

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

PUBLIC SERVICE PENSIONS BILL

Ninth Sitting

Thursday 22 November 2012

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Written evidence reported to the House.
SCHEDULE 11 agreed to, with amendments.
CLAUSES 31 and 32 agreed to, with amendments.
New clauses considered.
CLAUSE 33 agreed to, with amendments.
CLAUSES 34 to 38 agreed to.
Bill, as amended, to be reported.

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The Committee consisted of the following Members:

Chairs: MR JOE BENTON, † ANNETTE BROOKE

Abrahams, Debbie (*Oldham East and Saddleworth*)
(Lab)

† Ashworth, Jonathan (*Leicester South*) (Lab)

Burt, Lorely (*Solihull*) (LD)

† Doyle-Price, Jackie (*Thurrock*) (Con)

† Evans, Graham (*Weaver Vale*) (Con)

† Freer, Mike (*Finchley and Golders Green*) (Con)

† Fuller, Richard (*Bedford*) (Con)

† Gibb, Mr Nick (*Bognor Regis and Littlehampton*)
(Con)

† Gilmore, Sheila (*Edinburgh East*) (Lab)

† Hands, Greg (*Chelsea and Fulham*) (Con)

† Jamieson, Cathy (*Kilmarnock and Loudoun*) (Lab/
Co-op)

† Javid, Sajid (*Economic Secretary to the Treasury*)

† Jones, Mr Marcus (*Nuneaton*) (Con)

† Leadsom, Andrea (*South Northamptonshire*) (Con)

† Leslie, Chris (*Nottingham East*) (Lab/Co-op)

† McGovern, Alison (*Wirral South*) (Lab)

† McKenzie, Mr Iain (*Inverclyde*) (Lab)

Paisley, Ian (*North Antrim*) (DUP)

Williams, Stephen (*Bristol West*) (LD)

Kate Emms, Neil Caulfield, *Committee Clerks*

† **attended the Committee**

Public Bill Committee

Thursday 22 November 2012

[ANNETTE BROOKE *in the Chair*]

Public Service Pensions Bill

Written evidence to be reported to the House

PSP 23 Mercer
 PSP 24 NASUWT
 PSP 25 Defence Fire and Rescue Service
 PSP 26 James Lee
 PSP 27 Simon Gray
 PSP 28 MOD Defence Internal Audit

Schedule 11

PRIME MINISTER, LORD CHANCELLOR AND
 COMMONS SPEAKER

11.30 am

The Economic Secretary to the Treasury (Sajid Javid):

I beg to move amendment 42, in schedule 11, page 54, line 30, at end insert—

'Lord Chancellor's salary

2A (1) The Ministerial and other Salaries Act 1975 is amended as follows.

(2) In section 1 (salaries), in subsection (2), for the words from “at such rate” to the end there is substituted “of—

(a) £68,827, where the Lord Chancellor is a member of the House of Commons;

(b) otherwise, £101,038.”

(3) In that section, after subsection (5) there is inserted—

“(6) Where a person who holds office as Lord Chancellor (and to whom a salary is accordingly payable under subsection (2) is also the holder of one or more other offices in respect of which a salary is payable under this section, he shall only be entitled to one of those salaries.

(7) If, in the case of a person mentioned in subsection (6), there is a difference between the salaries payable in respect of the offices held by him, the office in respect of which a salary is payable to him shall be that in respect of which the highest salary is payable.”

(4) In section 1A (alteration of salaries), in subsection (1), after “section 1(1),” insert “(2)(a) or (b),”.

The Chair: With this it will be convenient to discuss Government amendment 43.

Sajid Javid: Amendment 42 is minor and technical. The Bill affords an opportunity to regularise the pay arrangements for future Lord Chancellors by reducing the legislative salary for the office of Lord Chancellor from its current level of £242,345 to one equivalent to that of a Secretary of State, which is £68,827 in the House of Commons and £101,038 in the House of Lords. The amendment ensures that the reformed “great offices of state” pension arrangements introduced in clause 30 and schedule 11 can be based on the salary to

which Lord Chancellors are entitled—the lower salary level now taken by them. It removes the historical entitlement to a higher salary and the risk of their pension entitlement being based on that higher amount. The original salary for the office of Lord Chancellor was recommended by the then Top Salaries Review Body in 1983 on the basis that the position of Lord Chancellor was the pre-eminent role in the judiciary. However, since 2007, successive Lord Chancellors have considered the salary excessive and have waived their entitlement to it. Instead, they have chosen to claim a salary that is equivalent to that of a Secretary of State. The Bill affords a timely and efficient opportunity to make the necessary changes so that the legislation reflects that change in approach.

Of course, making such a reduction is also consistent with the Government’s wider policy objectives concerning efficiency and the restraining of high-level salaries of those in Government and the public sector. It is intended that future holders of the great offices of state will be entitled to benefits under the ministerial pension scheme. Under the rules of that scheme, the Lord Chancellor’s pension contributions, and thus benefits, will be determined by the salary for which the Lord Chancellor is eligible and not the one the Lord Chancellor is claiming. Without that change, the possibility remains that future Lord Chancellors would still receive more generous pensions even if they have waived their entitlement to the higher salary.

Amendment 43 delivers the intent of the amendment I have just described by amending the repeals to the Ministerial and other Pensions and Salaries Act 1991.

Chris Leslie (Nottingham East) (Lab/Co-op): Good morning, Mrs Brooke. I presumed that we would have a schedule 11 stand part debate separately, but you indicated that it may be convenient to take that conversation with the amendments, so I do not know whether you will give latitude to a comment on schedule 11.

The Chair: I think that might be convenient to help us along our way.

Chris Leslie: I am grateful to the Minister for outlining his amendment, which seems unobjectionable. I am not quite sure, however, why the amendment was not written into the Bill in the first place. I do not see why it is finding its way in the form of a Government amendment, rather than something on the face of the Bill. If the Bill was written only a few months ago, I wonder why it was not part of the initial drafting. Perhaps the Minister will provide some insight as to whether something has happened in the intervening period.

On the specifics, why is there a different salary for the Lord Chancellor if he or she is a Member of the House of Commons as opposed to the House of Lords? That difference seems unusual. Obviously, Members of Parliament have their core MP’s salary, but Members of the House of Lords have their allowances—or however they are termed—as well. Is there a particular rationale behind the different levels? However, as I say, it is sensible to make these changes.

Schedule 11 has provisions for severance payments for holders of the great offices of state. Will the Minister give us a sense of what those payments are and their

terms? I am not sure that many people will have spotted this, but if, for example, a Prime Minister is unpopular with his or her parliamentary party and is ejected from office, perhaps after failing severely in some negotiating forum—who knows what that might be?—would he or she be eligible for a severance payment in those circumstances? I would like a sense of that.

The Minister said that subsequent holders of the great offices of state, particularly the Lord Chancellor, have waived their salary arrangements. I know that was the case for the Minister without Portfolio, the right hon. and learned Member for Rushcliffe (Mr Clarke). Is it also the case for the current Lord Chancellor and Secretary of State for Justice, the right hon. Member for Epsom and Ewell (Chris Grayling), and has he also waived the pension entitlement? The Bill, with these amendments, will allow the current holders of those offices to continue on the old arrangements unless they waive them. I have not heard publicly whether the current Lord Chancellor has done so. Will the Minister confirm whether he has?

