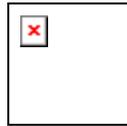


# STATES MEMBERS' REMUNERATION: CONSULTATION DOCUMENT

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Presented to the States on 25th September 2001  
by the House Committee

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**STATES OF JERSEY**

**STATES GREFFE**

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## **REPORT OF THE WORKING PARTY ESTABLISHED BY THE HOUSE COMMITTEE**

### **1. Introduction**

- 1.1 The House Committee's terms of reference include the requirement to keep under review the remuneration and allowances payable to elected members of the States and in order to achieve this objective the Committee, in the Spring of 2001, requested the Greffier of the States to prepare a report comparing the current position in Jersey with that in other jurisdictions. After receiving the report at its meeting of 30th May 2001 the Committee set up a Working Party to consider the current arrangements for income support and expense allowances and to make recommendations for change.
- 1.2 The Working Party was chaired by Deputy K.W. Syvret MBE (President of the House Committee) who was joined by House Committee members Senators Corrie Stein and Stuart Syvret. The Working Party meetings were also attended by the Deputy Greffier of the States and by Mr. Gary Clements, Director, Pensions and Support Systems, of the Human Resources Department. The Working Party met on four occasions between June and August 2001. In addition to the advice received from the two officers mentioned above the Working Party received assistance from Mr. Ian Touzel, a local pensions expert who has previously given independent and impartial advice to the Human Resources Department on such matters. The group also consulted the Employment and Social Security and Income Tax Departments for advice.

- 1.3 The Working Party considered the entire 'package' of remuneration and expense allowance currently available to members and also compared the position in other jurisdictions before making recommendations in relation to expenses, basic remuneration, social security contributions and pensions.
- 1.4 The House Committee, in setting up the Working Party, was conscious that it might be seen by some to be inappropriate that issues involving members' pay and allowances should be considered by a group of States members and not by an independent body. The Committee nevertheless concluded that past experience has shown that, despite the sensitivities involved, members of the States are best placed to understand the financial burdens created through membership of the States and the final decisions on changes must, because of current procedures, be made by the States. The Working Party noted that, although the most recent review was conducted by a panel of non-States members in 1996 the States had subsequently made significant amendments to the recommendations and the Working Party also recalled that an earlier review had been undertaken by a Special Committee of States' members under the presidency of Senator John Le Marquand (see below).
- 1.5 In addition, before establishing the Working Party, the House Committee considered whether it was appropriate to consider these issues at all in advance of any decisions by the States on the Review of the Machinery Government report. The Committee concluded that whatever decisions may be made in the future about the structure of the Island's government it will still be necessary to provide an adequate level of remuneration to all members of the States and the Working Party believed that its recommendations for change can be considered as part of a general review of facilities for members as recommended in the Clothier Report and referred to in the associated report and proposition of the Policy and Resources Committee lodged 'au Greffe' on 7th August 2001. As the Working Party was considering a standard package of remuneration for all members it did not consider or express a view on the issue of whether additional amounts should be paid to those members in executive office although it noted that this was commonplace in most jurisdictions looked at for comparative purposes. The Working Party believed that whatever decisions are taken on the Clothier report there is merit in the system used, for example, in the Scottish Parliament where a standard level of remuneration is made available to all members and issues of additional sums for those in executive office are dealt with by the Scottish Executive and not the Parliament itself.
- 1.6 The Working Party was conscious that its recommendations have far-reaching implications for the States and the House Committee has therefore decided to issue this report as a consultation document to stimulate discussion and receive comments from members of the States and others before preparing a formal report and proposition for consideration by the States.

## **2. History of States members' remuneration**

- 2.1 Until 1969 membership of the States was a wholly honorary position although between 1955 and 1968 nine propositions with regard to payment for States members were either rejected by the States or withdrawn before consideration.
- 2.2 In 1969 the States first agreed to establish a minimum income scheme for members. The scheme was based on providing a set States' allowance and an outside earnings limit after which reimbursement of the allowance was required. The scheme included an allowance of £750, a single member's income limit of £750, a wife's earned income allowance of £750 and a married woman's joint allowance of £1,500. Basically this meant that there was provision for joint income of £1,500 from outside sources before reimbursement was required.
- 2.3 This scheme remained in place for 22 years with minor adjustments being made over that period, including the introduction of an expense allowance of £250 in 1976 and the abolition of the 'wife's earned income allowance' in 1981 in favour of a 'joint income allowance' which was fixed at 1½ times a single member's allowance. The levels of remuneration were also increased to reflect inflation over the period. In May 1987 a Special Committee of the States was established under the Presidency of Senator John Le Marquand to look at the issue of a minimum income for members and that Committee presented its report to the States in November 1987. The Special Committee recommended that the basic framework of the scheme should remain unchanged although it recommended an increase in the monetary amounts and also recommended that the amounts should be automatically increased on an annual basis by a figure halfway between the percentage rise in the Cost of Living Index and the Wages Index. By 1990 the scheme included a States allowance of £6,000, a single member's allowance of £6,000, a married member's allowance of £12,000 and an expense allowance of £2,000.
- 2.4 In 1991 a sub-committee of the House Committee was established to look at the matter again. The sub-committee was chaired by Deputy T.A. Le Sueur and the members were Senator J.A. Le Maistre (member of the House Committee), Mrs. I.M. Johnston and Mrs. Pamela Turner (members of the public), Mr. N.S. Le Brocq (Jerse Trades Council), Advocate W.J. Bailhache (Institute of Directors) and Mr. Robin Hacquoil (Chamber of

