had the fixed ratio of 3:5 been applied in 1980s, the Members' contribution rate could have risen to double digit figures as a result of fund deficits;

- The fixed proportion system would also give rise to inequities between generations in that a surplus or deficit relating to the contributions of Members in the past would affect the contributions of Members in the future; and

- Overwhelming majority of pension schemes are operated on a balance of cost basis.[19]

18. Analysis: Reference for Hong Kong

Lessons from the United Kingdom Experience

18.1 The development of the parliamentary pension in the United Kingdom must be seen in the context of two parallel developments:[20]

- a change in the perception of the position of Members of Parliament, particularly in terms of their remuneration and the idea of seeing service as a Member of Parliament as an occupation; and

- the developing system of public service occupational pensions.

[19] According to the 1990 survey by the National Association of Pension Funds, only 14 per cent of schemes are described as operating on a fixed proportion basis. Review Body on Top Salaries, *Review of the Parliamentary Pension Pay Scheme and of Resettlement Grants for Members of Parliament*, Report No. 31, 1991, p.5.

[20] The following information was provided by Mr. Tim Jarvis, Business and Transport Section, House of Commons Library, in analysing the development of the parliamentary pensions in the United Kingdom, 11 May 20.

18.2 If Members of Parliament were expected to have outside interests which brought in an additional income, they could also be expected to provide for their own retirement. However, as salaries of Members of Parliament began to be set at a level which recognized that many Members of Parliament had no other source of income, pressure grew for measures to be introduced which would provide for their retirement.

18.3 Also, the unique nature of parliamentary life which has a high degree of uncertainty made it difficult to construct a scheme based on other schemes for the public service, such as the Civil Service. The present parliamentary pension scheme deals with this problem by having an accrual rate higher than most other occupational pension schemes.

Reference for Hong Kong

18.4 Legislative Council Members received remuneration but not retirement protection from the Hong Kong Government. If Hong Kong were to consider setting up a pension scheme for Legislative Council Members, the following matters might need to be addressed, using the parliamentary pension scheme in the UK as reference:

- Should membership of Legislative Council be considered a pensionable occupation?
- Does the principle that every individual should be able to save for a pension related to his earnings throughout his working life apply to Members of the Legislative Council?
- Is there any parallel among employment in industry or professionals to the service of the Members of the Legislative Council?
- Should the pension scheme be made applicable to former Members with qualifying reckonable service?
- Should contributions be made by Government and Members in equal or different proportions?

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Appendix I

Outline of the Development of the Parliamentary Contributory Pension Fund for the United Kingdom since 1939

1. The parliamentary pension scheme in the United Kingdom was first introduced as a grant to ex-Members, their widows and children in 1939. In 1964 it was changed to a pension scheme in which both benefits and contributions were fixed in money terms. The present pension scheme which is based on the length of service was introduced in 1972.

1939-1964

2. In 1939 a House of Commons Members' Fund ("Members' Fund") was set up by Act of Parliament to make grants, based on an assessment of needs, to ex-Members, their widows and children. The Members' Fund was established to help reduce hardship experienced by ex-Members who were over 60 years old or suffering from ill health, and their widows and children.[21] The income of the Fund was derived from the contributions of Members and the Exchequer.[22]

3. A Select Committee which was appointed in 1953 to examine the general question of Members' expenses was asked also to report on the extent to which the Members' Fund fulfilled under then existing conditions the purposes for which it was set up. The Select Committee recommended a non-contributory scheme for pensions to be awarded according to length of service and without regard to need. The reason why the pension should be non-contributory was because the Civil Service scheme was non-contributory and the position of MPs, in relation to pay, was often compared with civil servants.[23]

4. This recommendation was referred to the Trustees of the Members' Fund in May 1954 for further consideration and report. The Trustees rejected the proposals "because the question of principle about whether serving as an MP constituted an occupation was debatable and the uncertain length of service of an MP made it difficult, if not entirely impractical, to construct a scheme based on other parts of public service, such as the Civil Service."[24]

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[21] Review Body on Top Salaries, *Ministers of the Crown and Members of Parliament*, First Report, December 1971. p.20.