Finally, the explanatory notes state that the pensions of future holders of the great offices of state will be paid from departmental budgets. Which departmental budget is that in the case of the Prime Minister? Where will the pension come from, because, although it is for one individual, that will obviously add to the budget? Will it come from the Cabinet Office or will there be a separate vote heading for the Department of No. 10, as it were? I assume that the Speaker's pension will continue to be paid through the Consolidated Fund, because there is no parliamentary department as such. I would be grateful if the Minister answered those specific questions.

Sajid Javid: I thank the hon. Gentleman for his questions, which I will try to answer. On why the provision was not originally included in the Bill, that was simply an oversight. It should have been included, and I am glad, as I am sure he is, that we are now including it.

The hon. Gentleman asked why the salary of the Lord Chancellor would be higher if they were a Member of the House of Lords rather than an MP. It is not unusual for any Secretary of State to have a higher salary if they are in the House of Lords. For an MP who is a Secretary of State or Lord Chancellor, the salary earned is additional to their pay as an MP, but Members of the House of Lords have no equivalent to MPs' pay. They might have an attendance allowance, but, as I think the hon. Gentleman would agree, that is not the same. The arrangement will provide some parity for the Lord Chancellor in relation to their being a Member of the House of Commons or of the House of Lords.

The recently appointed Lord Chancellor has given a clear commitment to sign a waiver, the details of which are now being worked out. He is discussing it with Cabinet Office officials, and that will soon be confirmed publicly. Some specific issues must be sorted out, but the hon. Gentleman can be assured that the current Lord Chancellor has made a commitment and will be subject to the waiver.

On severance, I do not have that information at hand, but if the hon. Gentleman will bear with me, I will try to get that for him. He will know that the Prime Minister is

also the First Lord of the Treasury, so the Treasury will be the relevant Department in relation to the current Prime Minister.

Chris Leslie: I am very content with those responses, which are very helpful. If the Minister would like to write to me on the severance point, that would be sufficient.

Sajid Javid: I will do so.

Amendment 42 agreed to.

Amendment made: 43, in schedule 11, page 55, line 10, leave out 'Section 1' and insert 'Sections 1 and 3(1)'.—(*Sajid Javid.*)

Schedule 11, as amended, agreed to.

Clause 31

PARLIAMENTARY AND OTHER PENSION SCHEMES:

PENSION AGE

Sajid Javid: I beg to move amendment 21, in clause 31, page 15, line 32, leave out 'the state pension age link' and insert 'such provision'.

The Chair: With this it will be convenient to discuss Government amendment 22.

Sajid Javid: The amendment to clause 31 is a technical amendment. It removes reference to the term "state pension age link" as this term is not defined in the Bill. This change ensures that clause 31 is consistent with the provisions elsewhere in the Bill, particularly those set out in clause 9 relating to pension age. This amendment does not change the effect of the clause which relates to parliamentary pension schemes. Such schemes are and will be made under the Constitutional Reform and Governance Act 2010. They will be able to mirror wider public service arrangements in particular by providing for a normal pension age that is the same as an individual's state pension age at retirement. The amendment to clause 32 does the same as that to clause 31: it also removes reference to "state pension age link". This change ensures that the clause is consistent with the Bill.

Amendment 21 agreed to.

Question proposed, That the clause, as amended, stand part of the Bill.

Sajid Javid: I have already discussed the minor, technical amendment to this clause. First, I should highlight that this clause differs from much of the Bill. It is an enabling measure and not a requirement. The clause provides flexibility to any parliamentary scheme which in future chooses to establish a link between the normal pension age and the Member's state pension age. It allows these schemes to apply changes to Members' benefits accrued after the link is put in place.

To be clear, this provision does not create any requirement for the introduction of a link between normal pension age and state pension age. It places no requirement on any future ministerial pension scheme, or on IPSA, in respect of future changes to the Members' scheme.

[Sajid Javid]

Hon. Members will be aware of the Constitutional Reform and Governance Act 2010, which introduced strong protections for the pension rights accrued in the parliamentary contributory pension fund. This clause disapplies those protections only in relation to benefits linked to normal pension age, only where that normal pension age is linked to the state pension age, and only in so far as they are affected by any change in state pension age.

The clause applies to both active members of the schemes and those in deferment, but it is important to make clear that this will not relate to benefits accrued under the current pension arrangements. Only benefits accrued under any future scheme design with a link to the state pension age will be affected. I should also be clear that the Government are committed to taking forward reform of the ministerial pension scheme. Such reform will take account of reforms elsewhere in public service pension schemes. The Government will consult on their proposals later in the year. That will be in accordance with the obligations under the 2010 Act.

To be frank, I do not think our constituents would understand if we passed legislation linking the payment of teachers' and nurses' pensions to state pension ages, but did not allow for the possibility of applying such provisions to ourselves. We would rightly be seen as applying one rule to public service workers and another to Members of this House. I therefore propose that the clause stand part of the Bill.

11.45 am

Chris Leslie: I should declare an interest, as a Member of Parliament, because my financial future will be affected by the clause.

It is certainly sensible to ensure that the 2010 Act includes provision to put the state pension age link in place. As the Minister rightly says, our constituents would look askance at Members of Parliament being treated differently from other public service workers when it comes to such basic design questions. I therefore have only one real question for him: why is the requirement in the clause permissive rather than mandatory? Why is the Bill not making the state pension age link at this point? Is it, as I assume, because we are waiting for IPSA to do that on our behalf? It is worth putting an explanation on record for the outsider observer of why requirements are going into the Bill for other public service workers, yet there is simply an enabling provision for Members of Parliament. There is a perfectly strong case for having that state pension link, and a lot of people will be saying, "Why not have it in the Bill?", so I would be grateful if the Minister would explain.

Sajid Javid: I am very happy to explain. Under the 2010 Act, IPSA has certain statutory responsibilities over Members' pensions. Those require, for example, that there is full consultation before any changes are made. We therefore have the current provisions because of the rules under which IPSA was set up. The Government's intentions are clear, however. It was felt that the Government should not be seen to interfere with IPSA's statutory independence, but it is okay for the Government to set out their intent and what they

would like to see, and to make sure that changes can take place now that will allow IPSA to establish the link.

Question put and agreed to.

Clause 31, as amended, accordingly ordered to stand part of the Bill.

Clause 32

MEMBERS OF THE EUROPEAN PARLIAMENT

Amendment made: 22, in clause 32, page 16, line 24, leave out 'the state pension age link' and insert 'such provision'.—(Sajid Javid.)

Question proposed, That the clause, as amended, stand part of the Bill.

Chris Leslie: Again, it looks as though the provisions affecting Members of the European Parliament will not automatically lead to a link with the state pension age, so this is an enabling clause. The Minister rightly just said that IPSA has responsibility for decisions in respect of Members of the UK Parliament, but that is not the case for Members of the European Parliament, so will he explain why we are not mandating the state pension age link for MEPs, who do not have that same IPSA arrangement?

Sajid Javid: I think that I am correct that, under the 2010 Act, IPSA does have responsibility for MEPs' pensions, so the information that I shared a moment ago would apply to their pensions as well.

Question put and agreed to.

Clause 32, as amended, accordingly ordered to stand part of the Bill.