Commerce). Following consideration of the sub-committee's report the States agreed to replace the previous scheme with a members' income support scheme comprising an income support allowance of £10,000, a £5,000 income ceiling (above which the allowance had to be repaid on a £1 for £1 basis) and an expense allowance of £8,000 paid to all members. This therefore provided members with the possibility of receiving an income from all sources of £15,000 before reimbursement was required, plus the £8,000 expense allowance. Other changes from the previous scheme included the fact that a spouse's income was no longer being taken into consideration and payment no longer being subject to an upper age limit.

2.5 In December 1995 the States agreed that members who were liable to pay Class 2 Social Security (self-employed) contributions by virtue of receiving income support should be able to claim back the employer's element of those contributions. In May 1996 the States approved further changes to the scheme pending an independent review of all aspects of members' remuneration and after these changes the scheme included an income support allowance of £14,500, a £6,250 income ceiling and an expenses allowance of £8,000 paid to all members. In 1996 there were 20 members who claimed some level of income support.

2.6 In May 1996 the States also agreed that an independent States Members' Remuneration Board should be established and in September 1996 the Board was formed under the chairmanship of former Senator John Averty. The Board's terms of reference included the requirement to review the method by which States' members should be recompensed for expenses incurred in carrying out their duties and to review how the principle that *'no-one should be precluded from serving as a Member of the States by reason of sufficient income'* could be best achieved bearing in mind that the States had decided that *'it may no longer be practical for some Members to follow a traditional pattern of paid employment in addition to their States' work'*. The Board reported in December 1997 and recommended that the level of income support should be increased to £16,000 with allowable income from all other sources of £16,000. The Board also recommended that the £8,000 expense allowance should be replaced by a two-tier system with a one-off annual payment of £3,000 to all members and a second tier to a limit of £5,000 which would only be payable on proof that the amounts had been legitimately incurred on States business. The Board recommended the abolition of the automatic reimbursement of the employer's part of Class 2 Social Security contributions which, it was suggested, could be claimed back, if appropriate, as part of the £5,000 'second tier' expense allowance.

2.7 The proposals of the Board were put to the States by the House Committee in 1998 but were subject to considerable amendment before being approved in July 1998. The scheme that emerged from the 1998 decision is still in place at present although the actual amounts have been increased annually. After the amended scheme was approved in July 1998 the position was as follows -

2.8 The maximum level of income support was increased to £24,000 (£8,000 more than the Board's recommendation) but the allowable income from other sources was only increased to £8,000 (£8,000 less than the Board's recommendation). The expense allowance was held at £8,000 and the States rejected the idea of a 'two-tier' system. The States did, nevertheless, agree that the reimbursement of part of the Class 2 contribution should cease with effect from the end of the term of office of those members claiming it.

2.9 Following annual increases the level of maximum income support for 2001 is £26,709. The 2001 increase was limited to 2.5 per cent in line with the States anti-inflation strategy. Members are able to receive an income of up to £8,903 from other sources before the amount of income support is affected. Beyond that level the amount of income support payable is reduced on a £1 per £1 basis so that, for example, a member earning £13,000 from outside sources is only entitled to claim £22,612 in income support.

2.10 The current level of expense allowance is £8,903. This allowance is, as agreed in 1998, payable automatically and no justification of the expenditure is required. The proposition adopted on 14th July 1998 stated that the expense allowance was *'to cover expenses such as telephone, postage and transport costs'* and should be paid *'quarterly in advance'*.

2.11 The latest return from the Treasurer of the States, available for public inspection in the States Bookshop in accordance with the decision of the States of 14th July 1998, shows that as at 13th March 2001 all 53 members claimed the expense allowance with six Senators, two Connétables and 20 Deputies receiving some level of income support. The annual cost to the States in 2000 of the expense allowance and income support payments is shown in the 2000 Financial Report and Accounts as being £ 1,106,882.

### **3. Comparisons with other jurisdictions**

3. The Working Party considered the position in other legislatures in order to make comparisons between the present

Jersey system and that in other jurisdictions. The Working Party did not consider that it was appropriate to make comparisons with large national or federal Parliaments (with the exception of the House of Commons) and therefore looked principally at small jurisdictions where the workload of members was more likely to resemble that of a member of the States of Jersey. The position in the jurisdictions chosen for comparison purposes can be summarised as follows (and is set out in tabular form for convenience in Appendix A).

### 3.1 Guernsey

3.1.1 There are four types of payment available to Members of the States of Deliberation. All members are entitled to receive a basic allowance known as the Compensation Payment. This is currently £8,761 per annum, is not means tested but is taxable. As the name implies it is intended to represent compensation for the loss of earnings suffered by members as a result of their States' work. Members have to claim the allowance and at present only one member does not.

3.1.2 The second payment is an expense allowance of £1,753 which is not means tested and not taxable. This is also available to all members.

