Parliamentary Contributory Pension Fund Accounts 2018-19

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Statutory Basis for the Scheme

The Parliamentary Contributory Pension Fund ('the Fund') is a statutory pension scheme for Members of Parliament, Government Ministers and other Parliamentary office holders.

The Fund is made up of the MPs' Pension Scheme which provides benefits for MPs and certain office holders, and the Ministers' Pension Scheme which provides benefits for paid Government Ministers and certain office holders.

The benefit structure of the MPs' Pension Scheme is determined by the Independent Parliamentary Standards Authority (IPSA) and the benefit structure of the Ministers' Pension Scheme is determined by the Minister for the Civil Service (MCS).

MPs' pension scheme

On 8 May 2015, the new MPs' Pension Scheme came into force. Prior to this the MPs' Pension Scheme was a defined benefit final salary scheme based on a Member's salary over their last 12 months of service.

From 8 May 2015, the benefit structure of the MPs' Pension Scheme was split into two sections. The final salary section was based on the Rules of the Scheme up to 7 May 2015, and would continue to apply to re-elected MPs that had been within 10 years of retirement on 1 April 2013. In addition, MPs who were between 10 and 13.5 years off retirement on 1 April 2013 were given the option to continue in the final salary section for a defined period (transitional protection). All new MPs elected on 7 May 2015, and any re-elected MPs that were not covered by protection from the changes due to their proximity to retirement age automatically entered the new Career Average Re-valued Earnings (CARE) section on 8 May.

Similarly, anyone who was appointed as an Office Holder from 8 May 2015, joined the CARE section as an Office Holder. However, transitional protection for those MPs who were between 10 and 13.5 years from retirement on 1 April 2013 does apply.

An Office Holder is a holder of the following Qualifying Offices:

Chairman and Deputy Chairman of Ways and Means

Chairman and Deputy Chairman of Committees of the House of Lords

Paid Select Committee Chairman

Member of Chairman's Panel

During the accounting year, MPs' salaries (which are also set by IPSA) were £76,011.

Member contribution rates for the final salary section were 13.75% for a 40th accrual rate, 9.75% for a 50th accrual rate and 7.75% for a 60th accrual rate. Members in the CARE section pay contributions of 11.09% of salary to build up 1/51st of pensionable earnings (revalued using the Consumer Prices Index (CPI)).

IPSA did not increase pension contribution rates for MPs during the accounting year. IPSA have confirmed that they are not currently planning to make any further changes to the benefit structure of the MPs' Pension Scheme.

Ministers' pension scheme

The new Ministers' Pension Scheme came into force on 9 May 2015. Unlike the MPs' Pension Scheme, there was no facility for members close to retirement age to stay in the former benefit structure of the scheme. All continuing and newly appointed Ministers entered the new scheme on 9 May 2015 and pay 11.1% of Ministerial salary for a 1.775% accrual on a CARE basis.

If a Minister is also an MP, they may be members of both the MPs' Pension Scheme and the Ministers' Pension Scheme, although Ministers who are Members of the House of Lords are only eligible to join the Ministers' Pension Scheme. In the case of those Ministers, their salary is their Ministerial salary.

Pension contributions to the Ministers' pension scheme did not change during the accounting year. The MCS have confirmed they are also not planning to make any further changes to the benefit structure of the Ministers' pension scheme.

Benefits Payable

The table below outlines the benefit provision of the MPs' and Ministers' Pension Schemes prior to and following the implementation of the new Rules.

MPs' pension scheme – final salary section and Ministers' pension scheme up to 8 May	**MPs' Pension Scheme – CARE section and Ministers' Pension Scheme from 9 May**
A pension payable at age 65 (once no longer a serving member).	A pension payable at state pension age (once no longer a serving member).
An option to commute part of the annual pensions for a lump sum, based on age related factors.	An option to commute part of the annual pensions for a lump sum, using a factor of 12:1.
A pension before pension age (65), subject to certain restrictions.	A pension before or after pension age, subject to certain restrictions.
An immediate pension on retirement at any age on the grounds of ill health.	An immediate pension on retirement at any age on the grounds of ill health.
An adult dependant's pension of 5/8ths of the member's pension.	An adult dependant's pension of 3/8ths of the member's pension.
Children's pensions at the rate of one quarter of the basic or prospective pension of the member if there is one child, 3/16ths if there is more than one child, up to a maximum of two children, or 5/16ths if there is no surviving parent.	Children's pensions for one child, paid at the rate of 80% or 133% of adult dependant's pension depending on whether a there is a surviving adult dependant. If there is more than one child, the amount of pension will be calculated by multiplying 80% of the adult dependant's pension by two and then dividing this amount by the number of children. Each child will then receive this percentage.
A lump sum death gratuity on death in service equal to 4 x salary.	A lump sum death gratuity on death in service equal to 2 x salary. Plus a lump sum equal to the contributions which the member has paid to the scheme, with interest.
Transfer of pension rights (into and out of the scheme) subject to certain restrictions.	Transfer of pension rights (into and out of the scheme) subject to certain restrictions.
Options to purchase added years, and/or contribute to an AVC scheme with an outside provider.	Options to purchase added pension, an effective pension age (to be no lower than age 65), an early retirement reduction waiver and/or contribute to an AVC scheme with an outside provider.

Income

Income to the Fund is derived from three main sources:

1 contributions from MPs, Ministers and Office Holders;

2 an Exchequer contribution paid from the House of Commons Members Estimate; and

3 investment income.

In addition, transfers of pension benefits into the Fund amounted to £1,152k in 2018-19, (£410k in 2017-18).

Exchequer contribution

Paragraph 10 of Schedule 6 of the Constitutional Reform and Governance Act 2010 requires the Government Actuary to make a report to the Trustees, the Minister for the Civil Service, IPSA and HM Treasury, at three yearly intervals on;

- the general financial position of the Fund and
- make a recommendation as to the rate at which Exchequer contributions should be paid into the Fund in respect of any financial year beginning after the report is made.

In practice, the actuarial liability of the Fund is assessed every three years by the Government Actuary with an interim assessment in the years between valuations. The latest actuarial valuation was based on the membership as at 31 March 2017 as detailed below. The Actuary's report on the liabilities as at 31 March 2019 is shown on pages 48 to 51 of these Accounts.

Actuarial update as at 31 March 2019

The latest actuarial valuation was carried out as at 31 March 2017 with an actuarial update performed as at 31 March 2019.

The Scheme's net liability, or deficit, as at 31 March 2019, and the corresponding figures as at 31 March 2018, are set out below:

	31 March 2019	31 March 2018
	£m	£m
Present value of scheme liabilities	(957.0)	(887.3)
Fair value of scheme assets	698.3	671.0
Deficit	**(258.7)**	**(216.3)**

The next valuation is due as at 31 March 2020.

Further information can be found in the Government Actuary's report which is published as a House of Commons paper and can be found on the Fund's website www.mypcpfpension.co.uk.