New Clause 1

SCHEME PARTICIPATION

'The Treasury shall commission an independent review into the appropriateness of increased pension contributions if, following the full implementation of the increases in employee contributions announced in the Government's 2010 Spending Review, the number of members opting out of any public service pension scheme increases by more than 5 per cent compared with the drop-out rate in the 12 months immediately before any contribution increases were implemented.'—(Chris Leslie.)

Brought up, and read the First time.

Chris Leslie: I beg to move, That the clause be read a Second time.

We tabled new clause 1 as a consequence of the unilateral decision that was taken in the 2010 spending review to increase employee contributions by an average of 3.2% and to change indexation from the retail prices index to the consumer prices index, before Lord Hutton had even published his report. Those changes meant that many public service workers were left with the bitter feeling that they were paying increased amounts for fewer benefits. We have already debated that tangentially in other discussions, but a series of questions and issues flow from the Chancellor's decision, which was rather out of the blue, and they ought to be picked up in a slightly more mature and sensitive way downstream.

Many public sector workers are very low paid, and the changes announced in the 2010 spending review could result in some of the lowest paid workers opting out of their pension schemes simply because they cannot afford the increased contributions. The question of opt-out is the focus of new clause 1. Hon. Members will see that we are suggesting that the Treasury should

“commission an independent review into the appropriateness of increased pension contributions if, following the full implementation of the increases...the number of members opting out of any public service pension scheme increases by more than 5 per cent”—that is our suggestion—

“compared with the drop-out rate in the 12 months immediately before any contribution increases were implemented.”

In other words, if some volatility is spotted in the membership rates of public service pension schemes, especially if a significant number of members stop making their payments, a lot of people will question the future viability of those schemes. We therefore think the new clause is perfectly reasonable. We do not want to unpick the spending review arrangement, much as others would want to discuss that possibility. However, in that specific scenario, we would support a review of how such opting out is affecting a scheme's viability.

Richard Fuller (Bedford) (Con): I am sorry to interrupt the hon. Gentleman's flow. I do not agree with the new clause at all, but will he explain why a drop-out rate of 5% would be more significant than one of 4% or 6%? Is it not sufficient to make the point, which I think all hon. Members would agree with, that we do not want people to take action that is against their best long-term financial interests—dropping out? We cannot, however, put a number on that, and we certainly should not set up the possibility of unintended consequences by saying, “If you do this, there will be action, but if you do not, there will not be.”

Chris Leslie: I agree that I would want members to stay part of their schemes and to keep contributing because that is in their best interests. However, for the good management of those funds, particularly the funded schemes—never mind the unfunded schemes—we should have some benchmark that triggers an amber light to make us say, “Hold on a minute, we have to keep an eye on the income to these schemes, not just the outgoings from them.” I am more than happy to debate whether that benchmark should be 5%, 10%, or 3%. New clause 1 is designed to elicit from the Government the point at which alarm bells would start ringing if many members left a scheme.

The schemes have to be sustainable for the long term, so the new clause would introduce a management device to provide a warning about what is happening in schemes. I hope that pension policy groups or pension boards will monitor schemes as a matter of course, but that will not necessarily trigger a review of the level of contributions. The new clause is a piece of good housekeeping that the Government ought to adopt.

The local government pension scheme, which has a high proportion of low-paid workers, has been particularly concerned about opt-out rates. Bob Summers of the Chartered Institute of Public Finance and Accountancy told the Committee that the LGPS

“is populated...with a lot of very lowly paid people for whom contribution increases can represent a considerable economic

hurdle. That is why there has been considerable dialogue and worry about opt-out rates in the LGPS.”—[*Official Report, Public Service Pensions Public Bill Committee*, 6 November 2012; c. 138, Q10.]

Reports suggest that opt-out rates in some LGPS funds are already around 20% or 25%. That sounds high, so I would like to see the specific figures because it is important to have transparency about what is happening.

Alison McGovern (Wirral South) (Lab): Does my hon. Friend agree that we need to consider drop-out rates in the context of not only future pension income, but living expenses today? The cost of food and housing is rising, which particularly hits those on lower incomes. I am worried that opt-out rates will increase as a result, which emphasises the importance of his point.

Chris Leslie: My hon. Friend hits the nail on the head. One of the counter-productive consequences of designing a scheme in such a way as to provoke significant opt-outs is that a lot of those who would have been members of the scheme may end up being more reliant on state benefits. That might, perversely, cost the taxpayer more, albeit the money would go through a different Department and come under different budget headings.

We do not want scheme members to be more reliant on state benefits in their old age as a result of the changes. As Niki Cleal, the director of the Pensions Policy Institute, said:

“The reality is that we do not know how these contribution rises will impact on opt-out rates. It is reasonable to assume that there will be some kind of impact, but at this point we do not actually know exactly what that impact will be. That is something that will need to be quite closely monitored going forward. Obviously, if you see widespread rates of opt-out, it is not a good policy outcome.”—[*Official Report, Public Service Pensions Public Bill Committee*, 6 November 2012; c. 171, Q63.]

The new clause would not change the employee contribution, but would merely ensure that if the opt-out rate increased by more than 5%, the Government would agree to review the appropriateness of the contribution levels. Perhaps the Government do not want the Bill to include such a provision and the Minister will say that they would carry out such a review in any case. However, it would be good practice to ensure that the short-term gains for the Exchequer that might flow from the increase in contribution rates will not be outweighed in the long term by the consequences of more workers opting out of their pension schemes.

Richard Fuller: I strongly urge the Minister not to accept new clause 1, which smacks a little of micro-managing outcomes and gives rise to the possibility of unintended consequences. As the hon. Member for Nottingham East has said, there is nothing magical about a fall of 5%, compared with one of 3% or 7%. What matters is that we send a strong and powerful message that the schemes still offer a good deal for people to put money aside for their pensions, and that the taxpayer continues to make a significant contribution to the schemes. We ought to have faith that the House will be vigilant in looking at the impact on participation rates in the schemes, and I am certain that we do not need a one-year measure, and a 5% measure, to tell us what is good judgment in this regard.

Chris Leslie: I am surprised the hon. Gentleman takes that view, as this is a fairly moderate suggestion. Surely he would be concerned at reports that some LGPS schemes are down by 20% of their members. That that is the level of opt-out. That is not something that we can turn a blind eye to, surely.

12 noon

Richard Fuller: There are many things that I am concerned about but that I do not need the Government to take a position on. I am concerned about my own finances, but I do not need the Government to tell me what is right and wrong. What the hon. Gentleman is trying to do, I think, is to ensure that people continue to do the right thing in the administration of their fund. If there are signals that they are not doing what is in their personal best interest, then the Treasury should take action. I think that is something that we should leave to the Minister's discretion. We should not tie his hands with one-year marker and a 5% decline threshold. That goes to one of the failings of Administrations over the past 15 years. They believe that the Government can set a point in time that will somehow magically be the point at which we can evaluate success or failure.

We saw that a series of micro-managing instruments led to the long-term strategic blunder of indebting our nation more than ever before. The hon. Member for Wirral South made a point about the impact on living standards, which is absolutely right. That is an important part of this. It was sad that few Opposition voices supported my amendment on very high pension scheme contributions. The Government are trying to ensure that we maintain the interest of people on low and middle incomes in participating in their public sector pension schemes. They will get the best benefit not from the new clause but from the measures that the Government have taken to keep interest rates low and deal with the very heavy debts they were left with.

