

SCOTTISH PARLIAMENTARY PENSION SCHEME COMMITTEE

Tuesday 25 March 2008

Session 3

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SCOTTISH PARLIAMENTARY PENSION SCHEME COMMITTEE

4th Meeting 2008, Session 3

CONVENER

*Alasdair Morgan (South of Scotland) (SNP)

DEPUTY CONVENER

*Peter Peacock (Highlands and Islands) (Lab)

COMMITTEE MEMBERS

*David McLetchie (Edinburgh Pentlands) (Con)

*Hugh O'Donnell (Central Scotland) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Ian Leitch (Scottish Parliament Directorate of Resources and Governance)

Mike Pringle MSP (Scottish Parliamentary Corporate Body)

CLERK TO THE COMMITTEE

David Cullum

SENIOR ASSISTANT CLERKS

Ruth Cooper

Derek Stein

LOCATION

Committee Room 2

Scottish Parliament

Scottish Parliamentary Pension Scheme Committee

Tuesday 25 March 2008

[THE CONVENER *opened the meeting at 15:04*]

Decision on Taking Business in Private

The Convener (Alasdair Morgan): Good afternoon, ladies and gentlemen. I apologise for the late start. Welcome to the fourth meeting in 2008 of the Scottish Parliamentary Pension Scheme Committee. I remind members to switch off mobile phones and so on.

Agenda item 1 is to seek members' agreement to take item 4 in private. Is that agreed?

Members *indicated agreement.*

The Convener: The paper will be made public once we finalise our deliberations on our report.

Scottish Parliamentary Pension Scheme Inquiry

15:05

The Convener: For agenda item 2, I welcome our witnesses: Mike Pringle MSP, who is a member of the Scottish Parliamentary Corporate Body; and Ian Leitch, who is the Parliament's director of resources and governance. We will move straight to questions.

I have a general question first. What have been the corporate body's role and responsibilities in relation to the pension scheme thus far?

Mike Pringle MSP (Scottish Parliamentary Corporate Body): Convener, let me just say that, obviously, I am happy to answer all questions. If I cannot answer a question fully, I will ask Ian Leitch to answer it. If neither of us can answer the question, we will come back to the committee.

In accordance with the scheme regulations at part B of the Scotland Act 1998 (Transitory and Transitional Provisions) (Scottish Parliamentary Pension Scheme) Order 1999, the SPCB is responsible for the management and administration of the pension scheme. The SPCB is therefore responsible for the proper running of the scheme, including funding and collection of contributions; investment of assets; payment of benefits; administration of the scheme; acting in the best interests of scheme members as a whole; ensuring that members' benefits are secure; and complying with overriding pensions legislation.

The Convener: To get some statistics on record, can you tell us how the membership of the scheme is broken down into current members, retired members, deferred members and so on?

Mike Pringle: The scheme currently has 131 members, 46 deferred members and 16 members who have retired.

The Convener: Of the retired members, how many retired on the grounds of age, ill health, early retirement and so on? How do the figures break down?

Mike Pringle: Two members retired early for various reasons, three members took ill-health retirement and 11 members took age retirement.

The Convener: Given that the corporate body also manages the Parliament's budget, has it encountered any conflict of interest in its decisions on how it looks after, on the one hand, the Parliament's budget and, on the other, the interests of the members of the pension scheme?

Mike Pringle: No, I do not think so. As you say, the SPCB operates in both an employer role, by

providing employer contributions, and in an employee role, by looking after the interests of the pension scheme members. However, I should point out that, although the SPCB has an employer role, the position is that MSPs are office-holders and do not have an employer as such.

The Convener: I am thinking about how the pension scheme operates. Obviously, the corporate body manages the Parliament's budget but, at the same time, it clearly also has a duty to look after the interests of the pension scheme members. Might there be a conflict of interests?

Mike Pringle: There is a potential conflict of interests—or perhaps a perception of such a conflict—for the SPCB, in that it is responsible for funding the pension scheme through the provision of employer pension contributions while it also has a fiduciary duty to act in the best interests of scheme members as a whole. Appointing a board of trustees to act in the interests of scheme members could remove that potential conflict of interests.

