

INFORMATION NOTE

Remuneration of Members of Parliament in Singapore

1. Introduction

1.1 This information note provides information relating to the remuneration of Members of Parliament in Singapore. The scope of study covers the authority responsible for the mechanism to determine Members' remuneration (including the Speaker and Deputy Speakers), parliamentary duties of Members, components of the remuneration package and the basis for remuneration determination.

1.2 The Singaporean Parliament is unicameral. The remuneration and benefits for Members¹ comprise allowance, medical benefits, and other entitlements, while the pension benefits previously offered for Members elected before 1995 has been frozen after the parliamentary approval of a new salary system in January 2012. According to the Parliament Secretariat, the payment to Members is called "allowance" instead of "salary" as Members' parliamentary duties are considered to be part-time in nature.²

¹ Following the 2011 general election, the 12th Parliament of Singapore is composed of 87 Elected Members who represent single member or group representation constituencies, three Non-Constituency Members who represent opposition parties, and nine Nominated Members who represent functional groups and are appointed by the President of Singapore. The term "Member" used in this information note refers to Elected Member only, unless otherwise specified.

² Research and Library Services Division (2006) and paragraph 2.1 of this information note.

2. Job nature and duties of Members

2.1 Members are not statutorily required to serve on a full-time basis in Singapore. Nevertheless, they are paid for the time and expenses incurred in serving their roles. Except for Members taking up the post of Cabinet Minister,³ other Members are allowed to have outside employment and earnings, as long as they keep their private and public responsibilities separate.⁴ The job duties of Members include:

- (a) participating in the law making process by debating on the principles of bills, examining their advantages and disadvantages, and examining bills clause by clause before they become law;
- (b) taking up a critical/inquisitorial role to check on the actions of the governing party and the Ministries; and
- (c) acting as a bridge between the community and the government by ensuring that the constituents' concerns are heard in the Parliament.

3. Legal framework for Members' remuneration

3.1 Under the *Constitution* of Singapore, "[t]he Legislature may by law make provision for the remuneration of Members of Parliament".⁵ According to the Parliament Secretariat, Members' allowance package is in practice determined by the Public Service Division under the Prime Minister's Office.

3.2 The Public Service Division is responsible for, among others, ensuring that salaries, benefits, and other forms of recognition in the civil service are competitive and meet the needs of the public service, by means of monitoring and reviewing salaries, and strengthening market-based and performance-based rewards.

³ See paragraph 4.13 for details.

⁴ Research and Library Services Division (2007a).

⁵ Article 67 of the *Constitution*.

4. Mechanisms for determining Speaker, Deputy Speakers and Members' allowance

4.1 In May 2011, the Singaporean government announced the establishment of a committee to review salaries of the President, Prime Minister, Speaker and Deputy Speakers of Parliament, political appointment holders and Members (collectively known as "top office holders") in order to help ensure an honest and competent government. The committee released a report "*Salaries for A Capable and Committed Government*" ("the Report") in early January 2012, proposing a new salary system⁶ for top office holders. On 18 January 2012, the Singaporean Parliament approved a motion to adopt the new system which was backdated to 21 May 2011, the date when the new government took office.

Old salary system

4.2 Before the new salary system came into place in January 2012, the Speaker's monthly allowance⁷ was 50% of 1.48 times the monthly salary of a MR4 Minister (the entry grade for Ministers).⁸ The salary of the MR4 Minister was itself pegged to two-thirds of the salary of the 24th highest earner (i.e. the median) among a group comprising the top eight earners from six professions.⁹ The Speaker also received a Fixed Service Bonus pegged at the Performance Bonus rate of a MR4 Minister with good performance, and a GDP Bonus which was payable when the GDP exceeded 2%.

4.3 As for Deputy Speakers, they were paid a monthly allowance pegged at 15% of the Speaker's monthly allowance, a Non-Pensionable Annual Allowance ("NPAA")¹⁰, a variable Annual Variable Component ("AVC")¹¹, and a GDP Bonus pegged at 50% of the GDP Bonus rate for the Speaker.

⁶ The new salary system also covers the allowances granted for the Speaker, Deputy Speakers and Members.

⁷ Different terms including "salary", "allowance" and "salary and allowance" are used to denote the Speaker's and Deputy Speakers' payments in the *Constitution*, parliamentary records and Parliament Secretariat's information. For the sake of consistency, their payments are called "allowance" in this information note.