Sheila Gilmore (Edinburgh East) (Lab): Does the hon. Gentleman appreciate that as well as the problem of individuals missing out if they opt out, and the long-term implications of that for state funding, particularly in the case of the local government scheme, there can also come a point at which opt-outs affect the functioning of a scheme? We have to reconsider trying to increase contributions, which will have an adverse effect. It is not always good enough to wait until a few years down the track when people are looking back and saying, "Oops." If the change does not happen, the Government do not have to do anything.

Richard Fuller: The hon. Lady makes an interesting point about how quickly Governments should respond. The last Government came forward with what they thought would be a permanent resolution of public sector pensions. Here we are a few years later realising that they got their calculations completely out of whack with what the public finances could afford. I do think there is an issue of timing to consider and a need to be alert. My point is that we as a House and as politicians should recognise that sometimes it is better not to attempt to prescribe falsely what is success and what is failure or to tie Government actions to a particular result. It is far better to leave it to the administrators of schemes to make judgments for themselves.

Sajid Javid: I thank the hon. Member for Nottingham East for raising an important issue and my hon. Friend the Member for Bedford for his thoughtful and incisive contribution. Before I speak to the new clause I remind the Committee that member contributions are separate from the reforms to scheme designs. The Bill sets out the framework for the new schemes. None the less, maximising participation is an important issue and I thank the hon. Member for Nottingham East for giving me the opportunity to speak to that common objective.

We all want to ensure that public servants have the financial security of a good pension in retirement. That was, and remains, a central aim of these reforms. As the Committee will be aware, Lord Hutton concluded overwhelmingly that reforms to public service pensions were needed. As part of that, his interim report concluded that

"there is a clear rationale for increasing member contributions to ensure a fairer distribution of costs between taxpayers and members".

The fact is that the cost of public service pensions has risen by a third over the past decade to £32 billion a year. That is more than is spent on police, prisons and the courts, and the increases have mostly fallen on the taxpayer. Consequently, in Budget 2010, the Chancellor announced an increase in member contributions of 3.2 percentage points. That was to be phased in progressively over three years, from April 2012 to April 2014. After the increases, employers' contributions will continue to more than match the contributions made by employees, but not to the same unsustainable extent as now.

Chris Leslie: The figure of 3.2% on average was something of a surprise to a lot of scheme managers, never mind the members having to pay it. Will the Minister give us a sense of where that figure came from? There was no consultation in advance and no sense of whether there had been any actuarial work in the Treasury to reach it. Was that figure derived from some relationship to the sustainability of those schemes, or was it derived outwith that on a political basis?

Sajid Javid: I think the hon. Gentleman knows that the Government looked at the affordability of public service pensions in the long term, and that increase in contributions is one of the factors that are making those pensions more affordable and sustainable. I do not think it would be appropriate to go through the detail of how that number was arrived at at the time, but there was clear debate about it in Parliament at the time, in which he himself might have taken part.

I should point out that as well as rebalancing the cost more fairly between taxpayers and members, the contribution increases will lead to a significant level of savings. They will total £2.8 billion a year by 2014-15, protecting vital public services and jobs. I have set out why the increases alluded to in the new clause were appropriate, and the Government clearly stands by that policy.

Of course, monitoring the opt-out resulting from those increases is vital. We do that as a matter of course, and I will explain more shortly about what we are currently seeing. Carrying out a formal review, however, will not change the appropriateness of increased contributions. Our clear objective is to rebalance costs so that they are fairer than before the increases. That will not change, and putting in place a formal review would be misleading to members about these permanent and justified increases.

Sheila Gilmore: If I have been hearing correctly, the Minister has just said that no matter what happens—even if there is a large opt-out that puts the funding of the local government scheme and people’s future pensions at risk, which would have implications for the Government—the Government will not change their mind. They are absolutely determined to go ahead with the increase regardless.

Sajid Javid: To be clear, I am saying that these increases in contributions are permanent and are fully justified, as part of making public sector pensions affordable. I will go on to say how we are monitoring opt-outs, and I will set out the action that we have already taken to ensure that if they do occur, they are kept to the absolute minimum.

I have reservations about how practical a formal review such as the new clause suggests would be. It is very difficult to analyse opt-out data robustly, given the differences in data handling across schemes. It is unclear that a 5% threshold, as the new clause sets out, would be legally workable. More fundamentally, reviews do not help minimise the risk of opt-out, which is the real issue here. As I have said before, we all want to ensure that public servants have the financial security of a good pension in retirement. That means we need to maximise participation.

Richard Fuller: Picking up on what the hon. Lady was just talking about, I do not want to be cynical about this, but we remember from the evidence session what we heard from the leaders of the teachers’ unions—the National Union of Teachers and the NASUWT. They are way out of the main stream of other public sector unions, fighting and striking against what, as we have seen, is a very good deal for teachers. If we accepted the new clause, cynical, aggressive trade union leaders might say, “Ah! If in a year we can achieve a 5% reduction, then we can renegotiate”. They can play on people’s fears about what all parties agree are very good pension arrangements. They could cynically manipulate people’s fears to achieve the target outcome set out in the new clause.

Sajid Javid: I can tell my hon. Friend that a formal review would not change the appropriateness of the reforms. I agree that, if there was a formal review process, it would be misleading for certain people, who might think that they could change their contributions. As I clearly said, however, these changes are permanent and fully justified, and they will put public service pensions on a long-term, sustainable footing.

Chris Leslie: It is all very well talking, in theory, about thousands opting out to achieve some perverse consequence, but can the Minister report whether, in practice, any pension schemes have seen more than a 10% opt-out since the 3.2% average increase? Can he give us a bit of practical insight into what is actually happening with opt-out rates? If he is not able to do so, will he write to the Committee with some of those figures?

Sajid Javid: I will come to just that issue in a moment.

First, I would like to address the issue of how the Government are protecting against opt-outs. Although

a review would not necessarily help, our policies are certainly aimed at maximising participation, so let me explain some of them.

The Government have made a public commitment to minimise the number of people who opt out of schemes as a result of increasing contributions. That is why we protected low earners, with no increases for those earning less than £15,000 and limited increases for those earning less than £21,000. It is also why we split up the implementation for each year so that we could assess the impact of one year before finalising the approach for the next.

Members of the Committee will be pleased to hear that, following the increases in contributions in April 2012, scheme data show that there has been no discernable increase in opt-out. That is not surprising, because, as we heard at the evidence session, unions continue to advocate membership to their members. We should remember that these pensions represent some of the best available. Going forward, I expect participation to remain high, reflecting the generous deals on offer.

In addition, this year marked the start of auto-enrolment—a policy begun by the Labour Government but implemented by this Government. That will ensure that all employees are automatically enrolled into good-quality pension schemes. Where people do choose to opt-out, they will be automatically re-enrolled after three years. That policy is designed to encourage pension participation and will help millions more save towards their retirement.

Given the specific steps the Government have taken to minimise opt-out, and given the ground-breaking auto-enrolment policy and the clear rationale for increases, we do not intend to revisit the policy after its implementation. Put simply, this was the right thing to do. The Government stand by their decision; we are rebalancing costs by increasing contributions, but in a way that still encourages pension savings. It would be simply unfair and unsustainable to keep pushing cost rises on to the taxpayer.