The pension liability reflected in this annual report and financial statements reflect an assessment of the liabilities of the accrued benefits of the scheme. These are prepared in accordance with International Accounting Standards (IAS 19).

The Government Actuary's valuation report as at 1 April 2017 referred to in these Accounts is available for review at: www.mypcpfpension.co.uk/docs/librariesprovider12/accounts/2017-valuation-report.pdf?sfvrsn=2.

Following the end of the scheme year, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a pandemic. It is possible that COVID-19 will have impact the future liabilities and assumptions used in the accounts, specifically in relation to mortality, inflation and the discount rate used. As the full impact of COVID-19 is as of yet unknown, it is not possible to assess how these areas may be impacted in the future. The sensitivities to the assumptions are shown in the actuary's report for the position as at 31 March 2019. The Trustees consider COVID-19 impacts to be non-adjusting events occurring after the reporting date.

Membership at 31 March 2019

Active	
Active members at the start of the year	638
New entrants	3
Rejoined	1
	642
Less:	
Retirements	(3)
Deferred	(3)
Transfer out	(1)
	(7)
Active membership as at 31 March 2019	(635)
Pensioners	
Pensioners at the start of the year	1,100
Retirements	22
GMP only	2
New dependant pensioners	22
Less:	
Death of a pensioner	(29)
Death of a dependant	(19)
GMP ceased	(1)
Pensioners as at 31 March 2019	**1,097***
Deferred members	
Deferreds at the start of the year	291
Actives becoming deferred	3
	294
Less:	
Retirements	(19)
Rejoined active	(1)
	(20)
Deferred members as 31 March 2019	**274**

*There are 322 (2018: 319) dependants included within the figures above.

Trustees during the year to 31 March 2019

Since 24 October 2011, the governing legislation has specified that there should be ten Trustees, eight of whom were Member Nominated Trustees (MNTs), plus one appointed by each of IPSA and the MCS. During the year to 31 March 2019 there were eight Member nominated Trustees and two MCS and IPSA Trustees. All designations are correct as at the date of certification.

All of the Trustees apart from the IPSA and MCS Trustee are current or future beneficiaries of the Fund.

The Trustees' attendance at meetings is summarised below. Where a Trustee was not entitled to attend all of the meetings in the year, the maximum number of meetings is given in brackets:

Name	**Trustee status**	**Fund membership status**	**No. meetings attended during the scheme year**	
			Ordinary (4 meetings)	**Investment (3 meetings)**
Sir Brian Donohoe	MNT - Chair	Pensioner member	4	3
Clive Betts MP	MNT	Active member	4	3
Alastair Bridges*	IPSA Trustee	Non-member	2 (of 3)	2 (of 2)
Sir Graham Bright	MNT	Pensioner member	2	2
Richard Graham MP	MNT	Active member	3	3
Ranil Jayawardena MP	MNT	Active member	2	2
Andrew Love	MNT	Pensioner member	3	2
Bridget Micklem	MCS Trustee	Non-member	3	1
Rt Hon the Lord Naseby	MNT	Pensioner member	4	3
John Sills*	IPSA Trustee	Non-member	1 (of 1)	0 (of 1)
Rt Hon the Viscount Thurso	MNT	Pensioner member	3	2

* During the scheme year, John Sills, the IPSA Trustee, resigned from the Trustee board at the July 2018 Trustee meeting. IPSA put forward Alastair Bridges as the new IPSA Trustee and he was formally appointed at the October 2018 Trustee meeting.

During the scheme year the Trustees managed conflicts of interest in line with their conflict of interest policy. This sets out that all potential or actual conflicts of interest are declared at the beginning of each meeting and a record of these declarations and any mitigating action is minuted. The Trustees do not maintain a register of interests.

Method of appointment

Trustees are appointed under the provisions of the 2010 Act.

Resignation and removal of Trustees

MNTs do not have a term of office. However, an MNT will cease to serve as a Trustee if they resign as a Trustee by giving prior written notice to the other Trustees, they are removed by a unanimous agreement of the other Trustees or they cease to satisfy the eligibility criteria set out in the Trustees' MNT nomination and selection process.

The IPSA Trustee may resign by giving written notice to IPSA, or be removed by IPSA after consultation with the MCS and the other Trustees. The MCS Trustee may resign by giving written notice to the MCS, or be removed by the MCS after consultation with IPSA and the other Trustees.

Officers of the Fund

Secretary to the Trustees

Lucy Tindal, Head of Members' Hub, House of Commons until February 2019

Gurpreet Bassi, Head of Members' Hub, House of Commons from February 2019

Secretariat

The Trustees have appointed Officials from the House of Commons to provide a full secretariat and administrative service to the Trustees. The PCPF Secretariat, based in Finance, Portfolio & Performance, act as Secretariat, along with the Secretary to the Trustees. However, the day-to-day administration of the Fund, including the operation of the pension payroll and accounting has been outsourced to RPMI Ltd.

During the scheme year the Trustees issued invitations for tender for the administration contract and following a formal procurement exercise appointed Buck as the new administrators of the PCPF. Buck commenced operation of administration of the Fund in September 2019.

Other parties who held office in connection with the Fund during the current accounting year:

		Appointed under
Actuarial Advice	The Government Actuary	The 2010 Act
External Auditor of Annual Accounts	Comptroller and Auditor General, National Audit Office	The 2010 Act
Investment Advice	Hymans Robertson LLP	Trustees
Fund Management	MFS International (UK) Ltd BlackRock Advisers (UK) Ltd PIMCO Europe Ltd BlackRock UK UBS Global Asset Management Schroder Investment Management Ltd M&G Investments Ltd	Trustees Trustees Trustees Trustees Trustees Trustees Trustees
Legal Advice	Sacker & Partners LLP	Trustees
Custodian	The Northern Trust Company	Trustees
Third Party Administration and Fund accounting and payroll	RPMI Ltd (removed 22 September 2019) Buck (appointed 23 September 2019)	Trustees Trustees
AVC providers	Utmost (Previously Equitable Life) Zurich Insurance plc	Trustees Trustees

Annual Report

Every year, the Trustees prepare an Annual Report, which incorporates, inter alia, a Trustees' Report and Investment Report. A copy of the Report is sent to all active members, deferred members and pensioners of the Fund. The Annual Report will also be made available on the Trustees' website: https://www.mypcpfpension.co.uk/.

Contact address

Further information about the Fund can be obtained from the Trustees website (mypcpfpension.co.uk) or by contacting the PCPF Secretariat at the following address:

PCPF Secretariat
Finance, Portfolio & Performance
House of Commons
London
SW1A 0AA

Members should direct enquiries about their own pension position to Buck, who took over administration of the Fund in September 2019. Their contact details are:

Parliamentary Contributory Pension Fund
Buck (Bristol)
PO Box 323
Mitcheldean
Gloucestershire
GL14 9BL

Customer helpline: 0330 123 0634
Email: PCPF@buck.com

Investment details and performance

Over the year to 31 March 2019, the Fund returned 7.4% against a benchmark return of 6.3%. Over this time period, global equity markets performed strongly, with the MSCI ACWI returning 10.7% in sterling terms. This includes a gain of around 5%, as the strong performance of overseas currencies (mainly US Dollar) relative to Sterling increased the value of overseas investments to UK investors such as the Fund.