⁸ The monthly allowance of the Speaker incorporated a 50% discount because the Speaker's position was considered to be a part-time one.

⁹ The six professions were bankers, lawyers, accountants, engineers, employees of multi-national corporations and local manufacturers.

¹⁰ NPAA is also known as the 13th month bonus.

¹¹ AVC was paid in July and December each year depending on economic performance.

4.4 Members' monthly allowance was pegged at 56% of the salary scale of an Administrative Service Officer at the Superscale G ("SR9") grade, i.e. the entry level of the Superscale grades and the rank just below Parliamentary Secretary.¹² In addition, Members also received a NPAA, an AVC, and a GDP Bonus if the GDP exceeded 2%.

New salary system

4.5 According to the Report, the new salary system for top office holders is established based on the following three key principles:

- (a) the salaries must be competitive so that people of the right calibre are not deterred from stepping forward to lead the country;
- (b) the salaries should reflect the ethos of political service which entails making sacrifices. Hence there should be a discount in the pay formula; and
- (c) the system should be based on a "clean wage" policy, that is the salaries are transparent with no hidden components or perks, such as housing allowance or tax exemptions.

4.6 Based on the above principles, a new benchmark ("MR4 benchmark"), which is pegged to 60% of the median income of the top 1 000 Singapore Citizen earners, is established for the MR4 grade. The annual salary for all other top office holders should then be set at a ratio to the MR4 benchmark.¹³

¹² The salary of this grade was itself benchmarked to the salary of the 15th top earner among a group comprising the top eight earners aged 32 from six professions: bankers, lawyers, accountants, engineers, employees of multi-national corporations and local manufacturers.

¹³ According to the Report, such arrangement reflects the level of talent targeted for relevant positions. It also shows the need to pay competitive salaries to minimize the opportunity cost for potential people to come forward to serve the government and the public sectors.

4.7 Accordingly, the annual allowances of the Speaker, Deputy Speakers and Members are derived from the MR4 benchmark by different ratios, in which:

- (a) the Speaker's annual allowance is pegged at 100% of the benchmark, but reduced by 50% considering the part-time nature of Speaker's role;
- (b) Deputy Speakers' annual allowance is pegged at 15% of the allowance of the Speaker, whose allowance is 50% of the benchmark; and
- (c) Members' annual allowance is pegged at 17.5% of the benchmark.¹⁴

4.8 The salaries of top office holders will be adjusted according to movement of the MR4 benchmark each year. In addition, the Prime Minister also accepted the Report's recommendation to appoint a review committee every five years to review the salary framework.

4.9 The framework of the new salary system contains both fixed and variable components in its structure. For the Speaker, Deputy Speakers and Members, their annual allowance packages comprise:

- (a) a fixed monthly allowance;
- (b) a fixed NPAA which is better known as the 13th month bonus; and
- (c) a variable AVC, which ranges from 0 to 1.5 months a year.

4.10 According to the Report, the MR4 benchmark for 2011 is SG\$1,100,000 (HK\$6,820,000¹⁵) and the resulting annual allowances for Speaker, Deputy Speaker and Members, and their compositions are listed in **Table 1**.

¹⁴ According to the Report, Members' allowance is pegged to the salaries of political appointment holders since Members play a political role. However, Members do not perform executive functions as other top office holders do. On balancing such difference and the heavy responsibilities of Members as the direct representatives of their constituents, Members' allowance is set at 17.5% of the MR4 benchmark.

¹⁵ Based on the average exchange rate of HK\$6.2 per Singaporean dollar in 2011.

Table 1 – Composition of the total allowance for the Speaker, Deputy Speakers and Members under the new salary system

Post	Fixed monthly allowances	Total fixed allowances (i.e. 13-month allowances)	Variable Annual Variable Component (AVC) ⁽¹⁾	Total annual allowances ⁽¹⁾
Speaker	SG\$39,286 (HK\$243,573)	SG\$510,718 (HK\$3,166,452)	SG\$39,286 (HK\$243,573)	SG\$550,000 (HK\$3,410,000)
Deputy Speakers	SG\$5,893 (HK\$36,537)	SG\$76,609 (HK\$474,976)	SG\$5,893 (HK\$36,537)	SG\$82,500 (HK\$511,500)
Members	SG\$13,750 (HK\$85,250)	SG\$178,750 (HK\$1,108,250)	SG\$13,750 (HK\$85,250)	SG\$192,500 (HK\$1,193,500)

Note: (1) The variable AVC is assumed to be one month.

