

## Remuneration of Governors, Directors and MPC members

Court determines the remuneration of the Bank's most senior executives, including the Governors, Executive Directors, Advisers to the Governors and the external MPC members. It is advised by the Remuneration Committee, the composition of which is shown on page 5. Although no executive member of Court sits on the Remuneration Committee, the Governor may be invited to attend meetings that do not consider his own remuneration.

### Remuneration policy

The Remuneration Committee's approach is to carry out reviews of senior Bank remuneration every five years in order to set appropriate pay, benefits and conditions of service. The Committee takes account of supply and demand, including external salary comparisons insofar as these might affect the availability of good candidates, while bearing in mind the Bank's position within the public sector. Where relevant, the Committee makes use of external advice. The five-yearly reviews set the rate for each job and the policy by which salaries will be increased each year and by which bonuses will operate for Executive Directors.

The last review was carried out in 2006 with the assistance of Towers Perrin. The conclusions regarding the external MPC members were that their salary was appropriate for the role and that cash levels in lieu of pension and life assurance were also sufficient. However, the review for the Governor found that the salary was low for the size and responsibilities of the role, although the benefits accrued in the Court executive pension scheme were generous. The Committee determined that in future a higher salary should be offered, but lower pension benefits. Overall these changes would be approximately cash neutral. The new remuneration package for the Governor should be composed of a salary starting between £375,000–£400,000, with automatic increases of 2.5% per annum, and a pension contribution of 30% of salary. The package for a Deputy Governor would be on similar terms but starting at a salary level of £315,000 per annum. All new appointees are now offered the new terms although those with contractual entitlements to more generous pension benefits are also offered the option of retaining these and accepting a lower starting salary. When the Governor was appointed for a second term, from July 2008, he chose not to accept the new

package, and has remained on his previous salary, although his pension is now fully accrued. Mr Bean chose to retain his existing pension terms on his appointment to Deputy Governor, Monetary Policy on 1 July 2008 as did Mr Tucker on his appointment to Deputy Governor, Financial Stability on 1 March 2009.

To consolidate the new remuneration package, the Court Pension Scheme, which had previously been open to all new executives from outside or on promotion, was closed to new members on 30 July 2007. For administrative simplicity the Court Pension Scheme was merged with the Staff Pension Fund at the same time. The Final Salary section of this Fund was also closed to new staff members on 30 September 2007. Existing members of both the Court and the Final Salary sections of the Fund continue to accrue benefits under the terms of the section they joined. For example, new Executive Directors promoted from inside the Bank are able to retain pre-existing membership of the Final Salary section. Those from outside the Bank are now offered either membership of the Career Average pension section of the Fund, as are all new staff, or a salary supplement of 30% in lieu of pension.

The Court and the Final Salary sections are both non-contributory and have a normal pension age of 60. The accrual rate for the Court section allows members to achieve a maximum pension of two thirds of their pensionable salary at normal pension age after 20 years' service. The accrual rate for the Final Salary section allows members to achieve the same maximum at normal pension age after 40 years' service. Both sections provide payment of a lump sum of up to four times pensionable salary in the event of death in service, and allowances for a spouse's or civil partner's pension of 60% of the member's base pension and discretionary allowances for other dependents. Pensions and deferred pensions are reviewed annually and are normally increased in line with the rise in the retail prices index.

### Remuneration structure of the Governors

The remuneration arrangements for the Governor and Deputy Governors are set out below.

#### Service contracts

The Governor and Deputy Governors are each appointed by the Crown for five-year terms. The Governors have no termination provisions at the end of their appointments, other than a *purdah* period of three months' continued

employment by the Bank when they cease to be members of the MPC.

Under the Bank of England Act, Governors are required to provide remunerated services to the Bank only. With Court's approval other directorships relevant to the Bank's work may be accepted, but any fees must be paid to the Bank. The only such directorship held during the past year has been the appointment to the FSA Board held by Paul Tucker.

#### Base salaries

On 1 July 2009 the salary of the Governor was increased by 2.5% from £297,920 to £305,368. On 1 March 2009, the salaries of the Deputy Governors were increased by 2.5% from £246,338 to £252,497. The Governor and the Deputy Governors do not receive bonuses.

In relation to 2010 and 2011 the Governor has advised the Remuneration Committee that he does not wish to receive any increase in his salary.

#### Pensions

Mr King's pension was fully accrued at the end of his first term on 30 June 2008. For his second term of office from 1 July 2008 to 30 June 2013 he earns no annual pension contribution from the Bank.