The Fund's UK property portfolio contributed strongly to overall performance over the year, delivering a return of 5.7%, significantly ahead of benchmark return of 4.9%. This performance reflects the continued recovery in the UK commercial property market, and a bias away from retail and towards alternative sectors within the portfolio.

The Fund's fixed income assets also contributed positively to investment performance over the year. The M&G Illiquid Credit Opportunities Fund is still in the initial 'ramp up' phase as M&G continue to assess viable investments. As such, the return on this mandate is behind the given benchmark – though remains positive in absolute terms.

The Trustees have reaffirmed their commitment to integrating Environmental Social and Governance (ESG) issues throughout their investment process and have published their statement of beliefs and statement of responsible investment within the Fund's Statement of Investment Principles (SIP). These statements set out the key beliefs of the Trustees in relation to investment matters and their overall approach to ESG issues. The Trustees updated their SIP following the scheme year end to reflect new regulatory requirements, introduced by Occupational Pension Schemes (Investment) Regulations 2005, and changes to the Fund's investment approach. Following consultation with MCS and IPSA, the new SIP was adopted and can be viewed on the Fund's website at www.mypcpfpension.co.uk. The Trustees also adopted a new Responsible Investment policy following the scheme year end, which is also available on their website.

To aid their active fund managers in voting and engagement issues, the Trustees have published an Engagement Policy. In addition, quarterly voting and engagement reports are published on the PCPF website. The Trustees continue to monitor and engage with their managers' activities in relation to ESG matters.

The manager proportions and mandates at the year-end are shown in the table below:

Manager	**Mandate**	**Holding as at 31.3.19 %**	**Target Allocation %**
BlackRock Advisors (UK)	Global equities	47.5	45.0
MFS International (UK) Ltd	Global equities	17.5	16.0**
M&G	European Loans	9.0	10.3
M&G	Illiquid credit	4.7	5.0
Multi-managers	Property	10.2	10.0
PIMCO Europe Ltd	UK bonds	10.6	13.7
Transition cash*	Cash	0.5	–
Total		**100.0**	**100.0**

*Held by the Fund's custodian, Northern Trust

** In November 2018, the Trustees agreed to move their MFS UK mandate into the MFS global mandate, in order to reduce risk within the Fund's equity structure, by reducing their UK bias. This was actioned by 31 December 2018.

There were no employer related investments as at 31 March 2019. (2018: nil).

Following the year end, the spread of the COVID-19, particularly the increasing number of cases outside of China, had an increasingly dramatic effect on financial markets in February and March 2020. Return seeking assets, such as equities, were increasingly volatile throughout February and March, with significant falls at the end of February and beginning of March, followed by a rise at the end of March. Conversely, lower risk assets such as government bonds rallied. Government bond yields fell to historic lows during this period, in part buoyed by emergency monetary policy actions.

The COVID-19 outbreak is expected to have a negative impact on the total value of the Fund's assets given the significant proportion of assets invested in equities. Credit spreads also widened in response to the outbreak which reduced the value of the Fund's investment in credit assets. However, the Fund's index-linked gilts increased in value as gilt yields have fallen, while the Fund's property investments are expected to have remained relatively constant. In addition to the financial impact, the outbreak has reduced the liquidity of the Fund's property holdings, as the managers of all these holdings all temporarily suspended investor redemptions. It should be noted that these suspensions were put in place in order to protect value for existing investors, such as the Fund. This has not caused the Trustees concern, as the Fund's property investments are considered long term investments, and the Trustees have not planned to redeem any of these holdings for liquidity purposes. Liquidity would be sourced from the Fund's other assets, which can be accessed in a shorter timeframe and at a significantly cheaper cost, if required.

The COVID-19 pandemic has increased the volatility of movements in foreign exchange markets. The Fund has only been exposed to these movements through the overseas equity investments. As at end of March 2020, the net effect of the currency movements has been a fall in Sterling against major currencies, these foreign exchange movements are expected to have had a slight negative effect on the value of the Fund assets.

As the response from financial markets to the COVID-19 outbreak has constantly changed, it is not yet possible to quantify the overall impact on the Fund's assets.

Preparation of annual accounts

The Fund Rules, which under the 2010 Act reconstitute the provisions of the 1993 regulations, require that annual accounts are to be prepared in accordance with a direction given by the Comptroller and Auditor General. The Fund is a public service pension scheme and as such is exempt from the majority of the requirements of the 1995 Pensions Act including those relating to accounts.

The Comptroller and Auditor General (C&AG) is responsible under legislation for setting the Accounts Direction for the PCPF, see Appendix A. The notes to the Financial Statements set out the basis for preparation of accounts and accounting policies in notes 2 and 3 on pages 25 to 30.

The liability for the PCPF as at 31 March 2019 is assessed by the Government Actuary on an International Accounting Standards (IAS19) basis and is shown on pages 48 to 51 of the Accounts. Having taken advice from the Actuary the Trustees are content that the Fund has sufficient assets to meet its liabilities as they fall due over the next 12 months. The PCPF is effectively underwritten by the tax payer with deficits financed by increased contributions agreed between IPSA, the MCS and the actuary. The Trustees are not aware of any plan by IPSA or MCS to wind up the MPs' or Ministers' Pension Schemes. As such, the Trustees are satisfied that the Fund will continue to operate as a going concern and the financial statements have been prepared on that basis.

After the scheme year end, following the outbreak of COVID-19 the Trustees have received assurance from House of Commons Administration that they will continue to pay the Exchequer contribution, which acts as the Fund's employer contribution. There is no expectation by the Trustees that there will be a change in the contributions due from members of the Fund. IPSA have confirmed that they have sufficient contingencies in place to continue to pay contributions throughout the COVID-19 pandemic. Confirmation is also being sought from the Ministerial Departments that member contributions will continue to be paid. The Trustees remain satisfied that the Fund will continue to operate as a going concern.

A Statement of the Trustees' responsibilities with regard to the preparation of the accounts is on page 11.

Disclosure of Information

So far as the Trustees are aware, there is no relevant audit information of which the Comptroller and Auditor General (the C&AG) is unaware, and we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the C&AG is aware of that information.

Approved on behalf of the Trustees on 15 May 2020

Sir Brian H Donohoe
Chairman of Trustees

Accountability Report

Statement of Trustees' responsibilities

The Fund Rules require the Trustees of the Fund to prepare annual accounts in such a form and in such a manner as the Comptroller and Auditor General may direct. The financial statements for the year ended 31 March 2019 were prepared on an accruals basis to give a true and fair view of the financial transactions of the Fund during the year then ended, and of the disposition at 31 March 2019 of its assets and liabilities.

In preparing these financial statements, the Trustees are required to comply with the requirements of the Government Financial Reporting Manual, relevant and appropriate, and in particular to:

- observe the accounts direction issued by the Comptroller and Auditor General, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards were followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, on the presumption that the Fund will continue in operation.