The Convener: Has the corporate body taken a view on whether it would like such an eventuality to come to pass, or does it take a neutral stance on the issue?

Mike Pringle: I think that the corporate body currently takes a neutral stance. Ian Leitch might want to add something on that.

Ian Leitch (Scottish Parliament Directorate of Resources and Governance): We are very much in the hands of the committee on this one. We recognise the potential for a conflict of interests. We are also conscious of the moves elsewhere—at Westminster and the National Assembly for Wales—to set up a board of trustees. That might provide some distance between the currently combined roles that the SPCB has. As you rightly point out, convener, as scheme sponsor the SPCB decides employer contributions but it also sets the Parliament's budget.

The Convener: The Westminster scheme has eight trustees, whereas the Wales scheme has five. Do you have any views on how many trustees might be appropriate for the Scottish parliamentary pension scheme, how they might be elected or appointed and what the quorum of such a board of trustees might be?

Mike Pringle: As you know, the SPCB, which is elected by the Parliament, has five members. It is made up of the Presiding Officer as the chair, plus four other MSPs, and the quorum for any meeting is three. I do not think that the SPCB has any strong views on the number of trustees, but it notes that the evidence of the chairperson of the trustees of the National Assembly for Wales pension scheme—which is similar in size to the

SPPS—was that the Wales scheme has five trustees.

MSPs should have the power to elect trustees because it is their own pension scheme. Flexibility to appoint a pensioner or deferred scheme member who could represent the views of former MSPs could be included—that might be a good idea. We would also recommend the ability to appoint a professional trustee, who could bring to the board professional pension knowledge in what is an extremely complex area. However, we do not have any particular view on what the quorum should be, although I note that it is three in Wales. That is perhaps something that the committee would want to decide itself.

Hugh O'Donnell (Central Scotland) (LD): On the current retirement situation, you mentioned that two former members had retired on early retirement grounds and that three had retired on ill-health grounds. Had any applied under either option previously? In other words, did someone who has retired on ill-health grounds previously apply to retire on early retirement grounds?

Mike Pringle: I do not have that information in front of me. I do not know whether Ian Leitch has it.

Ian Leitch: No.

Mike Pringle: We could get it for you.

Hugh O'Donnell: That might be helpful—thank you.

I will move on to more general issues of governance. What professional support outwith the corporate body do you use to ensure the effective management of the scheme?

Mike Pringle: Baillie Gifford is the investment fund manager, and the Scottish Public Pensions Agency provides a pension administration service. The Government Actuary's Department provides the actuarial services, and the SPCB's directorate of legal services provides legal advice, using outsourcing firms for specialist pension advice when necessary. Audit Scotland is the external auditor. We are well served by our various professional advisers—in fact, all SPCB members recently went through some considerable discussions with Baillie Gifford.

Hugh O'Donnell: Is any specific training given to SPCB members before they take on those responsibilities?

Mike Pringle: I referred to the discussions with Baillie Gifford, which, as the investment fund manager, has provided trustee-style training for SPCB members. New members of the SPCB have all been through that training. We have attended a number of training sessions on our legal responsibilities, which have to be considered

seriously. That training was provided by the recognised leading specialist solicitor on pension law.

The Pensions Act 2004 requires trustees to have knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of occupational schemes and the investment of scheme assets. Although the SPCB and its members are not trustees as such, the view has been taken that, if there was any dispute, a court would likely take the view that the SPCB owed a duty of care to members that is analogous to the fiduciary duty owed by trustees to beneficiaries.

The SPCB is clearly the manager of the scheme, and pensions legislation places many obligations on managers as well as trustees, including communication with members on rights, recovery and reporting on tax, requirements to have proper administration and dispute resolution procedures in place—I could go on. Knowledge of those obligations assists the SPCB in taking reasonable decisions in relation to the pension scheme. As a public body, the SPCB is subject to judicial review, should an unreasonable or irrational decision be taken.

15:15

Hugh O'Donnell: You have referred to the external expertise that the SPCB draws on. What expenses have been incurred in relation to the management of the fund? Are such expenses met by the fund or by another source?