Pension benefits for the current Deputy Governors are provided through the Court section, supplemented in one instance by an unfunded scheme as described below. For executives joining the Court Pension Scheme before 2005 who were subject to the pensions earnings cap introduced in the Finance Act 1989, the Bank contracted to provide additional unfunded pensions so that their total pensions broadly matched what would have been provided by the Scheme in the absence of the cap. During the year ended 28 February 2010, unfunded entitlements were provided to Mr Bean. Provision for these unfunded benefits is made in the Bank's financial statements. Court decided not to grant unfunded benefits to members joining after 2005.

#### Remuneration of members of Court

	Salary £	Benefits <sup>(1)</sup> £	Total 2009/10 £	Total 2008/09 £
<b>Governor</b>				
Mr M A King	302,885	2,878	305,764	296,818
<b>Deputy Governors</b>				
Mr C Bean (appointed 1 July 2008)	252,497	1,795	254,292	165,028
Mr P Tucker (appointed 1 March 2009)	252,497	5,617	257,664	–
<b>Non-executive Directors<sup>(2)</sup></b>	122,250	310	122,560	92,200
<b>Total</b>	<b>930,129</b>	<b>10,151</b>	<b>940,280</b>	<b>554,046</b>

(1) Includes the provision of facilities which give rise to a tax liability.

(2) Lord Turner sits on Court as Chairman of the Financial Services Authority, and Paul Tucker as Deputy Governor for Financial Stability, has been appointed a director of the FSA. Lord Turner waived remuneration from the Bank of £12,750 in 2009/10, and Paul Tucker waived remuneration from the FSA of £28,000.

## Remuneration of Governors, Directors and MPC members continued

### Pension entitlements and accruals (including unfunded entitlements)

	Cash equivalent as at 28.2.09 (£)	Cash equivalent as at 28.2.10 (£)	Increase in cash equivalent (£)	Accrued pension as at 28.2.09 (£pa)	Accrued pension as at 28.2.10 (£pa)	Increase in accrued pension (£pa)	Cash equivalent of additional pension earned during year ended 28.2.10 (£)
Mr C Bean	1,435,700	1,972,600	536,900	55,700	70,700	15,000	418,500
Mr P M W Tucker	2,300,900	3,017,100	716,200	93,100	110,800	17,700	481,300

Note: Mr King's pension was fully accrued at the end of his first term as Governor, on 30 June 2008. Since then he has received no further pension benefits from the Bank. His accrued pension as at 30 June 2008 was £198,200.

### Other benefits

The Remuneration Committee also keeps under review other benefits available to the Governors. Medical insurances were the principal non-salary benefits received during the year to 28 February 2010.

### Remuneration of Non-executive Directors

The Bank of England Act 1998 provides for the remuneration of the Non-executive Directors to be determined by the Bank with the approval of the Chancellor of the Exchequer. With effect from 1 June 2009, these rates were set at £15,000 per annum for Directors, £20,000 for Committee Chairmen and the Deputy Chairman of Court and £30,000 for the Chairman of Court. Non-executive Directors do not receive any post-retirement or medical benefits from the Bank or any additional fees for serving on Committees. The Bank does, however, meet appropriate travel and subsistence expenses.

### Remuneration of external Monetary Policy Committee members

Court determines the terms and conditions of service of the four external members of the MPC appointed by the Chancellor of the Exchequer. These members are appointed for terms of three years on a part-time basis averaging three days a week. External MPC members must not retain or accept other appointments or interests that would create a conflict with their MPC responsibilities during their term of office as determined by the Chancellor on the Governor's advice.

The external members of the MPC were each paid £98,890 in 2009/10. They do not earn bonuses. They were also paid a supplement of 30% of salary in lieu of membership of the Bank's pension fund. They are entitled

to cover under the Bank's group medical insurance scheme.

On leaving the Bank external members are paid their salary for a period of three months, during which period the Bank has the right to veto any employment that would conflict with their former MPC responsibilities. To the extent that they receive income from employment that does not conflict with their former MPC responsibilities, however, their income from the Bank is reduced.

The salaries of Executive Directors of the Bank who are also members of the MPC are given here for consistency. Spencer Dale's salary in 2009/10 was £168,100 and Paul Fisher's salary was £164,000.

### Other senior executives

The table below shows the remuneration ranges for all staff with remuneration in excess of £150,000, apart from the Governors whose individual remuneration is disclosed in the tables above. The figures relate to 2009/10 and include base pay, benefit allowances and bonuses where applicable.

Remuneration range	Number in range
£220,000 – 229,999	2
£210,000 – 219,999	1
£200,000 – 209,999	–
£190,000 – 199,999	–
£180,000 – 189,999	4
£170,000 – 179,999	1
£160,000 – 169,999	4
£150,000 – 159,999	–