Naturally, as I said, the Government will continue to monitor opt-out, but putting in place a review would mislead members about the permanence and clear rationale of the increases. However, let me reiterate something to the Committee one final time: the Government are determined to ensure that opt-out rates do not rise. Increased opt-out would go completely against our wider pension saving initiatives, and would be fiscally irresponsible. I completely agree with the hon. Member for Nottingham East that we should do everything practicable to minimise the risk of opt-out. I firmly believe that that is what we are already doing, and we will continue to do so.

I hope I have provided some comfort that the Government are treating this issue seriously, and I encourage the hon. Gentleman to consider withdrawing the new clause.

Chris Leslie: I am glad that the Minister at least said that he wanted to encourage people to remain members of these schemes—that is the right thing to do. However, I am slightly worried by the politically belligerent approach that he is taking to managing schemes, which is perhaps why a lot of people do not want politicians to be in charge: we end up with this Bedford ostrich strategy of

[Chris Leslie]

sticking our heads in the ground and saying, “It doesn’t matter if the schemes are falling down around our ears; we’re not listening and we’re not watching. We mustn’t in any way send a signal that we are looking at the viability of these schemes, because if people think we are, they might all flood out in order, in some devious way, to raise the contributions from the taxpayer.” The schemes have within their design all sorts of ways to prevent a burden from being placed on taxpayers, such as the employer cost cap. Our proposal is a good, sensible and non-partisan way of looking of the management of these pension schemes.

12.15 pm

Richard Fuller: I do not think we need lectures from the Opposition about good and non-partisan management of the public finances, but I rise to defend the reputation of Bedford and ostriches everywhere regarding the suggestion that we are putting our heads in the sand. I assure the hon. Gentleman that the good people of Bedford and Kempston, whom I am proud to represent, just like taxpayers up and down the country, will look carefully at the management of public finances. When the time comes at the next general election to judge how well and how prudently those finances have been managed, they will see that the coalition Government have done a finer job than the previous Government on managing those finances and providing certainty in public sector pension provisions.

Chris Leslie: The phrase “Labour gain” comes to mind, but I do not want to go down that particular route. There are wider issues to consider, such as public borrowing going completely in the wrong direction, as we saw from yesterday’s statistics.

It is not acceptable for politicians to close their eyes and ears if these schemes are going awry. I am all for sending out strong signals and ensuring that people understand the affordability of the schemes. All the new clause would do is provide for a review from time to time if opt-out levels are significant. We are not asking for anything massive; we simply want the ability for a fresh look at the situation to be triggered in certain circumstances.

If the Minister is right that there is no discernible change to the opt-out rate as a direct result of the 3% increase, there will be no consequence of the new clause—nothing would happen. The new clause is a stitch in time—a safety valve—that we ought to put in place so that we stay focused on the viability of the schemes. It is not good enough to pretend that member payments into a scheme do not matter—they do matter. That is part and parcel of the sound stewardship of the particular pension schemes, which is why I would like to test the Committee’s opinion on new clause 1.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 5, Noes 9.

Division No. 10]

AYES

Ashworth, Jonathan	McGovern, Alison
Gilmore, Sheila	
Leslie, Chris	McKenzie, Mr Iain

NOES

Doyle-Price, Jackie	Hands, Greg
Evans, Graham	Javid, Sajid
Freer, Mike	Jones, Mr Marcus
Fuller, Richard	Leadsom, Andrea
Gibb, Mr Nick	

Question accordingly negatived.

New Clause 2

PENSION POLICY GROUPS

(1) The Treasury shall make directions providing for the establishment of a pension policy group for each scheme established under section 1.

(2) The pension policy groups will consider and advise on proposals to make significant changes to scheme regulations.

(3) Treasury directions under subsection (1) shall establish a single pension policy group relating to all schemes for local government workers.’—(Chris Leslie.)

Brought up, and read the First time.

Chris Leslie: I beg to move, That the clause be read a Second time.

The new clause would implement Lord Hutton’s recommendation that pension policy groups should be established for each scheme at a national level. As Lord Hutton said on page 130 of his report, in recommendation 17(b):

“even if all schemes have a pension board in future, there will still be a need for separate pension policy groups to consider at national level major changes to scheme rules”.

Many schemes already have such groups or bodies at national level. New clause 2 would ensure that all schemes benefit from that good practice. Current national bodies or groups include:

“NHS and Civil Service Pension Scheme Governance Groups; a Teachers Pensions Committee; the Police Negotiating Body; the Fire Pensions Committee; and the LGPS Policy Review Group.”

Part of their roles would, as Lord Hutton recommended, be to ensure that information about key proposals for change and related costs are publicly available, which is essential in ensuring good relations with scheme members and the smooth implementation of any changes to the schemes. Lord Hutton’s report notes that those existing national bodies were often

“established as part of the consultation and negotiation machinery for handling pensions as an element of the remuneration package and to have member and employer representation as appropriate.”

The appropriateness of member representation on pension policy groups will hopefully be taken into account by the Treasury if pension policy groups are established. We are surprised that specific direction-making powers have not been taken by the Treasury in the Bill for the establishment of such groups, hence the need for new clause 2.

Sajid Javid: I am grateful to the hon. Gentleman for tabling new clause 2, which raises an important issue. Lord Hutton identified that the majority of the current public service pension schemes have established groups to advise relevant Departments and Ministers. Such groups already exist in all the current schemes that cover the work forces set out in clause 1. Indeed, many of those groups have already played an important role

in developing the reforms that will be taken forward under the Bill. As we have heard, Lord Hutton recommended that such groups should continue and should be introduced in the schemes that do not currently have them. We agree, but we do not believe that it is necessary to put it on the face of the Bill. The groups' role will be purely advisory, as the new clause accurately describes. We are in agreement that policy groups can and do play a valuable role in considering and advising on proposals for schemes. However, we are of the clear view that it is right that such policy groups should continue on an administrative basis. That has worked well, and we see no reason to change that approach.

There is a related issue to consider for the local government schemes. The local government employers and trade unions have set out proposals for a national group for their scheme in England and Wales. The Local Government Association has discussed that with the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Great Yarmouth (Brandon Lewis), and with the Chief Secretary. We support the proposal for a national board in that local government scheme in principle. The finer details of that proposal are still being developed and considered, but the new clause would not be appropriate for that local government scheme.

We will give further consideration as to whether it would be necessary or appropriate for the Bill to provide for a scheme-level group for the local government scheme in England and Wales. With that commitment, I hope that the hon. Gentleman will consider withdrawing the new clause.

Chris Leslie: The Minister has given a helpful commitment. We simply wanted to probe the Government's intention on pension policy groups, because it was important for us that Lord Hutton's recommendations were given full attention. Given the Minister's commitment, it would not be appropriate to press new clause 2 to a Division, so I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 4

MEMBER COMMUNICATIONS

(1) Scheme regulations for a scheme under section 1 shall provide for the provision of annual benefit statements to all members of the scheme.

(2) Benefit statements under subsection 1 shall show the following information—

- (a) the members' pension benefits earned to date;
- (b) the projected annual pension and lump sum payments if the member retires at his normal pension age; and
- (c) the member's and employer's current contribution rates.—(Chris Leslie.)