The Trustees are responsible for the keeping of proper accounting records, for ensuring that proper financial procedures are followed, for the regularity and propriety of public finances provided by the Exchequer contribution, for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The responsibilities of Trustees include confirming that as far as they are aware there is no relevant audit information of which the auditors are unaware and that they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information.

The Trustees confirm that the annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance Statement

This statement covers the operation of the Fund for the year ended 31 March 2019. On behalf of all of the Trustees, I acknowledge our responsibility for ensuring that an effective system of governance is maintained and operated in connection with the Fund.

Governance framework of the Parliamentary Contributory Pension Fund (the Fund)

Collectively, the ten Trustees of the Fund have a range of legal duties for the Fund as well as maintaining overall responsibility for the management of the Fund.

Officials from House of Commons provide a full secretariat service to the Trustees which includes administrative advice and support. The Secretariat, who are part of Members' Hub, in the House of Commons' Finance, Portfolio & Performance department, is led by Gurpreet Bassi, who is Secretary to the Trustees. Staff are therefore employees of House of Commons. The PCPF makes funding available for renumeration in relation to the PCPF Secretariat but is not an employer. The PCPF has no employees of its own so no renumeration and staff report is required.

The Trustees have a balance of powers document in place which sets out their responsibilities relating to the administration and governance of the Fund. The roles and responsibilities the Trustees have been delegated to the Secretariat are set out in the Secretariat terms of reference. Both documents were reviewed by the Trustees during the scheme year.

The Trustees Business Plan 2017-18 to 2019-20 sets out the expected projects over the three Fund years. During the year the Trustees monitored regular reports, provided by the Secretariat at Trustee meetings, on the progress being made in each area, including Secretariat performance. A new three year business was approved by the Trustees in March 2020.

The Trustees have a conflicts of interest policy in place to meet the Pensions Regulator's expectation for schemes to manage conflicts of interest and improve their governance framework. In 2018-19 no material conflicts of interest were declared by the Trustees.

Arrangements are also in place to assess and address the ongoing training requirements of Trustees, to ensure that they keep up to date with new and current issues affecting the Fund's operations. Regular and relevant Trustee training sessions are arranged at Trustee meetings. During the scheme year the Trustees focused their training on investment. Areas covered included changes to investment regulations and the new requirements for the statement of investment principles; exploring different asset classes, such as multi factor-based investing and infrastructure; and an exploration of approaches to responsible investment, climate change and fossil fuel divestment.

The day to day administration of the Fund, including the operation of the pension payroll and accounting has been outsourced by the Trustees to RPMI Ltd (RPMI). During the scheme year the Trustees' existing administration contract came to an end. The Secretariat negotiated an extension to the contact with RPMI while they undertook a formal procurement exercise, following which Buck were appointed as the new administrators of the PCPF. RPMI continued to administer the Fund while the transition took place including completion of the 2018-19 report and accounts. Buck commenced full operation of the administration of the Fund, including pension payroll and accounting, from 23 September 2019. The safekeeping of the Fund's assets is undertaken by the Northern Trust Company, in their capacity as custodian to the Fund.

Work of the Trustee Board

The Trustees held seven formal meetings during the year - four ordinary meetings and three investment focussed meetings. The Trustees have agreed to hold additional investment focussed meetings for the foreseeable future to allow sufficient time being given to investment matters.

The Trustees are not bound by the Treasury and Cabinet Office's Corporate Governance Code, and the governance framework adopted by the Trustees reflects the fact that the Fund's governance circumstances are inherently different from those of Government departments. However, I am content that the governance framework meets the overall objective of separating policy and operations. The Trustees pay due regard to codes of practices and guidance issued by the Pensions Regulator, where relevant.

The Trustees monitor the performance of the Fund's investments through quarterly reports prepared by the Fund's investment consultant, Hymans Robertson LLP, showing the performance of each manager against the Fund's benchmark.

During the scheme year the Trustees have continued to spend a considerable amount of time considering responsible investment, including environmental, social and governance (ESG) matters at their meetings. The training the Trustees received this year also focused on these areas, enabling the Trustees to discuss their draft responsible investment policy, which was approved following the end of the scheme year, and their climate change policy, which the Trustees will consider during 2019-20. The Trustees also updated their SIP following the scheme year end to ensure that it complied with the changes to investment regulations introduced by Occupational Pension Schemes (Investment) Regulations 2005. The Trustees continue to review their managers' activities in relation to ESG issues on an ongoing basis through regular reporting and dialogue, as detailed in both their updated SIP and their Engagement policy.

These documents are available on the PCPF website https://www.mypcpfpension.co.uk/

Each quarter the Trustees have monitored the performance of the Fund's administrator, RPMI, against contractual service level agreements. The Secretariat, on behalf of the Trustees, have held regular administration meetings with RPMI to monitor performance and update the Trustees at meetings. Representatives from RPMI have also attended Trustee meetings as and when required. The Fund's actuarial adviser, The Government Actuary's Department (GAD), also attend Trustee meetings when necessary.

Risks

The Secretariat, on behalf of the Trustees, maintain a Risk Register for the Fund to support the active management of risk. This identifies and analyses potential issues that pose a risk to the Fund's objectives in terms of impact and probability. During the scheme year the full Risk Register was reviewed by the Trustees once, but they also received a report at each ordinary meeting highlighting any significant risks along with actions planned to reduce the impact or likelihood of these potential risks. At their March meeting, the Trustees agreed to review the full Risk Register on a quarterly basis, at each ordinary meeting.

Sample of key risks considered by the Trustees during the scheme year to 31 March 2019

Risk	**Mitigation and response to this risk**
Transition to the new Administrator is unsuccessful	• Secretariat have closely monitored the handover of information and the administrator's transition plan. • Secretariat undertook site visit to Buck offices in July 2019 to meet the new team, transfer scheme knowledge and ensure Buck have adequate internal controls in place. • Buck Consultants attended the July meeting following the year end, to present the project plan and explain how they are mitigating potential risks.
Failure of assets to pay benefits	• Investment strategy is focussed on moving assets into investment vehicles that meet the requirement for income. • Cash flow is closely monitored by the Secretariat and the Administrator regularly and a cash flow report is presented at every Trustee meeting. • The Trustees review income requirements at their investment focussed meetings. • Additional cash held in a custody account with the Custodian and can be used for cashflow purposes if needed.
Failure of assets to provide expected returns due to impact of climate change	• The Trustees recognise this risk in their Statement of Investment principles, Voting and Engagement policy and statement of investment beliefs. • The Trustees regularly monitor their Fund managers engagement with these polices. • The SIP was updated in July 2019, to meet new regulations that require Trustees to take account of ESG issues and climate change factors as a serious financial risk. • Following the year end the Trustees have implemented a Responsible Investment policy and will prepare a climate change policy during 2019-20. • The Trustees have received training / presentations on climate risk and responsible investment duties.