3.1.3 The third payment is the Presidential Allowance and is, as the name implies, a supplement payable to Committee Presidents. There are five grades of Committee -

Grade A+ Committee	£4,382	Advisory and Finance only
Grade A Committees	£2,629	Larger Committees such as Health, Education, IDC, Home Affairs.
Grade B Committees	£1,753	Public Utilities (e.g. Water), Tourism, Agriculture.
Grade C Committees	£ 876	Small Committees such as Overseas Aid, Broadcasting
Grade D Committees	NIL	Committees chaired by the Bailiff or the Dean

3.1.4 The Presidential allowance has a ceiling of £4,382 so that a member who is President of several Committees cannot receive more than the President of the Advisory and Finance Committee (who cannot be President of any other Committee).

3.1.5 The final payment available in Guernsey is the Attendance Allowance. This is the only benefit that is means tested and the income limits mean that it is currently claimed by approximately 50 per cent of members of the States. The allowance is £26.29 per half day and is paid for attendance at meetings of the States, Committee meetings or sub-Committee meetings. It can also be paid for attendance at conferences if attendance is agreed by the Committee concerned but is not paid for time spent on Committee business other than meetings. The income limits for the means testing are £43,810 for a married member and £26,286 for a single person. For the purposes of calculating income the amount of Compensation Payment and Presidential Allowance received is taken into consideration.

3.1.6 Members of the Guernsey States are able to opt to join a pension scheme which was introduced in 1996 and is operated by the States. At present approximately 80 per cent of members belong to the scheme and there are two separate schemes in operation.

3.1.7 The first relates to service prior to 1st January 1990. This is a non-contributory scheme and members receive £2.64 per week for every year of service meaning, for example, that a member who served from 1970 to 1990 could receive an annual pension of some £2,752 per year. The second scheme relates to service after 1st January 1990 and is a contributory scheme. Members pay six per cent of their compensation payment into the scheme and can receive a pension of £5.28 per week for each year of service. The States pay an 'employer' contribution of between 15 and 16 per cent (this amount has been reduced from the original 21 per cent that was paid by the States when the scheme was first established). When the scheme was first established the States also paid in annual lump sum payments over a period of some ten years to assist in establishing the fund.

3.1.8 To receive a pension members must have served for at least four years, must be aged at least 65 and must have left the States. A member aged over 65 who has not yet left the States can continue to contribute to the scheme and will receive the full amount due when he or she finally departs. A widow's pension of 50 per cent of the sum due is payable after a member's death and this is payable even if the member concerned dies before reaching the age of 65. A member leaving the States before the age of 65, voluntarily or as the result of an electoral defeat, can opt for a deferred pension (payable at age 65) or can ask for a refund of contributions (although this latter option is not particularly financially attractive).

3.1.9 All Guernsey benefits are increased annually in accordance with the average increase in senior civil service salaries in the Island. It is of note that the recent Guernsey report on the machinery of government recommends a change in the system of payment with the favoured option at present appearing to be the abolition of the compensation payment, Presidential allowance and Attendance allowance and their replacement by a basic payment of some £20,000 to all members with an additional payment to Ministers (or senior Committee Presidents if the Committee system is retained) of some £10,000 and £4,000 for junior Ministers.

## 3.2 Isle of Man - House of Keys

3.2.1 All Members of the House of Keys (MHKs) are paid a basic salary of £23,555. In addition office holders are paid an additional sum as follows -

Chief Minister	£18,844
Speaker	£14,133
Minister	£11,778
President of Tynwald	£11,778
Member of Treasury	£9,422
Member of Department	£7,067

3.2.2 It should be noted that at present all MHKs are in executive office, i.e. either Ministers or members of one or more Departments - there are no 'backbenchers' and all MHKs therefore receive at least one of the additional amounts shown above. MHKs receive a tax-free expense allowance of £4,475.

3.2.3 The work of an MHK is considered to be a virtually full-time position. None currently work for outside employers although some are self-employed in the agricultural or tourist industries. The workload requires attendance at meetings of the House of Keys for a full day each week with a meeting of Tynwald Court (House of Keys sitting with the Legislative Council) during one week every month. These sittings of Tynwald Court can continue for up to three days. In addition to these meetings members need to attend to their duties in their respective Departments where the workload will vary according to the Department.

3.2.4 Since the 1996 elections members of Tynwald can benefit from a resettlement grant if they are unsuccessful when seeking re-election to the House of Keys or the Legislative Council. This resettlement grant is a one-off lump sum payment equivalent to 50 per cent of the basic annual salary payable to members who are not in executive office.

3.2.5 Members of Tynwald are able to join an optional pension scheme and pension provision has been in place for members for over 20 years. The current scheme gives a pension payable at age 60 on condition that the person concerned has completed at least two years' service and is no longer a member of Tynwald. The scheme provides a pension equivalent to 2.5 per cent of a member's annual salary for each year of service (with a maximum of 75 per cent of salary payable as a pension). Members are able to receive early retirement pensions from age 50 onwards with the amount payable reduced in accordance with actuarial calculations. If a member ceases to be a member of Tynwald through ill-health he can also apply for a pension which is payable as if he had reached age 60. A widow or widower's pension equivalent to  $\frac{3}{4}$  of the pension payable to the member is available and the amount is increased if there are dependant children. A death in service benefit equivalent to twice annual salary is payable to the person nominated in advance by the deceased member or, in the absence of a nomination, to the member's personal representatives. If a person receiving a pension rejoins Tynwald the payment of the pension is suspended for the duration of the period he remains a member. Members of Tynwald make no contribution towards the cost of their pension and it is also of note that the benefits are paid out of general revenues and there is no pension fund as such

to meet the cost of pensions.