Mike Pringle: The scheme rules regulations—I refer to paragraph 7 of schedule 1 to the 1999 order—say that the expenses of managing the fund are required to be met out of the fund. Such expenses include audit fees, the GAD fees, death-in-service insurance premiums, the investment fund manager's fees and pension administration costs.

Hugh O'Donnell: Over the period for which the fund has been running, what are the key decisions that the SPCB has made in its role as the manager of the fund?

Mike Pringle: Although the SPCB is the scheme's sponsor and manager, it is unable to make any changes to the scheme rules because of the legislative basis of the scheme. It has had to decide how general changes to the law since 1999 affect the scheme rules. Thus far, the SPCB has been restricted to ensuring the proper running of the scheme. For example, it has requested that this review be established and taken forward by the committee; decided the scheme funding rates, based on GAD advice; made decisions on discretionary areas of the scheme rules, such as considering ill-health retirement cases, for

example; implemented an internal dispute resolution procedure for handling scheme complaints; taken out an insurance policy to pay the death gratuity lump sum that is payable following a death in service, to which we are all entitled, as I discovered only last week; and agreed the scheme's statement of investment policy.

Hugh O'Donnell: How are the assets of the pension fund invested?

Mike Pringle: The assets of the fund are invested by Baillie Gifford in a pooled fund arrangement.

Hugh O'Donnell: Why did you choose to use the pooled fund arrangement?

Mike Pringle: The scheme's assets are not huge, in pension terms, and are not sufficient to allow a widely diversified portfolio of investments. Therefore, the SPCB decided that, until the fund has become sufficiently large—which might happen at some point—the best way of investing with suitable diversification and at a reasonable cost would be via a pooled fund that was run by the scheme's investment fund managers. The trustees in Wales follow a similar arrangement, and we agree with their reasoning for doing so.

Hugh O'Donnell: How does the SPCB ensure that the pension fund is adequately funded? What is the decision-making process for agreeing the appropriate funding levels?

Mike Pringle: The current rules require the fund to be actuarially valued at least every three years. To comply with that requirement, the SPCB commissions GAD to report on the financial position of the fund on a triennial basis. The SPCB then sets the appropriate funding levels for the scheme, based on the advice given by GAD. GAD also advises on the need to continue the death-in-service insurance policy.

David McLetchie (Edinburgh Pentlands) (Con): I apologise to the convener, committee members and our witnesses for my late arrival.

Has the SPCB held any discussions with the Scottish Government or Audit Scotland about the future management and funding of the pension scheme? If so, can you give us an indication of the nature of those discussions?

Mike Pringle: The matter is before this special committee, and it is appropriate that the committee hears evidence and reaches a view. Therefore, we have not engaged in parallel discussions.

David McLetchie: The recommendation that this committee be established as an appropriate course of action was, in a sense, an initiative of the SPCB in its own right, rather than an initiative that was prompted by previous discussions with

the Scottish Executive or Audit Scotland. Is that right?

Mike Pringle: Absolutely.

David McLetchie: You said that the appointment of a board of trustees might remove potential conflicts of interests in the present arrangement. On the future management of the scheme, do you think that the SPCB should have a role beyond contributing moneys out of its budget by way of an employer's contribution? Do you think that the SPCB should be wholly removed from the process?

Mike Pringle: If we move to a board of trustees, the SPCB will, or could, continue to be responsible for providing the funding for the employer pension contributions. The SPCB provides a payroll service for members. We would anticipate it having some continued involvement in deducting members' contributions and remitting them to the pension fund trustees. The SPCB might also continue to provide a parallel service to pay pensions, so a service-level agreement might be required between the SPCB and the trustees. The SPCB would be happy to put forward trustee nominations. Depending on any arrangements that the SPCB reaches with the Scottish Government, there might need to be a role for one of those bodies in determining the scheme sponsor contributions and whether to accept GAD or other actuarial recommendations in full.

David McLetchie: Do you envisage that a member of SPCB staff, perhaps within the personnel function of the Parliament, will continue to provide members of the scheme with information about the operation of the scheme and various aspects of its administration, or would that be a wholly divorced function?

Mike Pringle: It would be essential to maintain the link between the two.