Pension fraud committed against the scheme	• The Trustees have agreed to undertake part in the National Fraud Initiative (NFI) exercise every three to five years. • The Trustees last took part in the 2016 NFI exercise. The results have showed there were in fact no cases of fraud identified. • The Trustees will look to undertake another NFI exercise by 2021 at the latest.

Since the year end the Trustees have assessed the impact of the COVID-19 outbreak as having caused additional risks to the Fund. The risks and mitigations are shown in the table below:

Risk	**Mitigation and response to this risk**
Dramatic fall in value of assets and reduced liquidity impact payment of benefits	The Trustees are long term investors and are not unduly concerned about temporary volatility in the market. The Trustees are advised by investment consultants who are managing the market situation and reviewing specific investment portfolio risk. Trustees will be advised to take action if appropriate. Cashflow requirements are also being monitored. The Trustees have structured their investment strategy to ensure maximum liquidity and have received assurance that contributions will continue to be paid over the coming months.
Administrator is unable to pay pensioner payroll, process new retirements or payments following death of members due to reduced staffing	The Trustees have informed their administrators that the business critical areas to prioritise are to continue to pay the pensioner payroll, process new retirements and progress any death payments. The administrators have confirmed they have appropriate processes in place to ensure that the key services continue over the coming months.
Assumptions used in accounts and valuation are no longer accurate	The Fund's actuary has confirmed that in the medium to long term they expect their assumptions to remain broadly accurate. Until data is available it is difficult to make alternative assessments. The Trustees use the sensitivity analysis provided to understand how changes in assumptions would affect results.

Review of effectiveness

The Trustees have responsibility for reviewing the effectiveness of the system of internal control. Our review of internal control effectiveness is informed by the work of the Secretariat, who have been tasked with the development and maintenance of the control framework.

In authorising investment managers to make investments on our behalf, the Trustees receive sufficient information to make informed decisions and to understand the risks associated with those investments. Specifically, they take advice from Hymans Robertson LLP and receive regular updates as to the investment managers' performance and movement of the Fund's assets. The Fund's actuarial liabilities are measured by the Government Actuary and reported to the Trustees via the Actuarial Valuation every three years. The Trustees undertook a Valuation as at 1 April 2017 and the next valuation is now due as at 1 April 2020. This will be published during the 2020-21 Fund year.

In addition, the value of liabilities on an IAS19 basis has been calculated as at 31 March 2019 for the purpose of these financial statements. It has been determined by calculating the liabilities as at 1 April 2017, based on the data for the 2017 actuarial valuation, and rolling forward that liability to 31 March 2019. The assumptions adopted for the assessment are the responsibility of the Trustees, having regard to both the Government's Financial Reporting Manual (FReM) and advice from the actuary. The report from the Actuary on the pensions liability as at 31 March 2019 is included in these accounts on pages 48 to 51.

The Trustees have taken reasonable steps to satisfy themselves that the data provided is of adequate quality for the purposes of the liability assessment. The administrators are contracted to update and maintain membership information and to carry out basic tests to detect obvious inconsistencies and inaccuracies in basic member data. The Government Actuary has carried out reasonableness checks on the detailed data provided and has had discussions with the administrators. These checks have given no reason to doubt the correctness of the information supplied. The Trustees considered the valuation and are satisfied about the assumptions used.

The organisations that provide the Fund's secretariat, custodianship and administration functions are subject to review by their respective organisations' internal audit units, which operate to relevant professional Internal Audit Standards. On behalf of the Trustees, the Secretariat review independent reports on internal operational controls for the custodian and the administrator where appropriate. However, no relevant internal audit work was undertaken during the scheme year.

Financial management

In order to increase governance around fund spending and improve decision making, the Trustees monitor expenditure against their budget at each ordinary meeting.

Procurement

During the scheme year the Trustees issued invitations for tender for the administration contract and following a formal procurement exercise appointed Buck as the new administrators of the PCPF. Buck commenced operation of administration of the Fund in September 2019.

The Trustees are supported by the Secretariat and the House's Parliamentary Procurement and Commercial Services (PPCS) to ensure that all tender exercises follow public procurement guidelines and comply with the EU procurement directives, ensuring equal treatment, non-discrimination and transparency.

The Trustees have other external contracts that are coming to the end of their terms over 2019-2020. The Trustees have previously been unable to use the National Framework Agreement (NFA) for tendering as the Fund was not listed in the framework agreement. However, it is anticipated that the Trustees will be able to use these frameworks in some instances in future where the frameworks allow public sector pension funds to do so. This will be beneficial for the Trustees as the procurement process will be streamlined in some cases, bring comfort around transparency and market benchmarking as well as providing value for money contracts.

Fund Administration

During the scheme year, RPMI undertook the administration, fund accounting, and the calculation and payment of all pension benefits. Appointed officials at RPMI are delegated to approve pension awards for routine retirement (including normal or actuarially reduced early retirement). The Trustees only approve pension awards in other circumstances, for example on ground of ill health. The Trustees have free access to all documents and records maintained by RPMI, on their behalf.

RPMI refer complex or unusual cases to the Fund Secretariat to review. In some technical cases further review is undertaken by the Fund's actuarial and/or legal advisers to ensure that the benefits have been calculated in accordance with the Fund's rules and legislative requirements. The Secretariat also meets regularly with RPMI (at a minimum three times a year), to discuss performance against the contractual service level agreements. The Trustees review RPMI's quarterly administration report at each ordinary Trustee meeting. Although this report is usually presented by the Secretariat, during the scheme year, RPMI presented to the Trustees once.

A separation of duties exists at RPMI whereby the officer initiating a payment cannot authorise the production of the payable instrument or, dispatch the instrument. Furthermore, password controls and authorisation levels are in operation within the operating systems of RPMI.

RPMI undertake a monthly reconciliation of expected member and Exchequer contributions. This enables RPMI to uncover any incorrect contributions and to liaise with the relevant payroll department to rectify the position. RPMI also monitor the timing of payments received from departments.

Custody of Assets

The Northern Trust Company acts as Custodian of the assets managed on a segregated basis on the Trustees' behalf. Securities are registered in the name of the Custodian's nominee name (wherever the local market permits) and identified as investments of the Fund. Cash with Northern Trust is held in accounts in the Fund's name. Monthly reconciliations are undertaken by Northern Trust against the records of all of the investment managers appointed by the Trustees. The Trustees have free access to all documents and records maintained by the Custodian on their behalf.

The Custodians of the assets underlying the unitised equity and bond pooled funds (BlackRock and the property funds) are appointed by the respective managers.

Separation of duties exists whereby responsibility for investment dealings and stock settlements is segregated between the appointed fund managers and Custodian, respectively.

Conclusion

I am satisfied that during 2018-19 there have been no significant control issues relating to the management of the Fund's assets or the administration of pensions and there have been no implications for the effectiveness of the Fund's internal controls.