### 3.3 Scottish Parliament

3.3.1 All members of the Scottish Parliament (MSPs) are currently paid an annual salary of £42,493 although any who were also Westminster MPs would have this sum reduced by two-thirds (since the 2001 General Election there are no longer any MSPs who are also MPs at Westminster). In addition to this sum the Presiding Officer receives an additional payment of £34,327 and the Deputy Presiding Officer an additional £17,807. Scottish Ministers receive additional sums but these are paid by the Scottish Executive and not the Parliament itself. All members are entitled to belong to the pension scheme and contribute six per cent of their salary to this scheme.

3.3.2 There are a number of allowances available to MSPs. Each MSP is entitled to receive up to £37,786 for staff - these can either be employees of the MSP or agency staff. MSPs' staff salaries (including National Insurance and pension contributions) are paid through the Parliamentary payroll and the amounts are not therefore paid to the member concerned. MSPs are also allowed a Local Office cost allowance of up to £10,496 for a constituency member with a slightly reduced amount payable to regional members (those elected as a result of the proportional representation aspect of the Scottish Parliament election process). MSPs who live too far outside Edinburgh to return home daily are entitled to an allowance of up to £9,446 to pay for accommodation in Edinburgh. All MSPs are also entitled to a mileage allowance of 49.3p per mile for the use of their car in connection with parliamentary and constituency work.

3.3.3 There is a possibility of a disability allowance which is a discretionary allowance payable after application to the Corporate Body (the governing body of the Parliament). This is currently only paid to one MSP who has a large constituency but is elderly and unable to travel around on his own. As a result he has been granted an allowance for a driver.

3.3.4 It should be noted that none of the allowances are paid to MSPs without full justification to the Fee Office of the Parliament of details of expenditure through contracts, invoices, receipts etc. The only exception are very small amounts (below £10) for items such as parking meter charges where no receipt can be obtained.

### 3.4 National Assembly of Wales

3.4.1 Members of the National Assembly of Wales (AMs) are paid a basic salary of £35,437. In addition members who hold any of the following offices are entitled to receive an additional salary as shown -

Assembly First Secretary	£66,173
Assembly Secretary (Minister) /Presiding Officer	£34,327
Deputy Presiding Officer	£17,807
Leader of the largest party not represented in the Assembly Cabinet	£34,327

3.4.2 As in Scotland the salaries would be abated if AMs were also members of the Westminster Parliament or the European Parliament.

3.4.3 Membership of the Welsh Assembly is viewed as a full-time role although some AMs undertake small amounts of outside work. For example an AM who is a doctor practices one morning per week, largely to keep 'in touch' with his profession.

3.4.4 A normal payroll is operated for Assembly Members who are treated as employees for PAYE and National Insurance purposes. In addition a well-organised pension scheme is operated for AMs. It is possible for them to opt out of the scheme if they wish but none currently do so. The scheme was established specially for AMs when the Welsh Assembly was set up and is a 'final salary' scheme giving members a pension at age 65 of one-fiftieth of their final salary for each year worked as an AM. Members contribute six per cent of their salary into the scheme and the Assembly pays an 'employer's' contribution of 18.5 per cent of an AMs salary into the scheme. (As it is a new scheme the initial liabilities are apparently such that these large 'employer' contributions are necessary and the scheme's administrators are hoping that the 18.5 per cent can be reduced after a forthcoming actuarial valuation) The scheme has provision for widows' pensions, dependants' benefits, death in service payments to dependants (three times final salary) as well as ill-health retirement benefits. An AM can, under this last category of benefit,

obtain a pension if he or she has to retire on grounds of ill-health. A member who does this is paid a pension equivalent to that he or she would have received if the retirement had taken place at age 65. The basic pension is related to the 'standard' AM salary with a separate part of the scheme taking account of the additional payments made to office holders. These receive additional pension sums based on contributions paid, the intention being to even out any distortions to the scheme caused by a member who might retire shortly after a short period as, for example, Assembly First Secretary (which would lead to a large final year's salary) or, conversely, a member who spent his or her last year as a backbencher after many years in executive office.

3.4.5 The scheme is run entirely by the Assembly secretariat who tendered for legal advisers, accountants and fund managers when the scheme was established. The expenses of these professionals are paid out of the scheme's assets.

3.4.6 Members of the Welsh Assembly receive allowances which are broadly similar to those paid in Scotland.

### 3.5 Northern Ireland Assembly

3.5.1 Members of the Northern Ireland Assembly are entitled to an annual salary of £39,139. The First Minister and Deputy First Minister are entitled to an additional sum of £66,173 on top of the basic salary. Other Ministers are entitled to an additional £34,327 and junior ministers an additional £17,807.

3.5.2 There is a system of allowances which mirrors that in place in Scotland and Wales. Members are, for example, allowed up to £35,756 office costs allowance for secretarial, clerical and administrative costs. They are also entitled to travel and subsistence allowances as appropriate.