David McLetchie: Previous witnesses referred to the Welsh Assembly Commission, which is the National Assembly for Wales's equivalent of the SPCB and which is the sponsor of the scheme that applies in the Welsh Assembly. Who do you think should fulfil the role of scheme sponsor if the SPCB does not do so in future?

Mike Pringle: We recognise that if the trustees are elected by the Parliament, there might still be a role for the SPCB as the scheme sponsor. If the Parliament is minded to require the SPCB to carry out that role, I am sure—although I cannot provide a complete commitment—that the SPCB would be willing to undertake it.

David McLetchie: I refer to our consultation document and the proposed changes to the scheme rules, which have been under discussion. The consultation document asks for comments on

a number of policy areas affecting the rules of the pension scheme. Would the SPCB like to comment on any issues raised in the document in the light of its experience to date?

Mike Pringle: The SPCB has had to operate the rules taking into account the mandatory legislative changes, some of which override the rules. Therefore, the new rules need to ensure consistency with those mandatory legislative changes, such as pension sharing on divorce; the increase in the minimum retirement age to 55; and the new taxation rules that were introduced by the Finance Act 2004.

David McLetchie: Those issues were raised in the consultation document. Are there any policy issues that were not covered in the consultation document that you think it appropriate to draw to our attention for the purpose of informing our report?

Mike Pringle: I do not think so. The consultation document covered all the current and immediately foreseeable issues of which the corporate body is aware.

David McLetchie: The report of the Review Body on Senior Salaries—the SSRB—on the Westminster parliamentary pension scheme suggests that cost sharing between employer and employee be introduced to meet future shortfalls in funding. What is the SPCB's view on cost sharing and how do you envisage such a scheme operating?

Mike Pringle: There is no provision for cost sharing under the current scheme rules. We have no views on cost sharing, but we are aware of the SSRB's recommendations and the evidence that was given by the chairperson of the trustees of Westminster's parliamentary contributory pension scheme that cost sharing should be split proportionately between the employee and the employer. That is linked to the final basis for funding the scheme: if a cost-sharing mechanism is set out in the rules, it may act as another check on the trustees to ensure that the scheme is invested properly. Any shortfall would be made up not only by the Scottish consolidated fund via the scheme's sponsor, but by members themselves.

David McLetchie: Once we have passed a bill to set up a new pension scheme, how should future changes to amend or update the rules be made?

Mike Pringle: That is a good point. As you know, the SPCB itself is not able to make changes to the current scheme rules. The way in which the scheme was established in 1999 meant that primary legislation through the Scottish Parliament was the only realistic way to update the scheme. Due to the frequency with which the rules of occupational schemes need to be amended to

respond to new pensions, tax or equalities legislation, it is self-evident that there is a need to avoid going through primary legislation every time changes need to be made to the scheme rules.

A method short of primary legislation would be preferable. Given the nature of the scheme, we do not think that it is appropriate for secondary legislation to be made by Scottish ministers, and therefore a method involving a resolution of Parliament should be considered. Whichever method is agreed, it should ensure that all members—current, deferred and pensioners—are consulted on the issues and how to take them forward.

Peter Peacock (Highlands and Islands) (Lab): I will move on to the general question of early retirement. Our consultation document asked for comment on provisions for early retirement. What is the SPCB's view on the current provision of having a minimum qualifying period of 15 years' membership before early retirement is available to scheme members?

Mike Pringle: We noted from your consultation document the discussion about the operation of the abatement table for early retirement once the 15-year hurdle had been reached. We also noted that Westminster is phasing out the application of its corresponding abatement table. As we understand it, the 15-year qualifying period at Westminster will remain. Obviously, our scheme includes that requirement because it followed the Westminster approach in 1999, but we leave it to the committee to decide what, if any, preconditions should be placed on qualifying for early retirement.

Peter Peacock: Does the SPCB have a view on what benefits should be available to members who elect to retire early?

Mike Pringle: The exact nature of the benefits would be a matter for the committee. It seems appropriate that former members should have access to their accrued benefits, but we expect that there would need to be some adjustment to the actual pension payable to reflect the longer period over which the pension would be likely to be paid.

Peter Peacock: As the potential part funders or whole funders of the scheme, do you have a view on how early retirement should be funded?