Brought up, and read the First time.

Chris Leslie: I beg to move, That the clause be read a Second time.

New clause 4 focuses on communication with members of pension schemes. We want to enhance communications and dialogue and the literature that scheme members need about their financial well-being in retirement. The new clause would implement Lord Hutton's important recommendation—I think it is recommendation 18—that public service pension schemes should issue regular

benefit statements to active scheme members at least annually and without request. We think that the proposal needs to be taken forward more proactively by including it in the Bill. Improved member communication under new clause 4 would increase transparency and members' understanding of their entitlements.

Mike Freer (Finchley and Golders Green) (Con): As the hon. Gentleman knows, I rather enjoy pensions. I had thought that such information was already provided in the annual statement, although perhaps the one missing bit is the employer's contribution, particularly for public sector pension schemes, most members of which have no real clue about how much their employer is contributing. I have some sympathy with the new clause, but my understanding is that such information is, on the whole, already provided.

Chris Leslie: I had thought much the same as the hon. Gentleman, and I agree that having the employer's contribution disseminated to members is quite an important part of the process. Most hon. Members would probably agree that that would be a worthwhile thing to achieve. As I understand it, defined contribution schemes—the prevailing form of pension in the private sector—must provide annual benefit statements, whereas defined benefit schemes are required to provide statements only if requested.

Mike Freer: As a member of the LGPS, I can assure the hon. Gentleman that I receive an annual statement for my contributions while I was leader of the council in Barnet.

Chris Leslie: I am delighted that the hon. Gentleman's local government pension scheme provides such a high standard of communication, but I am assured that that is not necessarily the case for other schemes. The requirement for those schemes is permissive, and I do not think there is a read-across for defined benefit and defined contribution schemes. I cannot understand why there could be any good reason for that distinction, because that obviously makes it harder for public service workers to be aware of their retirement arrangements.

I shall stand corrected if the hon. Gentleman has any information that I do not have but, as I understand it, statements under defined contribution schemes are governed by the Occupational Pensions Scheme (Disclosure of Information) Regulations 1996, which ensures that statements set out benefits payable to the member, the accrual rate or formula for calculating benefits, the amount payable on death, the amounts credited to the scheme during the year by the member and the employer, and the options available to the member. The proposals in new clause 4 are less onerous than those in occupational pension scheme regulations and thus would, I hope, be fairly easy to implement.

It is important generally that we encourage people to opt in and to stay in their pensions, and incredibly important to ensure that they have such information. I know that this is more to do with occupational private pension schemes, but I think that it is in Sweden where there is a sort of orange envelope system. Many hon. Members will know that when it comes to financial matters, especially pensions, our constituents' eyes can glaze over and they do not necessarily open all their correspondence, which can stack up on the mantelpiece or get put to one side. However, the orange envelope

[Chris Leslie]

scheme in Sweden lets everybody know that there is an important piece of literature coming through their door that will tell them about their pension entitlement—their income in old age.

We need a device to bring this much more to the fore of everybody's attention, whether they are in the private sector or the public sector, so that we can wake people up to the need to start thinking about savings and pensions for their retirement. That is the purpose of new clause 4, and I hope the Minister will accept the spirit in which it has been tabled.

Sajid Javid: I am grateful to the hon. Gentleman for the opportunity to talk about annual benefit statements. As Lord Hutton noted in his report, wider pensions legislation requires defined benefit schemes to provide a benefit statement only where a member requests one. It is important that scheme members are kept informed about their scheme and provided with the information they need so that they can plan for their retirement. However, it is also important that schemes have the flexibility to provide that information in the way that they believe it will most effectively reach their members. For example, in addition to benefit statements, many public service employers show employer and employee contributions on payslips and, increasingly, are looking towards IT systems that allow members access to their details on a more regular basis. The NHS, in particular, is looking at providing such information in an annual statement of workers' remuneration packages. The requirement for automatic annual benefit statements does not apply to other defined benefit schemes outside the public sector.

12.30 pm

I am of the view that there is no reason for public service schemes to have different legal requirements for benefit statements from other occupational pension schemes. Indeed, that parity is the approach that we have taken in extending the application of administration and governance standards and regulatory oversight to public service schemes through schedule 4.

Mike Freer: I hate to bring a note of discord, but I think that the Minister is wrong on that point. We have a pensions problem in this country, and saying that private sector schemes are not required to provide statements—though many do, such as Barclays, my former employer—is not a good enough reason for not requiring public sector schemes to provide them.

If we want people genuinely to prepare for their pensions, we need to give them the maximum amount of information. Just suggesting that it is good practice without putting in place any requirement is the wrong thing to do. I urge the Minister to give more thought to making it a requirement for public sector schemes to provide the maximum amount of information so that we can maximise contributions and participation.

Sajid Javid: I thank my hon. Friend for that point. I share his belief, which is in the spirit of the new clause, that all members of public sector pension schemes should have a lot of information on their pensions, including the contributions that they and their employers make and the potential value of their pensions in retirement.

My central point, however, is that that does not need to be in the Bill because we should allow each particular scheme the flexibility to do that in its own way. It would be surprising to find a scheme where those who run it do not think that providing that information is important. The example I gave earlier of schemes that provide information on monthly payslips is an example of a good way to get information across, although it might not suit every scheme.

Richard Fuller: I join my hon. Friend the Member for Finchley and Golders Green in encouraging the Minister to reflect on what is proposed in the new clause. The Minister makes a good point about wanting to give discretion to funds to provide information as they see fit, but that has to be balanced against the good point made by the hon. Member for Nottingham East about how providing information gives visibility to pensions and reinforces the incentive for people to put money aside for their pensions. They can see also how much the taxpayers are putting in. That ensures that they keep doing what is financially in their long-term best interests. Will the Minister reflect on that before committing himself to a particularly strong position on the new clause?

Sajid Javid: I thank my hon. Friend for his point. He made it powerfully, and I listened carefully to it.

Mike Freer: May I continue the point made by my hon. Friend the Member for Bedford? Deductions shown on a payslip are a million miles away from the information provided on a pension annual benefit statement. Showing the pounds deducted from people's monthly or weekly pay is wholly different from showing actuarial contribution rates and the forecast pension. That is the key information showing the impact of the personal contribution and the employer's contribution. It shows the options available for closing the gap if people wish to increase their contribution rates.

While it may be good practice, simply relying on payslips is not enough. The hon. Member for Nottingham East reminded me of casework where I have met doctors and other NHS employees who struggle to get any meaningful information at all on their pensions. I urge the Minister to accept the suggestion in the new clause in some way, to force better governance and information on our pension schemes.

Sajid Javid: I thank my hon. Friend, who again makes a powerful point. He referred to the NHS, so I hope he heard me say earlier that the NHS is looking at implementing a new IT system that will allow members access to their details. If it does implement that system, once it is up and running it will perhaps help with situations such as his constituents have raised with him. There are already schemes that provide annual statements rather than using payslips or IT. There are different ways of providing information to members of schemes; one should not be too prescriptive and legislate for that to be done in a particular way.

I have, however, heard clearly what hon. Members have said. The hon. Member for Nottingham East made his case very clearly when moving the new clause. I have also heard the comments of my hon. Friends the

Members for Bedford and for Finchley and Golders Green. I would say to each of them that, although I am convinced of the Government's case, it would be wrong of me not to take their comments into account. I will therefore look at the issue again, but I cannot make any promises.