3.5.3 Members are entitled to join the Northern Ireland Assembly Members' Pension Scheme and contribute six per cent of salary to the scheme. The Assembly contributes 18 per cent. It is a final salary scheme based on a member's final year's salary payable at age 65 and equates to one fiftieth of final salary for each year's service. There are the usual range of death, ill-health benefits and a member leaving before 3.5.4 pensionable age can either defer his entitlement until age 65, transfer entitlement to another pension scheme or obtain a refund of contributions.

### **Other small Commonwealth jurisdictions**

The following jurisdictions were chosen at random from among those territories which participate alongside Jersey in the Commonwealth Parliamentary Association Small Countries conference (which covers territories with a population of not more than 400,000 inhabitants).

#### 3.6 Canada - Nunavut Legislative Assembly

3.6.1 Members receive a basic salary of \$Can 55,413 (1 \$Can = approximately £0.45p) and Ministers receive an additional \$Can 45,473. The amounts are taxable. Members contribute 6.5 per cent to a pension scheme which they can receive after 30 years service or at age 60 whichever is earlier. Members are also covered under a free medical plan.

#### 3.7 Cayman Islands - Lower House

3.7.1 Members receive a basic salary of US\$ 105,624 (1 US \$ = approximately £0.70p) and Cabinet Ministers and the Leader of Government Business receive an additional US\$ 46,590. The basic salary is not subject to income tax as there is no income tax in the Cayman Islands. Members can join a contributory pension scheme and contribute six per cent of salary to the scheme. Members must serve six years to be eligible for a pension and can draw it from age 55.

#### 3.8 Bermuda - House of Assembly

3.8.1 Members receive a basic salary of \$Bermuda 33,654 (1 \$Bermuda = approximately £0.69p). A cabinet minister obtains exactly double this amount. Income tax is not payable on the salary. Members can join a pension scheme and contribute 12.5 per cent of their salary. The pension can be drawn at age 55 with 20 years service or at age 60 with eight years service. Members who leave below retirement age can obtain a refund of their pension contributions with interest.

#### 3.9 Belize - House of Representatives

3.9.1 Members receive a basic salary of \$Belize 10,740 (1 \$Belize = approximately £0.35p). A cabinet minister obtains

an additional \$Belize 18,060 and a minister not in the Cabinet an additional \$Belize 15,336. The basic salary is not taxable. Members can join a pension scheme and contribute five per cent of their basic salary. It can be drawn at age 55. There is also a payment of half annual salary payable to members who leave Parliament before retirement age.

### 3.10 Australia - Northern Territory Legislative Assembly

3.10.1 Members obtain a basic salary of \$Aus 82,500 (1 \$Aus = approximately £0.37p). A cabinet minister obtains an additional \$Aus 47,418 and the Chief Minister an additional \$Aus 82,891. The basic salary is taxable. There is a pension scheme and members contribute 11.5 per cent of their basic, and if relevant, additional salary. They must have served at least three terms or served a minimum of eight years to draw a pension.

### 3.11 Cyprus - House of Representatives (not a Small Country but participates in CPA regional conferences with Jersey)

3.11.1 Members receive a basic salary of £Cyprus 13,997 and a '13th month' of £Cyprus 1,142 (1 £Cyprus = approximately £1.06). Ministers are not part of the House of Representatives in Cyprus. There is a pension scheme for members and contributions of 1.75 per cent of basic salary (excluding 13th month) are paid. Pension can be drawn at age 60. Members have access to free medical facilities. Members are also given a lump sum on leaving Parliament below retirement age in line with similar payments made to civil servants.

### 3.12 House of Commons

3.12.1 The Working Party accepted that the work of a Westminster MP could not be directly compared with the work of a member of the States but considered it useful, for comparison purposes, to identify the current rules on MPs' pay and these can be summarised as follows -

3.12.2 Members of Parliament receive a basic salary of £49,822 (last increased in April 2001) and reviews of members' pay have in recent years been undertaken by the Senior Salaries Review Board (SSRB) although the final decision has always rested with members themselves. There have, in recent years, been a number of occasions when the recommendations of the SSRB have been rejected by the Government or amended by MPs. For example in 1983 the SSRB recommended an increase of some 31 per cent, the Government proposed an increase of only four per cent and, after a lengthy debate, the House accepted a compromise of 5.5 per cent immediately with subsequent annual increases over a five year period. In 1996 the SSRB recommended an increase of 26 per cent, the Government proposed an increase of three per cent but, after debate, MPs agreed to accept the SSRB's recommendation. MPs also agreed in 1997 that their salaries should be increased annually by a figure equivalent to the increases in the mid-points of Senior Civil Service salary bands.

3.12.3 There is a pension scheme for MPs known as the Parliamentary Contributory Pension Fund. It is a scheme based on final salary with an accrual rate per year's service which has increased from one sixtieth in 1970 to one fiftieth in 1983 and, recently, following the acceptance of an amendment tabled by a Conservative MP against the advice of the SSRB, to one fortieth, making it one of the most generous schemes in the western world. Members' contributions had been increased to nine per cent in 1983 when the accrual rate was changed to one-fiftieth but in 1992 the contribution was reduced to six per cent.