Mike Pringle: Of course, it will ultimately be for the pensions fund to meet the cost of any early retirement. How the fund takes into account the cost of that will depend on which benefits will be provided.

The Convener: I have a supplementary question. You said that retiring members "should have access to their accrued benefits".

Can you spell out exactly what you meant? Are those the benefits that they actually paid for?

Mike Pringle: I meant the benefits that accrued to them when they paid into the pension scheme.

Peter Peacock: I want to pick up on some other points—I know that you have been given some advance warning of our areas of interest, but I am departing from those. We have heard evidence that the local government pension scheme currently provides better benefits than the SPSS in relation to early retirement. Indeed, councillors will now qualify to become members of the local government scheme. Does the SPCB have a view on whether MSPs, as another elected group of people in Scotland, should have poorer early retirement benefits than councillors?

15:30

Mike Pringle: That is an interesting question. In my 10 years as a councillor, I was never able to contribute to a pension scheme. That was a bit upsetting, as the local government pension scheme was probably the best one around. In fact, when my wife started working with Napier University, I advised her to join that scheme as soon as she could.

I do not think that the SPCB has a particular view on the matter. However, given that we are all elected officials at the end of the day, I see no reason why a parliamentary pension scheme should not be as good as the scheme up the road in the city chambers.

Peter Peacock: In response to the convener, you said that one of your duties on the corporate body is to protect scheme members. The committee is of the view that, in light of age discrimination considerations, the current early retirement arrangements must change. Over the next 15 to 20 years, if the current provisions are retained, more members will inevitably qualify under them, which will mean that, depending on their age and other factors, some members might be worse off while others might find themselves better off. Should the package that we put together at the end of this process attempt to maintain, as far as possible, the benefits of those who might lose out from any changes that are made?

Mike Pringle: That is only fair. The issue is complicated and depends on the age at which people retire. It is very difficult to see how such a problem might be solved, but—

Peter Peacock: I agree completely that a solution is not at all apparent but, given your current duty to protect scheme members' benefits, is it reasonable for the committee to take such an approach?

Mike Pringle: You will have to protect all scheme members, but I do not disagree with your supposition.

Peter Peacock: I realise that I am departing somewhat from the script here, but in the local government scheme—and, to some extent, in the teachers scheme—if scheme members involuntarily retire early, either because of reorganisation or because the council wants to reduce the number of teaching, administrative or other staff, the council might make up the benefits to ensure that those scheme members are not disadvantaged. Is it correct for the employer to protect a member's early retirement package if that early retirement is not voluntary but is caused by changes outwith their control?

Mike Pringle: I am trying to think of an example in which that might happen.

Peter Peacock: Well, with regard to MSPs—

Mike Pringle: If someone suddenly decided that we should have more MSPs, that would be fine, because they would simply be added into the scheme. However, if the number were reduced from 129 to 120, we would lose nine members who might not want to get lost.

Peter Peacock: I am thinking more of members whose seats might simply disappear as a result of boundary reviews, who do not get reselected, or who lose an election. Those members do not volunteer to go; they are volunteered.

Ian Leitch: A distinction should be made between a pension scheme for members and a general occupation scheme for employees. Although the SPCB fulfils the role of employer, MSPs are, as Mr Pringle has already made clear, not employees. They are independent office-holders who cannot be dismissed, although they can be disqualified, for example, on the ground of insanity. [*Laughter.*]

Peter Peacock: Would you care to define that?

The Convener: I think that we should move on instead.

Ian Leitch: I offer no comment; it is merely a provision in the regulations that govern qualification for office.

Members can also be removed by the electorate, which—correct me if I am wrong—is what I rather suspect you are getting at.

Peter Peacock: It is not just that. I am trying to draw a distinction between a member who seeks early retirement for lifestyle reasons and someone who, because of deselection, a boundary review or an election, effectively loses office.

Ian Leitch: I might be misunderstanding you. If a local government employee, for example, elects

to retire early for lifestyle reasons, their employer will not make up their contributions or their pension rights.

Peter Peacock: That is correct.

Ian Leitch: I rather thought that you were trying to argue that, in the case of people who lose out from a boundary review or perhaps from deselection by their party, there should be an obligation on the sponsoring employer to make good the years that they would have had if they had been reselected and elected.