4.11 In addition to the allowances for their positions, the Speaker and Deputy Speakers are also entitled to receive the allowance for Members if they concurrently hold dual roles. In other words, Members' allowance shall not be offered to the Speaker and Deputy Speakers if they are not elected from among Members.

4.12 According to the Report, the annual allowance for Members for 2011 is slightly reduced by 3% compared with that for 2010. The extent of the annual allowance cuts for the Speaker and Deputy Speakers are much more significant at 53% and 15% respectively.¹⁶ The comparison is shown in **Table 2**.

¹⁶ The percentages are calculated based on an assumption that the variable AVC is one month.

Table 2 – Comparison of the annual allowance for 2010 and the revised annual allowance under the new salary system for Speaker, Deputy Speakers and Members

Post	Total annual allowances for 2010	Revised total annual allowances⁽¹⁾	Difference between the total annual allowances for 2010 and the revised total annual allowances
Speaker	SG\$1,172,800 (HK\$7,271,360)	SG\$550,000 (HK\$3,410,000)	-53% (-SG\$622,800) (-HK\$3,861,360)
Deputy Speakers	SG\$96,500 (HK\$598,300)	SG\$82,500 (HK\$511,500)	-15% (-SG\$14,000) (-HK\$86,800)
Members	SG\$199,200 (HK\$1,235,040)	SG\$192,500 (HK\$1,193,500)	-3% (-SG\$6,700) (-HK\$41,540)

Note: (1) The revised total annual allowances are based on the assumption that 13-month fixed allowance and one-month AVC are paid.

4.13 The Parliament of Singapore does not provide an extra allowance to Members who are chairs of parliamentary committees.¹⁷ Separately, as advised by the Parliament Secretariat, the Cabinet Ministers who are appointed from Members receive both Member's allowance and Minister's salary. However, Cabinet Ministers are prohibited from holding any office of profit and actively engaging in any commercial enterprise under the *Constitution*.¹⁸

¹⁷ Research and Library Services Division (2007b).

¹⁸ The restriction is imposed on all members of the Cabinet comprising the Prime Minister, two Deputy Prime Ministers and 12 Ministers. See Article 33 of the *Constitution*.

5. Medical Benefits

5.1 As regards medical benefits, Members elected before 1995 are entitled to participate in the Co-payment on Ward Scheme, which includes the provision of free-of-charge outpatient treatments at any Government Outpatient Dispensary.

5.2 Members elected after 1995 are entitled to participate in the Medisave cum Subsidized Outpatient Scheme, under which Members are offered an outpatient medical subsidy of up to SG\$350 (HK\$2,170) per annum, and a maximum of SG\$70 (HK\$434) per month credited into their Medisave account which can be used to pay for Medisave-approved medical insurance. Same as ordinary citizens, Members are required to contribute to their Medisave Accounts under the Central Provident Fund.

6. Pension

6.1 Before the passage of the new salary system, Members elected before 1995 were entitled to participate in the Parliamentary Pensions Scheme, under which the pension payment depended on the Member's length of parliamentary service. Under the new salary system, the pension of Members elected before 1995 was frozen as at 20 May 2011. That means these Members can only receive pension accrued up to 20 May 2011 but will not accrue further pension. The review committee indicated in the Report that they recommended dropping the pension scheme in favour of Central Provident Fund ("CPF") payments.

6.2 As for Members elected after 1995, they must participate in the CPF jointly financed by Members and the government. Member's contribution rate ranges from 5% to 20% of his or her allowance, while the government's contribution rate ranges from 3.5% to 16% of the Member's allowance. The contribution rates vary according to the Member's age, with a higher contribution rate applied for both the Member and the government when the Member is young.

7. Other entitlements

7.1 Members are entitled to be reimbursed for the expenses of hiring:

- (a) a Legislative Assistant for up to SG\$1,300 (HK\$8,060) per month;
and
- (b) a Secretarial Assistant for up to SG\$500 (HK\$3,100) per month.

Prepared by Shirley TAM
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Tel: 3919 3640

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