[22] The contributions from a Member of the House of Commons and the Exchequer were £24 [HK$284] and £22,000 [HK$260,040] a year in 1964. Sir G Lawrence, *Committee on the Remuneration of Ministers and Members of Parliament*, Cmnd 2516, 1964, p.19.

[23] Information provided by Mr. Tim Jarvis, Business and Transport Section, House of Commons Library, 11 May 2001.

[24] Information provided by Mr. Tim Jarvis, Business and Transport Section, House of Commons Library, 11 May 2001.

5. The Trustees reported in March 1955 and proposed that there should be a new self-supporting contributory pensions scheme for Members. However, this recommendation was not acted upon. This was because the question of principle whether membership of the House of Common should be regarded as a pensionable occupation remained unsolved. And this question was complicated by two factors: the uncertainty of the length of service of Members and the widely varying private circumstances of the Members of Parliament.[25]

1965-1971

6. A "Committee on the Remuneration of Ministers and Members of Parliament" was appointed in 1963 to examine the remuneration of Ministers and Members of the House of Commons including the question of pensions for Members and arrangements for the Members' Fund. The Committee considered that service in the House of Commons has no parallel among employments in industry or the professions and concluded that a pensions scheme was desirable and could be devised. Before setting out the recommendations regarding the main provisions of the pensions scheme, the Committee had raised the following two points of principle for Members' attention: [26]

   - the scheme should not apply to former Members of the House of Commons who had no service after the scheme began; and that their needs should be dealt with by the Members' Fund; and

   - the contributions should be borne equally by Members themselves and by the Exchequer.

7. In accordance with the recommendations made by the 1953 Select Committee, a Member's contributory pension fund known as Parliamentary Contributory Pension Fund (PCPF) was introduced in 1965 under the *Ministerial Salaries and Members' Pension Act 1965*. The Scheme was unusual in that both benefits and contributions were fixed in money terms. The annual pension benefits accrued at the rate of £60 [HK$710] a year for the first 15 years of service and thereafter at the rate of £24 [HK$284] a year. Members contributed at the rate of £150 [HK$1,773] per year to the scheme so long as they remained Members of the House of Commons and a like sum in respect of each Member should be paid out of public funds to the scheme.

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[25] Sir G Lawrence, *Committee on the Remuneration of Ministers and Members of Parliament*, Cmnd 2516, 1964, p.20.

[26] Sir G Lawrence, *Committee on the Remuneration of Ministers and Members of Parliament*, Cmnd 2516, 1964, p.21-22.

1972 - present

8. In December 1970 the Government announced that the "Review Body on Top Salaries" (TSRB) (renamed the "Review Body on Senior Salaries" in 1993) would be charged with subsequent reviews of the arrangements for salaries, allowances etc of Ministers and Members of Parliament.

9. The First Report of the TSRB recommended, amongst other things, a restructured pension scheme with pension related to "final salary", accruing at 1/60th for each years of service, *pro rata* for a part year and a 5% of Members' contribution rate. The new scheme was established under the terms of the *Parliamentary and Other Pensions Act 1972*. Reasons for this change included:

   - the present scheme was somewhat unusual in that both benefits and contributions were fixed in money terms; and

   - the Government had announced that its policy was to enable every individual to have the opportunity to save for a pension related to his earnings throughout his working life, and to ensure that a change of job does not lead to the loss of occupational pension rights.[27]

10. The next major change resulted from the 20th Report of the TSRB which recommended an accrual rate of 1/50th, with effect from 20 July 1983. The contribution payable by Members was increased to 9% of salary. These changes and other minor matters were given legal force by the *Parliamentary Pensions etc. Act 1984*. At present, the legislation that governs the PCPF has been largely consolidated in the *Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.*

[27] Quoted from "Strategy for Pension, Cmnd 4755, September 1971", Review Body on Top Salaries, *Ministers of the Crown and Members of Parliament,* First Report, December 1971, p.20

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