Peter Peacock: I am not arguing that the employer should make good those years. I am seeking to establish your view on whether, in the circumstances that you described, in which the person does not voluntarily opt to retire early but another force acts on them that requires them to go, their benefits should be at least protected and not diminished. That appears to be the case in the local government scheme. People do not pay a penalty if they are reorganised out of local government service, but their pension is not necessarily enhanced as if they had stayed.

Ian Leitch: Yes, but in that case there is a direct employer-employee relationship. There is no such relationship under the MSP scheme.

Peter Peacock: Okay.

Hugh O'Donnell: You said that there is a direct employer-employee relationship in the case that was mentioned. For clarity, if councillors now have access to and are eligible to join the local government scheme, are they covered by the rules that impact on the employer-employee relationship within the scheme? If so, they are protected, but you seem to be suggesting that there should be a different relationship in the case of MSPs.

Ian Leitch: We are not in a position to comment on the relationship of councillors in the new local government scheme. You would have to take evidence from someone who is an expert on that. I was merely commenting on the different positions of local government employees and MSPs. You might well be correct, but someone would need to advise you on that. I cannot offer any expertise in that area.

Peter Peacock: The consultation document also asked for comments on the provisions on ill-health retirement. Does the SPCB have a view on those?

Mike Pringle: We note the options in the consultation document and the evidence that the trustees of the Westminster and Welsh pension schemes gave on a two-tier system that is based on the severity of the illness. The matter is ultimately one for the committee, but we can see the merit in having a graded approach that depends on the severity of the illness from which the person suffers.

Peter Peacock: You can see the merit in that.

Mike Pringle: Yes.

Peter Peacock: I do not want to go into personal details, but you mentioned that three members retired on the ground of ill health in the first eight years of the Parliament. Without going into personal details, can you comment on the issues that arose for the SPCB in considering whether to grant early retirement to those members? What monitoring was undertaken thereafter? Did any issues arise?

Mike Pringle: All those retirements happened before I became a member of the corporate body, so I am not aware of that. I am sure that the corporate body will be more than willing to provide an answer to the question. Clearly, it is not appropriate to comment on individual cases, but I am sure that the corporate body will be quite happy to give you some idea of why those members retired.

Peter Peacock: It is not so much that. I just wonder what issues arose for the corporate body. Perhaps Mr Leitch can comment on that.

Ian Leitch: In the operation of the current scheme, the issue turns on the person's health and their fitness or otherwise to continue carrying out their role as an MSP. It is a question of taking medical advice and occupational health advice. There has been some argument about whether that should be the sole criterion or whether the person should have to be unfit to do any kind of work, as some pension schemes now require. I might be wrong, but I think that that is the position in the local government scheme. Previously, people had to be unfit to do their own job, but now they have to be unfit—period.

On the one hand, it can be argued with some merit that elected members face particular and peculiar pressures that do not exist for ordinary employees in ordinary schemes. It can therefore be argued that it would be rather harsh if members were required to be unfit to do any work. On the other hand, it can be argued that if someone is unfit only to do their job as an MSP, they should get a partial pension.

The corporate body is conscious that the matter needs consideration and deliberation. Without coming down on one side or the other of the argument, having dealt with individual cases, the corporate body recognises the almost goldfish-bowl existence of an MSP, who must respond almost 24/7. That can be a pressure that some people cannot sustain, although they might be able to do other work, with a pension. The question is difficult. One line of argument is that MSPs and other elected public officials are in a peculiar position.

Peter Peacock: From seeing how the corporate body considered the issues in individual cases—which I do not ask you to go into—do you think that it would be good for the trustees of the scheme or the corporate body to have more discretion to deal with such cases?

Ian Leitch: Yes. More discretion would provide the ability to look beyond the current confines while recognising the earlier point that I made about the peculiar nature of elected office.

Peter Peacock: Mr Pringle said that he thought that there was merit in having a two-tier system for ill-health retirement, such as that which colleagues from Westminster and Wales described, so I will not cover that again. Do you have a view on any other changes that might be necessary to the current rules for early retirement on the ground of ill health?

Mike Pringle: No.

