

**SECOND READING SPEECH BY DEPUTY PRIME MINISTER TEO CHEE HEAN
AND MINISTER IN CHARGE OF THE CIVIL SERVICE**

**PARLIAMENTARY PENSIONS (ABOLITION) BILL 2012
MONDAY, 10 SEPTEMBER 2012**

Mr Speaker, Sir, I beg to move, that the Bill be now read a second time.

2. Sir, the Parliamentary Pensions (Abolition) Bill seeks to put into effect the recommendation in the White Paper on “Salaries for a Capable and Committed Government” to remove pensions for office holders and Members of Parliament. This will be done through amendments to the Parliamentary Pensions Act (or PPA in short) and other related Acts, as well as the eventual repeal of the PPA.

3. In January this year, this House had an extensive debate on the White Paper which contained the recommendations of the Ministerial Salaries Review Committee chaired by Mr Gerard Ee. This House endorsed all the recommendations in the White Paper as the basis for setting the salaries of the President, office holders and Members of Parliament. This included the recommendation to remove pensions for new office holders and freeze pensions for eligible office holders and Members of Parliament with effect from the 21st of May 2011.

4. The PPA contains the pension provisions for office holders and Members of Parliament. The PPA was first introduced in 1969 to establish a pension scheme for office holders and Members of Parliament who have devoted a considerable portion of their working lives to public service. Then Deputy Prime Minister Dr Goh Keng Swee had explained that the pension scheme aimed to help encourage future leaders of calibre to take up positions by lessening the financial sacrifice in pursuit of a political career. Since then, there had been periodic amendments of the PPA to refine the scheme. One important amendment made was that MPs elected after 1st January 1995 ceased to be eligible for pensions.

5. Under the pension scheme, an office holder is required to serve at least 8 years before he can be eligible for a pension. The pension amount depended on the length of service. The maximum pension would be reached after 18 years of service. The pension is based not on the total monthly salary, but only on the pensionable component of monthly salary, that is the Basic Salary and Monthly Variable Component. To contain pension costs, all salary increases since 1994 have not been pensionable. Therefore, the maximum annual pension is about 11% of an office holders’ salary prior to retirement. The value of the pension that an office holder may receive upon retirement is fully taken into account when ministerial salaries are compared against the benchmark. These are not new points; these points have been made several times in Parliament already.

6. Members from both sides of the House supported the removal of pensions for office holders and Members of Parliament when this issue was debated in January this year. This will bring their remuneration framework in line with the current practice where the Central Provident Fund is the basic retirement scheme for Singaporeans.

Repeal of the Parliamentary Pensions Act

7. After Parliament endorsed the White Paper, the recommendation on the removal of pensions has been administratively put into effect. The pensions for eligible office holders and Members of Parliament, who by their service prior to the 21st of May 2011 had become eligible for pensions, have been frozen since the 21st of May 2011. They will only receive a pension when they step down, for the period of service prior to 21st of May 2011. Since the 21st of May 2011, no serving office holder has begun receiving pension upon turning age 55.

8. As pensions for office holders and Members of Parliament are provided for under the PPA, this Bill formalises the White Paper recommendation through legislation. The Bill will first amend the PPA and other related Acts to remove pension provisions retrospectively from the 21st of May 2011. The PPA will eventually be repealed, through a Notification published in the Gazette, after all office holders and MPs, who by their service prior to 21st May 2011 had already become eligible for pensions, have been granted these frozen pensions. The Schedule of this Bill will then be brought into effect to set out saving and transitional provisions.

No Pension for Service on or after 21 May 2011

9. Let me now elaborate on what the Bill sets out to do. Clause 3 of the Bill provides that no pension or gratuity under the PPA can be granted for service as an MP or office holder on or after 21st May 2011. Clause 5 (a) of the Bill also amends the PPA to this effect. The impact of these two clauses is as follows:

- New office holders appointed on or after the 21st of May 2011 will not be pensionable;
- Serving office holders who had less than 8 years of service before the 21st of May 2011 will not be eligible for pensions; and
- Serving office holders with 8 years or more of service before the 21st of May 2011 and serving MPs elected before the 1st of January 1995 will not be able to accrue additional years of pensionable service for service on or after the 21st of May 2011.

10. Clauses 5 (e) and (i) further amend the PPA such that pension benefits will not be enhanced by any future increases in the pensionable components of salaries, if any. Taken together, these amendments freeze the pensions to the value as at 20th of May 2011.

No pension granted unless service ceases

11. The existing PPA allows office holders to start receiving their pensions at the age of 55 so that those who continue serving in public office will not be worse off than their colleagues who step down from office earlier.

12. Clause 4 of the Bill removes this provision, by prohibiting the grant of pensions or benefits under the PPA unless the person ceases to be an MP or office holder. Clauses 5 (j), (k) and (l) also amend the PPA to the same effect. Serving office holders with frozen pension entitlements who turn 55 years of age on or after the 21st of May 2011 will not be able to draw their pension unless they step down from office. For those who have already been drawing a pension upon turning 55, the pension will stop with effect from 21st May 2011, and only be drawn after they step down from office.

Other Amendments to the PPA

13. Clauses 5 (d), (f), (g) and (m), of the Bill also make a number of amendments to the PPA to remove provisions which are no longer relevant, as there are no MPs or office holders who are affected by these provisions as they have all exceeded the age or length of service specified in these clauses.

Death Gratuity

14. I now move on to a non-pension related provision in the PPA. The PPA provides for a death gratuity for office holders and MPs, regardless of whether they are pensionable. Unlike a pension scheme, the death gratuity is a service benefit for office holders and MPs who die in office or within one year of drawing a pension. The death gratuity provision should be retained as it recognises the contributions of those who pass away while in service. As the PPA will be repealed eventually, the provision for the death gratuity will be transferred to the Parliament (Privileges, Immunities and Powers) Act.

15. In transferring the death gratuity provision to the Parliament (Privileges, Immunities and Powers) Act, no office holder or MP will be better off compared to the current provision in the PPA. Specifically:

- The death gratuity for a non-pensionable MP will continue to be 12 months of the Basic Salary and Monthly Variable Component. The death gratuity for a non-pensionable office holder will become the same; and
- The death gratuity for an office holder or an MP who has frozen pension benefits will be 12 months of Basic Salary and Monthly Variable Component or the commuted pension gratuity, whichever is higher. There is no minimum service period for a death gratuity to become payable.

Closing Remarks

16. To conclude, this Bill puts into legal effect the recommendation to remove pensions for office holders and Members of Parliament, as contained in the White Paper on “Salaries for a Capable and Committed Government” which was endorsed by this House. The removal of pensions will further strengthen the principle of clean wage and align the retirement scheme of office holders and Members of Parliament to the Central Provident Fund system.

17. Mr Speaker, Sir, I beg to move.