3.12.4 MPs can benefit from a wide range of expense allowances, all of which have to be justified before payment is made. The Members' Office Cost Allowance, with a maximum for 2001 of £52,760, covers the expenses incurred by members in the performance of their duties and covers secretarial assistance, general office expenses and the employment of research assistants. MPs are also able to claim up to an additional ten per cent of the allowance to meet the pension costs of any person employed by them. MPs who live outside Inner London can claim up to £13,628 to cover expenses incurred in staying overnight in London. There are, in addition, a number of travel allowances for MPs and their families. MPs are entitled to free stationery and free inland telephone and postal services from Parliament. A resettlement grant is payable to any MP who ceases to be a member after a general election. The amount of the payment varies according to age and length of service and varies between 50 per cent and 100 per cent of the MPs annual salary.

The comparisons with other jurisdictions show that Jersey is virtually unique in operating a means-tested income support scheme rather than making a basic salary available to all members irrespective of income. The comparisons also show that pension schemes are operated in every jurisdiction considered (including Guernsey and the Isle of Man where direct comparisons may appear most appropriate).

## 4. **Proposals for change**

#### 4.1 Introduction

4.1.1 The Working Party recognised at the outset of its deliberations that the work of a States member can no longer be regarded as a part-time 'amateur' pursuit. The Working Party was not, nevertheless, of the view that all States members should be full-time politicians and recognised that some members of the States currently combine their political duties with other employment or self-employment. The Working Party noted, however, that members who do this are often required to make considerable professional and personal sacrifices to undertake their work as States members and considered that it was particularly inequitable that the present system of means tested income support precluded some of these members from receiving any benefit other than expense allowance.

4.1.2 The Working Party recognised that there is a long tradition of honorary service in the Island and accepted that some members of the States and others in the Island may be opposed, as a matter of principle, to the idea of paying members. Nevertheless the Working Party recognised that the States have already, on many occasions, accepted that arrangements for income support should be in place to allow members to devote themselves entirely to their political duties if they so choose and believed that this reality must be reflected in any revised arrangements concerning remuneration. As set out above the Working Party's research into the position in other jurisdictions showed that Jersey appears unique in discriminating in the means tested system that is currently in place.

#### 4.2 Basic salary and Social Security Contributions

4.2.1 The Working Party recommends that the present system of income support should be replaced with a basic salary available to all members irrespective of income from any other sources. This would be in line with the position in other jurisdictions. The Working Party decided that it was not appropriate at this stage to recommend the actual level of any such payment although the informal view of the members was that it did not necessarily need to be substantially higher than the current maximum level of income support.

4.2.2 Advice received from the Employment and Social Security Department indicates that a minor amendment to the Social Security (Classification) (Jersey) Order 1975 would enable States members to be treated as 'employed' for social security purposes with an employer's contributions paid by the States if they received a basic salary. This would mirror the position in the United Kingdom where, by specific enactment, members of Parliament fall into the category of 'office holders' and, as such, are treated as Class 1 employed persons for National Insurance purposes notwithstanding the fact that they are not employed under a Contract of Service. The Employment and Social Security Department has confirmed that appropriate arrangements could be put in place to cover members who were liable to pay contributions by virtue of outside employment and also confirmed that members over normal retirement age would not be liable for employee contributions although the States as 'employer' would still be liable to pay contributions on their behalf.

4.2.3 Although the Working Party did not consider it appropriate to recommend an actual level for this basic salary it believed that an appropriate mechanism must be found, once the general principle has been agreed by the States, to fix the amount and an appropriate way to apply annual increases. The Working Party also recognised that, for a variety of reasons, some members may not want to receive the basic salary and accepted that provision must be made to allow members not to claim it if they wish (as is presently the case with expense allowance).

#### 4.3 Resettlement payment

4.3.1 The Working Party noted that the provision of a lump sum payment to members leaving a legislative assembly was common practice in many jurisdictions. The Working Party recommends that a similar scheme should be established in Jersey. A member who relies on a salary received as a result of membership of the States can, at present, find that salary stopped from the day he or she leaves the States either voluntarily or as a result of electoral defeat and the Working Party believes that some payment, whether a lump sum or a continuation of the salary payment for a period of months, should be introduced. Schemes in other jurisdictions lead the group to consider that a payment of somewhere between three and six months salary should be allowed in these circumstances.

#### 4.4 Pensions

4.4.1 The Working Party's research into other jurisdictions (including Guernsey and the Isle of Man) showed that it is normal practice for some form of pension scheme to be available to members and the group came to the conclusion that a scheme should be established in Jersey. The States have, on several occasions, accepted the principle that membership of the States can be a full time occupation and it is possible that a member joining the States at a relatively young age could spend his or her entire working life in this capacity. In addition members joining the States later in life may have to give up membership of another scheme if they resign from paid employment to

devote themselves to their political duties. Although it is, of course, open to any member at present to take out a personal pension scheme it was made clear to the members of the Working Party that the eventual benefits from a personal pension are considerably less than from a scheme where the States, as 'employers' were also making a contribution as is the case with most occupational schemes.