Peter Peacock: After someone had retired on the ground of ill health, would it be right for trustees or the corporate body to have a period in which to review the pension? On what grounds would review be appropriate?

Mike Pringle: As I have said, no review process is in place for the SPPS. If a review were introduced, it could establish that the original condition had worsened, which would allow a higher pension to be paid, or that the original condition had improved, which would lead to a lower pension or no pension being paid. Reviews could take place up to the age of 65 only and how they were undertaken would be at the trustees' discretion.

Peter Peacock: You think that, given where we are—there is not a huge amount of experience of the situation in the Parliament, thankfully—more discretion would be advisable in all circumstances to allow the corporate body or trustees in the future to monitor and review the position and to ensure that a decision remained appropriate.

Mike Pringle: Yes. I think that that is the way forward.

The Convener: You will be aware that, at Westminster, special arrangements that apply to the Lord Chancellor, the Speaker of the House of Commons and the Prime Minister mean that, in effect, they receive a pension for life when they retire. The recent senior salaries review body report, to which David McLetchie referred, suggested that those arrangements should be done away with and that those office-holders should be treated in the same way as others are. We in Scotland have analogous arrangements for the First Minister and the Presiding Officer. Should they begin to be treated as any other office-holder, such as a minister or a Deputy Presiding Officer, is treated?

Mike Pringle: The corporate body treats those arrangements as a separate pension scheme for the additional salary that is paid to the First Minister and the Presiding Officer. Both those individuals are precluded from the funded pension scheme in respect of those additional office-holder salaries. The cost of their pensions is chargeable directly to the Scottish consolidated fund, so the SPCB is not required to pay it.

The SPCB inherited responsibility for those arrangements in 1999. As such, we have no strong views on the policy on those pensions and would rather leave that to the committee to determine. However, the scheme was established as analogous to the arrangements for the Prime Minister and the Speaker at Westminster. If those arrangements are changing, now is the time to change the scheme here and to revisit its purpose.

Irrespective of the scheme's continuity or otherwise, there are and will continue to be pensions for whose payment a body needs to have administrative responsibility. It would be inappropriate to give that responsibility to trustees, as funding for those pensions comes directly from the Scottish consolidated fund rather than an invested fund that is made up of contributions and is vested in trustees. The SPCB may therefore continue to administer the existing pensions.

15:45

The Convener: We are also considering the Scotland Act 1998 (Transitory and Transitional Provisions) (Grants to Members and Officeholders) Order 1999 (SSI 1999/1081). Do you want to make any other points about the pension scheme before I ask questions about that order?

Mike Pringle: I think that the general view is that if the bill is passed and if it changes the administrator from the SPCB to trustees, consideration will require to be given at that point to recognising existing responsibilities and liabilities.

The Convener: I turn to SSI 1999/1081. You know that provisions exist for resettlement grants. Briefly, what is the purpose of those provisions? How much has been paid to members as a result of them since the Parliament was set up?

Mike Pringle: Under SSI 1999/1081, a resettlement grant is payable to a member who does not stand for re-election at a Scottish Parliament election or to a member who stands but is not re-elected. The purpose of the grant is to assist with the cost of adjusting to non-parliamentary life. To that extent, it could be considered as being analogous to a redundancy payment on the termination of employment. I suppose that MSPs do not always choose to have

their employment terminated—probably most would not want that to happen.

The amount of the resettlement grant is based on a percentage of the yearly salary that the member received immediately prior to the relevant dissolution after which they were not re-elected, and it varies with age after 50 and the length of service in excess of 10 years—it varies between 50 per cent and a maximum of 100 per cent. In addition, provision is made in the order for a member who is suffering ill health to receive the same amount as if they were standing down at an election. The order also makes provision for severance grants to office-holders when they leave office that are equal to a quarter of their salary.

The Convener: How much has been paid as a result of that provision? Where has that money been funded from?

Mike Pringle: I will give the clerks a table, which they can let members have copies of.

The Convener: Okay. Thank you. Do any issues to do with the provision of resettlement grants arise for the corporate body?

Mike Pringle: I suppose that the committee will want to consider whether there is any justification for varying the amount of the grant according to age. The SPCB inherited the provision, as it did the pension scheme order, in 1999, and it has not considered the policy behind it or whether it meets the required objective.