Chris Leslie: It has been an interesting debate, and I am tempted to press the new clause to try to maximise the pressure on the Government on these issues. I now know the strength of feeling; however, I do not want to jeopardise in any way the chances of an actual reform later on, perhaps on Report. I believe that will be on 3 December, which is not that far away, but it is not impossible for the Minister to reflect on the drafting of the new clause and think of some other provision, perhaps a more permissive one, drafted in a way that suits the Government. I genuinely think it would be sensible to turn the dial up a notch, move out of the discretionary mode that a lot of schemes have at present and introduce a requirement—even if it is a fairly broad one—that would cover the defined benefits schemes covered by the Bill.

This is an important matter, about which there is a lot of strength of feeling, so I would like to give notice that I will table the new clause again or a similar measure on Report, unless the Minister does something of his own volition at that stage. I am happy to withdraw the new clause at this point, because I do not want to upset this important discussion, which is one of the most useful we have had in Committee so far. However, we will want to test the issue again if the Government do not bring something forward themselves.

It is always a good sign that a Minister is in charge of his brief if he can say to his officials, "Look, come on now, think again. Listen to the debate and take that forward." If, having listened to and reflected on the debate in Committee, he were to come forward with an amendment that had grown organically from that debate, the respect that would fall on his shoulders would be immense, and it would be to his great credit. Although we will return to the issue, I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 6

FAIR DEAL

'A member of a public service pension scheme is entitled to remain an active member of that scheme following—

- (a) the compulsory transfer of his contract of employment to a private contractor under the Transfer of Undertakings (Protection of Employment) Regulations 2006; and
- (b) any subsequent compulsory transfer of his contract of employment.'

—(Chris Leslie.)

Brought up, and read the First time.

Chris Leslie: I beg to move, That the clause be read a Second time.

A key part of the agreement reached with public sector employees and their representatives was the implementation of a new fair deal, as it was called, for outsourced workers, to ensure that all public service workers who are compulsorily transferred to a private,

independent, third sector or social enterprise contractor are entitled to remain active members of their public service pension scheme. The Chief Secretary to the Treasury—for it was he—confirmed the Government's commitment to the new fair deal in July this year in a written statement, which said:

"I can...confirm that the Government have reviewed the fair deal policy and agreed to maintain the overall approach, but deliver this by offering access to public service pension schemes for transferring staff. When implemented, this means that all staff whose employment is compulsorily transferred from the public service under TUPE, including subsequent TUPE transfers, to independent providers of public services will retain membership of their current employer's pension arrangements."—[*Official Report*, 4 July 2012; Vol. 547, c. 54WS.]

That is an improvement on the current fair deal arrangements, which obliged independent contractors to provide "broadly comparable" arrangements to those under the public sector scheme. Securing that was a tribute to the parties involved in the negotiations. However, the promise does not appear in the Bill. In the eyes of many employee representatives, that means that the Bill fails to represent the agreement reached. As it stands, the Bill is quite one sided in how it reflects the negotiated agreements. The Government seem happy to include the sides of the agreement which suit them, for example the requirement that no schemes are final salary schemes, but are not quite so forthcoming about including the corresponding promises that were made to public sector workers.

The Minister has repeatedly said that the Government's word is his bond, that that is adequate protection for workers and that Government promises do not need to be enshrined in legislation. But any member of the public listening to that might be rather bemused by the idea that a Government promise is of equal weight to legislation, because legislation obviously endures. Even if the Government intend to keep their word, that word has no binding effect on future Governments. So if this Government intend to implement the new fair deal, they can surely have no legitimate objection to the new clause.

The Minister has previously spoken about not wanting to include certain commitments in legislation because they would bind future Governments. He has clearly missed the point that future Governments can change laws if they wish and are not bound, as he likes to put it. To make any changes they have to do so democratically through Parliament. It is not unreasonable for public sector workers to seek parliamentary protection, so I hope the Minister will see that putting the new fair deal, as it is described, into the Bill in some form is the right and fair thing to do.

Sheila Gilmore: This is a particularly important issue, given that the Government have indicated their intended direction of travel in relation to the provision of public services. The White Paper "Open Public Services", which was published some time ago, looked at all these issues and suggested that there were a number of models through which the Government thought public services could be provided, including things like mutuals and social enterprises, but also by tendering them out in other ways. Given that, the position of people who find their jobs changed in that way becomes increasingly important. Pensions have always been one of the crucial differences. To have the new clause in the Bill and

[Sheila Gilmore]

safeguard pensions would assist the Government, because there would be far less likelihood of employee opposition and all the disruption that that could cause. Employees who have been asked to be part of this change would feel a great deal more confident.

Obviously we can all have different views on the extent to which this way of providing public services is correct, but if it is going to happen, this important safeguard should be put in place. Only through legislation can people have the legal right that we are seeking and put up a legal challenge if they do not get it. Without legislation they cannot go to court and say, "We were promised this and a Government statement was made in Parliament". It would not be justiciable, and therefore people would not have a built-in right. It is important that this safeguard is put in place.

12.45 pm

Sajid Javid: I thank the hon. Member for Nottingham East for introducing the new clause because it enables us to revisit the fair deal policy. I also thank the hon. Member for Edinburgh East for her contribution.

This is a vital issue for thousands of people who have transferred out of the public sector. For the benefit of those Members who are less familiar with the fair deal than others, allow me to clarify that the existing fair deal is a non-statutory policy. It applies to pension provision for public sector staff when they are compulsorily transferred under TUPE to a non-public sector employer. It also applies to staff who have already been transferred out under the fair deal policy in the past when the contract is retendered or the staff are returned to the public sector. The existing fair deal policy requires that the new employer should offer transferring staff membership of a pension scheme that is broadly comparable with the public service pension scheme that they left.

As we heard, Lord Hutton's interim report found that those current fair deal requirements were a barrier to plurality of public service provision. The Government therefore announced in the 2010 spending review that they would accept the changes of Lord Hutton's interim report and review the fair deal policy. In future, the fair deal will be delivered by allowing employees who are transferred out of the public sector to stay in public service schemes.

The recent publication of the Government's response to the fair deal consultation included draft guidance and further consultation on the issue of retendered contracts. That is the question of what should happen to those staff who have already been transferred out under the existing fair deal and whose contracts are subsequently retendered under the new fair deal policy.

I assure hon. Members that access to the public service pension schemes is the Government's preferred approach. Our proposal is that for staff who have already been compulsorily transferred out and whose contracts are retendered, employers have the option to provide a broadly comparable scheme with the new CARE schemes, or access. However, it is important that we consider in full the views of all stakeholders, including of course those who will be affected, through further consultation before making a final decision on the issue. It would therefore be inappropriate to include the fair deal policy in the Bill.

As I have said, the fair deal is a non-statutory policy, as it was under the previous Government. There has been no need for the fair deal to be statutory for it to apply as a policy, and the Government believe there is no need for it to be statutory in the future for the new policy to apply. I urge the hon. Member for Nottingham East to withdraw the new clause.