4.4.2 The Working Party received extremely helpful and comprehensive advice on pension matters both from Mr. Gary Clements of the Human Resources Department and from Mr. Ian Touzel, a local expert on pension matters. The Working Party believes that the issue of a pension scheme is one that will require extensive consultation and discussion before any definite proposals can be put to the States for approval. It was clear from the advice received that a separate scheme would have to be established for members as the characteristics of the membership would be such that it was not possible to add members to an existing scheme such as the Public Employees Contributory Retirement Scheme (PECRS). In particular the Working Party noted that the average age of members was high when compared to other occupational schemes (an age profile and analysis of length of service of the current membership are included at Appendices B and C), members often continued in office after an age treated by other schemes as 'normal retirement age' and, in addition, members were elected and re-elected for fixed periods rather than being employed on a permanent basis.

4.4.3 If a scheme is to be established it will be necessary at an early stage to decide what budget should be made available for the scheme and whether the scheme should be optional or compulsory. The Working Party was advised that if the scheme was made compulsory it would be necessary for the States as 'employer' to pay all contributions as members could not be forced to make a personal contribution if they did not wish to do so. The Working Party was therefore of the view that the scheme should be optional as it was considered that it would have to be a contributory scheme where members who opted to join paid a percentage of their salary (possibly between five to eight per cent) into the scheme. The Working Party was also of the view that no additional payment should be made in lieu of the employer's pension contributions to any members who opted not to join the scheme.

4.4.4 The Working Party was advised that a pension scheme could be one of two types, namely a defined contribution scheme (also known as a 'money purchase' scheme) or a defined benefits scheme. There are important and significant differences between the schemes. In a defined **contribution** scheme a defined level of contribution is made into the scheme and it is therefore easy to identify the amount of money attributable to each individual scheme member at any one time. The disadvantage is that it is not known in advance what the final pension payable will be on retirement. When a scheme member becomes eligible to take a pension the sum of money invested is used to buy an annuity and the value of the pension payable will depend on market conditions at the time. The amount of money available to purchase the annuity will also vary depending on investment performance during the years of contribution.

4.4.5 In a defined **benefits** scheme the final benefits are defined in advance. This is often expressed as a fraction of final salary payable for each year's service. For example in PECRS scheme members receive a pension equivalent to one eightieth of their final salary for each year's service meaning that a civil servant who retires after 40 years service will receive 40 eightieths (one half) of his or her final salary as a pension. In a defined benefits scheme an actuary calculates what level of contributions need to be paid to meet the cost of the benefits and this level can vary over a period of time depending on the performance of the fund. In a scheme paying final benefits at one sixtieths of final salary a typical initial level of contribution would be approximately equivalent to 24 or 25 per cent of salary, split between the employer and employee. However, having regard to the relatively high average age of members of the States, the cost could be an even higher percentage for the proposed scheme. The actual level would be fixed by an actuary.

4.4.6 The Working Party believes that, in common with most modern schemes, a pension for members should include provision for 'deferred entitlement' for scheme members who left before normal retirement age. Advice received showed that on leaving employment scheme members were usually given four options. They could -

- (i) obtain a transfer value to another occupational scheme;
- (ii) obtain a transfer value to a personal pension;
- (iii) receive a deferred pension at normal retirement age; or
- (iv) receive a refund of contributions.

If receiving a refund of contributions scheme members would normally not receive any part of the contributions paid by the employer on their behalf. Contributions were usually refunded with interest but the lump sum was taxable at a rate of ten per cent in Jersey.

4.4.7 The Working Party gave careful consideration to the possibility of backdating the scheme for a certain period of

time. It accepted that if past service was recognised there would be a considerable cost as it would almost certainly be necessary for the States to meet the entire cost of past service liability. The group noted that in Guernsey a certain amount of backdating, at a lower rate of benefit, had been made when the scheme was set up and this may be an option that could be pursued in Jersey. If backdating does occur it will also be necessary to give consideration to the position of former members of the States who were in office during the period covered by the backdating. The Working Party recognised that such former members might feel aggrieved if they were excluded from the scheme simply because they were no longer members when the scheme started. (An exercise to estimate the number of former members who might qualify was undertaken using a notional starting date of 1988 and the results of that analysis are given in Appendix D).

4.4.8 Advice received showed that most modern schemes have a flexible retirement age and it is considered that a scheme for States members would almost certainly have to provide that a pension would only become payable when a member left the States. The comparisons with other jurisdictions showed that this was usual practice in other legislatures.

4.4.9 Provision for ill-health retirement and life insurance could be included in a scheme and this would normally be bought in from an insurance company. The payment on death would usually be a lump sum equivalent to three or four times final salary together with a widow/widower's pension and, if appropriate, a dependant(s)' pension. It might also be possible to introduce a 'survivor's' pension which could have a wider definition than a normal widow/widower's pension and might be able to cover non-married partners including same sex relationships. The Working Party decided that it will nevertheless be necessary, during the consultation process, to give careful consideration to the matter of ill-health retirement as it could be viewed as unacceptable to design a scheme that allowed members who retired on grounds of ill health to receive pensions to cover a period longer than their normal term of elected office.

4.4.10 If an 'in principle' decision is taken to introduce a scheme an administrator would have to be requested to design the scheme and advice for this could be sought from a firm of actuaries or a specialist insurance company. It would then be necessary to appoint an investment manager and trustees to supervise the scheme. As mentioned earlier the Working Party recognised that a scheme for States members would be unusual and could not therefore be part of another existing scheme such as PECRS. There would nevertheless be some advantage in considering associating administration and investment with an existing scheme to achieve economies of scale.

