

Mr Brian Donohoe MP
Chairman of the Trustees
Parliamentary Contributory
Pension Fund (PCPF)
House of Commons
London SW1A 0AA

T 020 7811 6473
E ian.kennedy@parliamentarystandards.org.uk
www.parliamentarystandards.org.uk

12 December 2013

Our ref: BO-1017

Dear Brian,

I write to make you aware, as a statutory consultee, of the outcome of our review of MPs' remuneration, which we will be announcing today (12 December). Today we publish our final report on MPs' pay and pensions. The package follows the broad shape of that recommended in our consultation document in July, with one important change: an adjustment to ensure that the package will not impose any additional burden on the taxpayer. The package (which will take effect following the election expected to take place in May 2015) will have the following elements:

- a career-average pension, on a par with those which will be payable in other parts of the public service;
- a loss of office payment (similar to what used to be known as a resettlement payment) equivalent to double statutory redundancy;
- the removal of certain expenses which retain an element of personal benefit; and
- a salary of £74,000 in 2015, indexed to annual growth in average earnings in the whole economy thereafter.

We will also continue our work to develop a report by MPs on their activities.

Our report includes the formal determination of pay for MPs in the next Parliament. The implementation of this increase in basic pay will not, however, take place until the completion of the statutory review which we are required to undertake at the start of a new Parliament in 2015.

These reforms get rid of out-of-date benefits, deliver a one-off increase in pay and, thereafter, link MPs' pay to that of everyone else. Crucially, it will not cost the taxpayer more.

In designing this package and in considering the wide range of responses which we have received, we have been aware that it is a difficult subject, and that not every element of the package will be welcomed. Nevertheless, we believe this reform will put MPs' pay and pensions on a sound and sustainable footing for the future.

What we present to you in this report is a package of reform, long overdue, which represents a fair deal for MPs and a good deal for the taxpayer.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Kennedy', with a stylized flourish at the end.

Professor Sir Ian Kennedy
Chair