The Convener: The SSRB report to which I referred earlier suggested that resettlement grants be treated more like redundancy payments—I think that you mentioned that that was one reason for having them—and that one month of salary could be paid for each year of service. Do you see that as a sensible change?

Mike Pringle: We noted from the SSRB's report that it considered the purpose of resettlement grants to be analogous to that of redundancy payments and that it therefore recommended that they should no longer be paid to MPs who retire or resign. We have also noted the comments that a number of members made in the subsequent debate at Westminster. They said that the SSRB may have misunderstood how the grant works and the possible consequences of such a change.

The Convener: I take it that you are saying that if people realised that they would get the payment only if they stood again and were defeated, nobody would voluntarily resign. To put things bluntly, everyone would stand as an independent perhaps in order to get the cash.

Hugh O'Donnell: You may wish to reconsider the phrasing that you have used, convener.

Mike Pringle: I suppose that members could do what a famous Labour member did many years ago. I think that he moved from Fife—

The Convener: Mr Hamilton. I believe that he moved to Cornwall.

Mike Pringle: I thought that he moved to Kent, to a constituency in which the Labour Party had been fourth for many years. He came close to winning the election there—he increased Labour's percentage of the vote by a substantial amount. People could go off and find an unwinnable seat to stand for, although their party would, of course, have to agree to let them stand for it. I suppose that they could stand on a list as an independent, but I am not sure whether that would count.

The Convener: Yes, but in effect you are saying that there would be significant issues if the payment was restricted to certain categories of members who were standing down and was not offered to others.

Mike Pringle: Yes. One size fits all. Everybody would have to be treated exactly the same.

Peter Peacock: On the question of the severance payment—"redundancy payment" may be a better description—has the SPCB taken any evidence on what has happened to former members? Have they been able to resume their careers once they have lost their seats, or have they found that difficult? Does the corporate body have any empirical evidence about that? We all have anecdotal evidence and know former colleagues who have not been able to return to work at the same salary or in the same employment, but has that type of experience been catalogued?

Mike Pringle: No, the SPCB has not taken any evidence on that. It has not investigated what members have done after they have lost their seats.

Nine months after the 2003 election, I read an article in a newspaper—I cannot remember whether it was *The Scotsman* or *The Herald*—that listed all the ex-MSPs and said what they were doing. If you want some evidence from after the 2003 election, you might read that article if somebody could find it. I remember being quite surprised and shocked at the considerable number of ex-MSPs who, nine months or so later, had still not found any form of employment. The article generally implied that ex-MSPs found it extremely difficult to get back into work even if they had had a career beforehand. We all know of many MSPs who have had great difficulty in finding another job. I do not know the reason for that—perhaps that is something for the committee to think about.

Hugh O'Donnell: We have referred, in this committee meeting and previously, to the

resettlement grant being almost the equivalent of a redundancy payment. You will be aware that there is an age element to the redundancy payment in that it increases once someone is above a particular age—I think that it is 55. Do you see a case for making a similar provision in relation to the resettlement grant, with a minimum threshold and then a rising scale depending on how close to the normal retirement age—which I think is 65—the elected member is?

Mike Pringle: I definitely think that the committee should consider that. We are all aware—even in relation to my previous answer—that the closer someone gets to 65, the more difficult it is for them to get another job, especially one that pays the equivalent of an MSP's salary.

For example, someone may have been an MSP for 20 years who was previously a qualified lawyer or a banker, or whatever. After 20 years as an MSP, at the age of 59 or 60, with one term left before he gets to retirement age, he loses his seat. That is perhaps not his fault—perhaps he has been an assiduous MSP—but the tide goes out and the tide comes in, and if the tide is going out, there is nothing that one can do. Like Canute, one cannot push back the tide. In that situation, a committed member who has been an MSP for a considerable length of time suddenly finds himself out of a job very close to retirement age. With that in mind, I would have thought that the committee should consider some sort of phased scheme.

The Convener: There are no further questions. I thank Mr Pringle and Mr Leitch for their evidence.

15:54

Meeting continued in private until 16:44.

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