Approved on behalf of the Trustees on 15 May 2020

Sir Brian H Donohoe
Chairman of Trustees

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Parliamentary Contributory Pension Fund (the Fund) for the year ended 31 March 2019 under Schedule 6 of the Constitutional Reform and Governance Act 2010. The financial statements comprise: the Statements of Comprehensive Net (Expenditure)/Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the financial statements give a true and fair view of the state of the Fund's affairs as at 31 March 2019 and of its net comprehensive expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the directions issued the Constitutional Reform and Governance Act 2010 and direction issued thereunder.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom' and Practice Note 15 'The Audit of Occupational Pension Schemes in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Parliamentary Contributory Pension Plan in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Trustees' for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Constitutional Reform and Governance Act 2010.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Trustees' are responsible for the other information. The other information comprises information included in the Annual Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- in the light of the knowledge and understanding of the Fund and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by

I have nothing to report in respect of the following matters which I report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for our audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

20 May 2020

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Comprehensive Net (Expenditure)/Income for the year ended 31 March 2019

	Note	**2018-19**	2017-18
Income		**£000**	£000
Contributions	6	**12,872**	12,731
Individual transfers in		**1,152**	410
		14,024	13,141
Expenditure			
Benefits payable	7	**(25,792)**	(25,944)
Individual transfers out		**(1,161)**	(663)
Management expenses	8	**(2,048)**	(2,041)
		(29,001)	(28,648)
Finance income			
Investment income	9	**10,640**	9,831
Change in market value of investments	10	**31,519**	11,155
		42,159	20,986
Finance expenditure			
Interest charged		**–**	(30)
Changes in provision for pension liability	17	**(52,800)**	(25,600)
Net (expenditure)		**(25,618)**	**(20,151)**
Other comprehensive net (expenditure)			
Pension re-measurements			
Actuarial gain/(loss)	17	**(24,500)**	58,200
Other re-measurements	17	**7,600**	21,600
Total comprehensive net income /(expenditure)		**(42,518)**	59,649

The notes on pages 25 to 54 form part of these accounts

Statement of Financial Position as at 31 March 2019

	Note	**2018-19 £000**	2017-18 £000 RESTATED	2016-17 £000 RESTATED
Non-current assets				
Financial assets	11	**726,601**	693,697	699,405
Additional voluntary contribution assets	14	**2,180**	2,371	2,502
Total non-current assets		**728,781**	696,068	701,907
Current assets				
Trade and other receivables	15	**1,167**	1,054	1,162
Cash	15	**2,894**	1,881	1,174
Total current assets		**4,061**	2,935	2,336
Total assets		**732,842**	699,003	704,243
Current liabilities				
Trade and other payables	16	**(855)**	(961)	(1,026)
Total current liabilities		**(855)**	(961)	(1,026)
Non-current assets plus net current assets		**731,987**	698,042	703,217
Non-current liabilities				
Financial liabilities	11	**(31,517)**	(24,754)	(35,378)
Provision for pension liability	17	**(957,000)**	(887,300**)**	(941,5000)
Total non-current liabilities		**(988,517)**	(912,054)	(976,878)
Assets less liabilities		**(256,530)**	(214,012)	(273,661)
Taxpayers deficit				
General Fund		**(256,530)**	(214,012)	(273,661)

The financial statements on pages 21 to 54 were approved by the Trustees on:

Signed on behalf of the Trustees:
by:

Sir Brian H Donohoe 15 May 2020
Chairman of Trustees

Statement of Cash Flows for the Year ended 31 March 2019

	2018-19 **£000**	2017-18 £000
Cash flows from operating activities		
Net (expenditure) for the year	(25,618)	(20,151)
Adjustments for non-cash transactions		
Change in market value of investments and gains	**(31,519)**	(11,155)
Less : market value of movements on cash equivalents	**(2,042)**	1,963
(Increase)/decrease in receivables		
Decrease in accrued investment income receivable	**102**	56
(increase)/ decrease in trade and other receivables	**(113)**	108
Increase/(decrease) in payables		
(Decrease) in trade and other payables	**(106)**	(65)
Increase in pension provision	**52,800**	25,600
Net cash (outflow) from operating activities	**(6,496)**	(3,644)
Cash flows from investing activities		
Purchase of investment assets	**(589,434)**	(588,951)
Proceeds of disposal of investment assets	**607,533**	609,662
Net cash inflow from investing activities	**18,099**	20,711
Net increase in cash and cash equivalents	**11,603**	17,067
Cash and cash equivalents at the beginning of the year	**(4,341)**	(21,408)
Cash and cash equivalents at the end of the year *	**7,262**	(4,341)

* Totals are made up of cash at bank note 15 2019: £2,894k (2018: £1,881k) and cash and cash equivalents note 11 2019: £4,368k (2018: -£6,222k) totalling 2019 £7,262k (2018: -£4,341k).

The notes on pages 25 to 54 form part of these accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

	2018-19 £000	2017-18 £000
Balance as at 1 April	**(214,012)**	(273,661)
Net (expenditure) for the year	**(25,618)**	(20,151)
Other comprehensive (expenditure)/income	**(16,900)**	79,800
Net change in taxpayers' equity	**(42,518)**	59,649
Balance as at 31 March	**(256,530)**	(214,012)

Notes to the Financial Statements

1 Description of the Fund

The PCPF is a defined benefit scheme providing final salary and career average revalued earnings (CARE) pension and lump sum benefits on retirement, death and leaving service. It is made up of the MPs pension scheme and the Ministers Pension scheme providing benefits for Members of the House of Commons, Ministers and Office Holders. The Fund is managed by Trustees in line with scheme rules and any relevant legislation. The Independent Parliamentary Standards Authority (IPSA) is responsible for oversight of the MP's scheme; the Minister for the Civil Service for the Ministers' scheme (MCS).

Previously, the main legislative provisions containing the rules of the Scheme were consolidated in the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (SI 1993 No. 3253) as amended. The benefit provisions for MPs and office holders within IPSA's remit are now contained within 'The MPs' Pension Scheme' which was laid before Parliament on 8 December 2014, and the benefit provisions for Ministers are now contained within the Rules of the PCPF (the Ministerial etc Pension Scheme 2015), which was laid before Parliament on 17 December 2014.

A further description of the fund and relevant legislation can be found in the Report of the Trustees on pages 2-10 and on the Fund's website www.mypcpfpension.co.uk.

2 Basis of Preparation

The accounting arrangements of the PCPF are aligned with other public sector pension schemes to ensure comparability of the accounts and improve transparency.

These arrangements requires that the PCPF Trustees prepare accounts that recognise the assets of the Fund and liabilities arising from past and present service in accordance with International Financial Reporting Standards (IFRS) as interpreted by the Government Financial Reporting Manual (FReM) to the extent the FReM is relevant and appropriate, and include such notes and disclosures as deemed appropriate and in accordance with best practice to the extent that the notes and disclosures exceed, but do not conflict with the FReM.

The Statement of Accounts summarises the fund's transactions for the 2018-19 financial year and its position at year-end as at 31 March 2019.