Chris Leslie: I note the Minister's observations about wanting to ensure that the fair deal is put in place, but I am afraid that things have changed slightly over recent years, especially as trust and confidence among public sector employees have been eroded. It is incredibly important that protection for that aspect of negotiations is in the Bill. That was not considered necessary before, but having it enshrined in statutory legislation is now important. New clause 6 therefore needs to be included in the Bill, so I would like to test the Committee's view of it.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 5, Noes 8.

Division No. 11]

AYES

Ashworth, Jonathan	McKenzie, Mr Iain
Gilmore, Sheila	
Leslie, Chris	McGovern, Alison

NOES

Doyle-Price, Jackie	Gibb, Mr Nick
Evans, Graham	Hands, Greg
Freer, Mike	Javid, Sajid
Fuller, Richard	Jones, Mr Marcus

Question accordingly negatived.

Chris Leslie: On a point of order, Mrs Brooke. May I say that, for the convenience of the Committee, we would be content to deal with the remaining clauses en bloc?

The Chair: That is very helpful. Thank you.

Clause 33

GENERAL INTERPRETATION

Amendments made: 23, in clause 33, page 17, line 31, at end insert

'or injury and compensation benefits'.

Amendment 24, in clause 33, page 18, line 7, at end insert—

““injury or compensation scheme”: a pension scheme is an “injury or compensation scheme” if it provides only for injury or compensation benefits (or both).”—(Sajid Javid.)

Clause 33, as amended, ordered to stand part of the Bill.

Clause 34

REGULATIONS, ORDERS AND DIRECTIONS

Question proposed, That the clause stand part of the Bill.

The Chair: With this—at the helpful suggestion of Mr Leslie—it will be convenient to consider clauses 35 to 38.

Sajid Javid: May I take this opportunity to clarify something that I said about MEPs' pensions during our debate on clause 32? I think that I said that IPSA had responsibility for them, but I should have said that it will have responsibility. The Constitutional Reform and Governance Act 2010 includes provisions that are yet to be commenced to transfer responsibility for setting MEPs' pay and pensions in a legacy scheme to IPSA. I hope that my clarification helps the Committee.

Clause 34 sets out the full meaning of, and specific procedures for, making regulations, orders and directions under the Bill. The Bill provides for the details of the reforms to each public service pension scheme to be set out in regulations. England, Wales, Scotland and Northern Ireland each have their own procedures for enacting such regulations. Elsewhere in the Bill, the shorthand phrases “affirmative procedure” and “negative procedure” are used. Clause 34 sets out what those procedures involve in each of the legislatures. The clause does not change any of those procedures; it merely sets out what they are.

Clause 35 provides for the expenditure that will be incurred under the Bill. Subsection (1) provides for some senior judges to be paid out of the UK Consolidated Fund, rather than from monies voted by Parliament. That reflects the status quo, and the purpose of the provision is to demonstrate the financial independence of the senior judiciary from the legislature. The remainder of the clause is a standard provision setting out that the remaining expenditure, in so far as it falls to a Minister of the Crown, will be made from voted funds. Legal authority for those payments will be provided each year through the Supply and Appropriation Acts, for Westminster-funded schemes, and through equivalent legislation in the devolved Administrations.

Regarding clause 36, the Government have always intended changes to pensions to be a UK-wide policy. Key design features of public service pension schemes should be set under a UK-wide framework that extends to England, Northern Ireland, Scotland and Wales, as was set out by Lord Hutton in his final report. Clause 36 provides that the powers in the Bill extend to the whole of the UK. An exception is when they amend or modify existing legislation that has a more limited extent, in which case they have the same extent as the powers that they modify. An example is the amendments to the Pensions Act 2004 in part 1 of schedule 4. The 2004 Act applies to England, Scotland and Wales only, as do the amendments. Although the Bill as a whole will be part of the law of the United Kingdom, scheme regulations may have a more limited application, and the details are set out in schedule 2.

Clause 37 concerns the commencement of the Bill's provisions. It provides that the Treasury will set by order the date on which the Bill's main provisions will come into effect. Of course, the provisions will have to be commenced in time for the introduction of the new schemes in April 2015. Clause 16 provides that that is when most current schemes will close. However, clause 37 also enables some vital provisions to come into force immediately after Royal Assent. The first provision concerns wider access to the principal civil service pension

scheme, as set out in clause 26, to allow the new fair deal policy to be implemented for the civil service prior to the new civil service pension scheme being introduced in 2015. The second set of provisions deals with the abolition of the great offices of state pension scheme for future great office holders, as set out in clause 30, given that the scheme is outmoded and out of step with the rest of the public sector. The final set of measures is the financial and technical provisions that allow the Bill to operate properly, which are set out in clauses 33 to 38. The early commencement of such technical clauses is standard legislative practice.

Clause 38 sets out how the Bill should be referred to once it has received Royal Assent. The short title encapsulates the core purpose of the Bill.

Question put and agreed to.

Clause 34 accordingly ordered to stand part of the Bill.

Clauses 35 to 38 ordered to stand part of the Bill.

Question proposed, That the Chair do report the Bill, as amended, to the House.

Chris Leslie: I want to thank you, Mrs Brooke, and Mr Benton for your service in the Chair. Chairing such technical deliberations is always an interesting experience, and you have acquitted yourself exceptionally well.

I thank all members of the Committee, but especially my Labour colleagues for their forbearance and contributions to our debates. The Bill deals with a set of issues that is incredibly important for many of our constituents. As we said at the outset, many public servants live in our neighbourhoods and it is important that we stand up for their rights and speak out for them when possible in this legislative context.

I also pay tribute to the Clerks, who have been helpful in smoothing the process of our tabling 50-plus amendments. While Treasury officials are many and various, and often unnamed, I also want to pay tribute to Annie Powell and Joe Atkinson on my team for helping me with the drafting and by suggesting points to make. Last, but by no means least, I want to thank the Whips, because where would we be without the usual channels making sure that all these discussions continue in such a fair and open-handed way? I look forward very much to Report.

Sajid Javid: May I thank you for your chairmanship, Mrs Brooke? I understand that this is your first time chairing a Public Bill Committee, but there will be many more for you to look forward to as you have done a fantastic job.

The Chair: That is a double-edged sword.

Sajid Javid: If you want them, I am sure that they will be available to you, Mrs Brooke. I also thank your co-Chair, Mr Benton.

I thank all Members on both sides of the Committee. We have had robust discussions throughout the Bill's proceedings, including on some of the most important clauses, and we have heard important contributions. I would like to think that some of the 6 million public servants in this country will look back at the records of our debates and feel that parliamentarians have done a good job of scrutinising the Bill.

[Sajid Javid]

I also thank the staff of *Hansard*, who have quietly and faithfully recorded our discussions for the public to read. I am worried, however, that I might have been the first Minister to have caused *Hansard* to spell the word “schedule” with a “k”—and to have done so more than once. However, I would like it to be noted that, according to my dictionary, the modern British pronunciation of schedule as “schedule” is from a French influence, while the US or Scottish pronunciation of “skedule” is based on the Greek word “skidha”, which means splinter. I thought that it was important to share that knowledge with the Committee.

I thank the Clerks, the Doorkeepers and all other parliamentary staff involved in the Committee for their excellent work. I also thank the Whips and, lastly, the Bill team for their excellent work.

The Chair: I reinforce those thanks all round.

Question put and agreed to.

Bill, as amended, accordingly to be reported.

1.1 pm

Committee rose.