4.4.11 The Working Party considered briefly the matter of additional salaries that might be payable to those in executive office if the reforms being proposed to the Island's machinery of government were adopted. These would not cause a difficulty in a money purchase scheme and that it might also be possible, as in Wales, to combine a defined benefits scheme with an additional 'top up' scheme based on a money purchase scheme to cover the additional salaries paid during any period of a member's service as a States member.

#### 4.5 Expense allowance

4.5.1 The Working Party received advice from the Comptroller of Income Tax about the treatment for tax purposes of the expense allowance payable to members. It noted that the Comptroller was prepared, at present, to allow expenses in the sum of £3,338 as a tax deduction without the need for a formal claim although a detailed claim, including receipts etc., was required if tax deduction was sought for the balance of a member's allowance. The Working Party does not believe that it would be sensible to create an additional administrative burden by introducing a system of expenses where each item would have to be identified and justified as a legitimate expense. As a result the Working Party has concluded that no change should be made to the present system of expense allowance although it supports more general moves being made at present to improve facilities for States members.

### 5. **Conclusions**

5.1 As mentioned earlier the House Committee intends to present a proposition to the States in due course to seek approval for the changes being proposed once it has received and considered the views on this consultation document.

5.2 The Committee is conscious that there will be financial implications for the States if the recommendations of the Working Party are accepted. However the Committee is of the view that it is unacceptable to continue to operate the States of Jersey without providing proper resources to improve facilities and to reward members adequately for the work they undertake.

**Comments on this report should be forwarded to the House Committee, c/o Mr. M. Haden, Committee Clerk, States Greffe, Morier House, St. Helier (e-mail [m.haden@gov.je](mailto:m.haden@gov.je)) no later than Friday 16th November 2001.**

September 2001















<b>Jurisdiction</b>	<b>Level of Basic Salary</b>	<b>Additional payments (excluding expenses)</b>	<b>Pension provided?</b>	<b>Details of pension scheme</b>
Guernsey	£8,671 (Compensation payment)	Presidential allowance (from £4,382 to nil)  Attendance Allowance - means tested (£26.29 per half day)	Yes	Contributory scheme - members pay 6% of Compensation Payment  £5.28 per week for each year of service after 1.1.90 (£2.64 per week for each week of service prior to 1.1.70)
Isle of Man - House of Keys	£23,555	Ministerial allowance (from £18,844 to £7,067)	Yes	2.5% of salary for each year of service. Non-contributory scheme.
Scottish Parliament	£42,493	Ministerial salaries paid by Scottish Executive	Yes	Contributory scheme - members pay 6% of salary.
Welsh Assembly	£35,437	Ministerial salaries (from £66,173 for First Secretary to £34,327 for Assembly Secretary)	Yes	Contributory scheme - members pay 6% of salary. Pension equivalent to one-fiftieth of final salary for each year worked.

<b>Jurisdiction</b>	<b>Level of Basic Salary</b>	<b>Additional payments (excluding expenses)</b>	<b>Pension provided?</b>	<b>Details of pension scheme</b>
Northern Ireland Assembly	£39,139	First Minister and Deputy First Minister entitled to an additional £66,173  Other Ministers an additional £34,327 and Junior Ministers £17,807	Yes	Contributory scheme - members pay 6% of salary. Pension equivalent to one-fiftieth of final salary for each year worked. Assembly contributes 18% of salary as employer contribution.
Canada - Nunavut <a href="#">[1]</a>	£24,935	Ministers receive an additional ££20,462	Yes	Contributory scheme - members pay 6.5% of salary.
Cayman Islands Lower House	£73,936	Cabinet Ministers and Leader of Government Business receive an additional £32,613	Yes	Contributory scheme - members pay 6% of salary.

<b>Jurisdiction</b>	<b>Level of Basic Salary</b>	<b>Additional payments (excluding expenses)</b>	<b>Pension provided?</b>	<b>Details of pension scheme</b>
Bermuda House of Assembly	£23,221	Cabinet Minister is paid double the basic salary	Yes	Contributory scheme - members pay 12.5% of salary.
Belize House of Representatives	£3,759	Cabinet Ministers receive an additional £6,321 and other Ministers £5,367	Yes	Contributory scheme - members pay 5% of salary.
Australia - Northern Territory	£30,525	Chief Minister receives an additional £30,669 and other Ministers an additional £17,544	Yes	Contributory scheme - members pay 11.5% of salary.
Cyprus House of Representatives	£14,836	'13th month' of £1,210 paid to all members	Yes	Contributory scheme - members pay 1.75% of salary (excluding '13th month').

<b>Jurisdiction</b>	<b>Level of Basic Salary</b>	<b>Additional payments (excluding expenses)</b>	<b>Pension provided?</b>	<b>Details of pension scheme</b>
House of Commons	£49,822		Yes	Contributory scheme - members pay 6% of salary. Pension equivalent to one-fortieth of final salary for each year worked.

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<sup>[1]</sup> Monetary amounts for foreign legislatures have been converted to their approximate £sterling equivalent at the exchange rate in force at the time of drafting the report.