The 2017-18 and 2016-17 figures have been restated to correct the foreign exchange contracts in the year to be shown as net rather than gross. This affects the total investment assets and liabilities but the overall effect is nil. A summary of the changes is as follows:

Title 2017-18	**Page no**	**Original**	**Restated**	**Change**
		£000	**£000**	**£000**
Financial Assets	23, 34	725,917	693,697	(32,220)
Financial Liabilities	23, 34	(56,974)	(24,754)	32,220
FX contracts - OTC	35, 34	32,528	308	(32,220)
FX contracts - OTC	35, 34	(32,250)	(30)	32,220
2016-17				
Financial Assets	23	728,924	699,405	(29,519)
Financial Liabilities	23	(64,897)	(35,378)	29,519

3 Accounting Policies

The principal accounting policies, which have been applied consistently, are:

a Normal member contributions, contributions for the purchase of added years, additional voluntary contributions, and employer (Exchequer) contributions, including deficit contributions, are accounted for in the payroll period to which they relate.

b Benefits are accounted for in the period in which they fall due for payment. When there is a choice, benefits are accounted for in the period in which the member notifies the Trustees of their decision on the type and amount of benefit to be taken, so date of recognition is the latter of the date of retirement or the date the option was exercised, if there is no member choice, they are accounted for on the date of retirement or leaving.

c Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year.

Individual transfers in/out are accounted for when the member liability is accepted or discharged which is normally when the transfer amount is paid or received.

d Management expenses

These are broken down in note 8 and are all accounted for in the period that they relate.

e Investment income

Income from equities and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest.

The income from equities is received into the fund account at the security 'pay date' in line with contractual settlement arrangements. This date may differ as to when the monies are actually received in custody.

Income from fixed interest securities, index-linked securities, cash and short term deposits is accounted for on an accruals basis.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

f Investments

Financial assets are included in the Statement of Financial Position on a fair value basis as at the reporting date. A financial asset is recognised in the Statement of Financial Position on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the Statement of Financial Position.

The values of investments as shown in the Statement of Financial Position have been determined as follows:

Notes to the Financial Statements (continued)

Quoted investments are stated at the bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the Statement of Financial Position.

Fixed interest securities are stated at their 'clean' prices, with accrued income accounted for within investment income.

Unquoted securities are valued by each fund manager at the year end in accordance with accounting guidelines.

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published, or if single priced, at the closing single price.

Derivative contracts are valued at fair value. Derivative contract assets are fair valued at bid price and liabilities are fair valued at offer price.

Changes in fair value are included in change in market value where the economic purpose of the contracts relates to assets. Where the economic purpose relates to income, the change in fair value is included in investment income.

Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

Exchange traded options' fair value is determined using the exchange price for closing out the option at the reporting date. If a quoted market price is not available on a recognised exchange, the over the counter ("OTC") contract options' fair value is determined by the Investment Manager using generally accepted pricing models, where inputs are based on market data at the year end date.

All OTC contracts are priced per the Asset Manager at month end valuation periods.

The fair value of the interest rate swaps and currency swaps is calculated using pricing models based on the market price of comparable instruments at the year end date, if they are publicly traded. Interest is accrued monthly on a basis consistent with the terms of the contract. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts. Net receipts or payments on swap contracts are either reported in investment income (where the economic purpose relates to income) or change in market value (where the economic purpose relates to assets).

Interest rate swaps have been priced using an overnight indexed swap (OIS) discounting methodology.

The fair value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract, these are shown in the accounts net.

Funds invested to secure additional benefits are included in the Statement of Financial Position as AVC investments and are stated at the value as advised by the provider on a going concern basis.

Deposits and net current assets/liabilities are included at book costs which the Trustees consider represents a reasonable estimate of fair value.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees.

g Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the end.

Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

h Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

i Long term liability – pension provision

A long term liability is a liability that is not due within one year. The pension liability and interest on the liability for the fund are valued on an IAS 19 basis for inclusion in the accounts. The liability is shown in note 17.

4 Critical Judgements In Applying Accounting Policies

In applying the accounting policies laid out in note 3, the Trustees have had to make certain critical judgements about complex transactions or those involving uncertainty about future events. In the accounts, these are as follows:

Pension fund liability

The pension fund liability is calculated by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 17. This estimate is subject to significant variances based on changes to the underlying assumptions.

McLoud/Sergeant Case

When IPSA reformed the PCPF benefit structure in 2015, a form of transitional protection was offered to those members closest to retirement. In December 2018 the Court of Appeal upheld a ruling (McCloud/Sargeant) that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. The implications of the ruling are expected to apply to other public service schemes as well. The PCPF was not initially directly affected by the judgement for two reasons, firstly the Act used to claim age discrimination at work would not necessarily cover MPs, as they are elected (not employed) individuals. Secondly, it would be for IPSA, not the Government, to make a decision about whether to compensate those affected by transitional protection in the PCPF. However, in September 2019, IPSA confirmed their intention to ensure that future changes to the PCPF would be in line with the Government's approach to other public service schemes. In light of this the actuaries have revised the IAS19 report and the amended figures are included in note 17.

The gross pension liabilities as at 31 March 2019, shown in note 17 include an allowance for the additional liability potentially arising from the McCloud/Sergeant judgment, this is reflected as a past service cost and amounted to £30m.

This cost has been assessed as the cost of providing members with benefits in whichever scheme (relevant pre or post 2015 scheme) is of higher value between 8 May 2015 and 31 March 2019. This approach is one possible form of compensation and is not the same as calculating which scheme provides better benefits at retirement for each member. The calculation approach is based on the assumptions adopted for the 2018 accounts. Different approaches, based on other assumptions, or different forms of remedy may produce significantly different costs. The ultimate cost of this judgement would depend on the form of remedy, differences between earning and price increases, and individuals' future career paths. The timeframe for the form of remedy to be announced in currently unknown.

The Ministers' Pension Scheme is not affected as is does not contain any transitional provisions.

Unquoted investments

It is important to recognise the highly subjective nature of determining the fair value of unquoted investments. There is a lack of trading prices for underlying investments for these funds. Assets are valued by each fund's respective fund administrator, which in turn is used to determine the fund NAV. This is subject to internal scrutiny in accordance with each managers' processes, which may include the use of independent valuations. The Fund invests in unquoted assets through M&G European Loan Fund, M&G Illiquid Credit Opportunity Fund, PIMCO (through the previous UK bond mandate as at 31 March 2019) and though the UK property investments with BlackRock, Schroders and UBS. For all of these investments, the managers provide valuations to the custodian, Northern Trust, and this information feeds into regular reporting to the Trustees. The Trustees' investment consultants, Hymans Robertson, carry out high level checks to test the reasonableness of these valuations on a quarterly basis and flag any valuations which don't seem sensible. The total value of the Fund's unquoted assets at 31 March 2019 was £189.0m (£186.0m as at 31 March 2018).

5 Assumptions made about the future and other major sources of estimation uncertainty

The preparation of the accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Statement of Financial Position date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimate.

The items in the Statement of Financial Position at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows.

Item	Uncertainty	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consulting actuaries are engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: ■ A 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £79m ■ A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £9.5m ■ A two year increase in assumed life expectancy would increase the liability by approximately £79m.
McCloud transitional protection	It should be noted that there is considerable uncertainty around the potential additional costs as a result of the McCloud judgment, as the form of remedy is uncertain.	There is a considerable element of uncertainty surrounding these figures and they are highly sensitive to assumptions around short term earnings growth. No allowance has been included in our calculation of the past service cost to reflect this potential variation, however it is noted that the cost could be significantly higher / lower than the calculated provision.

6 Contributions

	2018-19	2017-18
	£000	£000
Members		
Normal	**5,756**	5,671
Added years	**144**	176
Additional voluntary contributions	**26**	109
Employer (Exchequer)		
Normal	**6,301**	6,146
Deficit	**645**	629
	12,872	12,731

Following the 2017 valuation, the standard contribution and deficit contribution rates required from the Exchequer from 1 April 2018 were maintained at 12.9%. Member contribution rates vary and are set out on pages 2 and 3.

The Exchequer contribution rates will be reassessed following the 2020 valuation.

7 Benefits payable

	2018-19 £000	2017-18 £000
Pensions	**23,384**	22,674
Lump sum retirement benefits	**2,408**	3,225
Lump sum death benefits	**–**	45
	25,792	25,944

8 Management expenses

	2018-19 £000	2017-18 £000
Trustees – Secretariat	140	135
Third party administration and advisor fees	260	301
Actuarial fees	152	168
Legal fees	199	121
External Audit fee	42	40
Investment management basic fees	941	1,068
Investment management performance fees	49	39
Custody fees	120	71
Investment consultancy	145	98
	2,048	2,041

The auditors did not carry out/undertake any non-audit work.

9 Investment income

	2018-19 £000	2017-18 £000
Fixed interest securities	1,861	2,086
Index-linked securities	12	8
Equities	2,958	3,179
Derivatives	384	183
Pooled investment vehicles	5,402	4,374
	10,617	9,830
Interest on cash held on deposit	**23**	1
	10,640	9,831

10 Change in market value of investments

	Note	**2018-19 £000**	2017-18 £000
Defined benefit assets	11	**31,384**	11,109
Additional voluntary contribution assets	14	**135**	46
		31,519	11,155

11 Investment movements

	Market value 1 April 2018 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in Market value £000	**Market value at 31 March 2019 £000**
Fixed Interest	80,298	183,816	(198,062)	1,356	**67,408**
Index Linked	6,046	–	–	601	**6,647**
Derivatives	1,190	346,836	(347,393)	(193)	**440**
Equities	110,634	59,134	(58,204)	9,003	**120,567**
Pooled Investment vehicles	475,764	–	(3,900)	22,659	**494,523**
	673,932	589,786	(607,559)	33,426	**689,585**
Cash and cash equivalents	(6,222)			*(2,042)	**4,368**
Accrued income	1,233			–	**1,131**
	668,943			31,384	**695,084**

* the change in market value in cash and cash equivalents is the gains and losses on currency and foreign exchange.

Included within the above purchases and sales figures are transaction costs of 2019: £37,627 (2018: £33,789). In addition costs are also borne by the Fund in relation to transactions in pooled investment vehicles, however, such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

The amount recorded in the derivative payments and receipts are the settlements of each leg of the transactions settled in the year which relate to the gross nominal exposure of the contracts rather than their market value.

Investments analysed by Fund Manager

	Market Value 2019 £000	**% of Investments**	Market Value 2018 £000	% of Investments
Pimco Europe Ltd	73,267	10.5	73,300	11.0
MFS International (UK) Ltd	121,889	17.5	112,425	16.8
BlackRock Advisors (UK) Ltd	329,814	47.5	311,570	46.6
UBS Global Asset Management	27,879	4.0	27,092	4.0
BlackRock UK Property Fund	27,254	3.9	26,645	4.0
Standard Life UK Property Fund	336	0.1	334	0.1
Schroder Exempt Property Unit Trust Fund	16,149	2.3	15,795	2.3
Northern Trust Cash	3,245	0.5	5,485	0.8
M & G European Loans Fund	62,331	9.0	62,853	9.4
M & G ICOF	32,920	4.7	33,444	5.0
	695,084		668,943	

Investments

	2018-19	2017-18
	£000	£000
		RESTATED*
Investment assets		
Fixed Interest Securities	**67,408**	80,298
Index Linked Securities	**6,647**	6,046
Equities	**120,567**	110,634
Pooled investment vehicles	**494,523**	475,764
Derivative contracts		
Swaps – OTC	**650**	560
Options – OTC	**58**	–
Futures	**699**	669
FX contracts – OTC *	**308**	308
Other investment assets		
Cash and cash equivalents	**18,209**	10,284
Repo	**–**	2,400
Pending sales	**16,401**	5,501
Accrued income	**1,131**	1,233
Total investment assets	**726,601**	693,697
Investment liabilities		
Derivative contracts		
Swaps – OTC	**(955)**	(163)
Options – OTC	**(68)**	(3)
FX contracts – OTC *	**(66)**	(30)
Futures – exchange traded	**(186)**	(151)
	(1,275)	(347)
Other investment liabilities		
Pending purchases	**(29,201)**	(10,760)
Cash margin	**(1,041)**	(1,658)
Repo	**–**	(11,989)
	(30,242)	(24,407)
Total investment liabilities	**(31,517)**	(24,754)
Net investment assets	**695,084**	668,943

* as stated on page 25 figures have been restated to correct the foreign exchange contracts in the year to be shown as net rather than gross.

Analysis of investments

	2018-19 £000	2017-18 £000 RESTATED*
Investment assets		
Fixed Interest Securities		
UK public sector quoted	**9,310**	21,824
UK quoted	**25,941**	24,538
Overseas public sector quoted	**13,800**	15,900
Overseas quoted	**18,357**	18,036
	67,408	80,298
Index Linked Securities		
Overseas public sector quoted	**6,647**	6,046
Derivative contracts		
Swaps – OTC	**650**	560
Options - OTC	**58**	–
Futures	**699**	669
FX contracts – OTC *	**308**	308
	1,715	1,537
Equities		
UK quoted	**11,268**	51,552
Overseas quoted	**109,299**	59,082
	120,567	110,634
Pooled investment vehicles		
UK – equity	**70,986**	67,002
UK – property	**69,791**	68,231
Overseas – Hedge funds	**32,920**	33,444
Overseas – equity	**258,495**	244,234
Overseas - bond	**62,331**	62,853
	494,523	475,764
Other investment assets		
Cash and cash equivalents	**18,209**	10,284
Pending sales	**16,401**	5,501
Accrued income	**1,131**	1,233
Repo	**–**	2,400
	35,741	19,418
Total investment assets	**726,601**	693,697

Investment liabilities		
Derivative contracts		
Swaps – OTC	**(955)**	(163)
Options – OTC	**(68)**	(3
FX contracts – OTC*	**(66)**	(3)
Futures – exchange traded	**(186)**	(151)
	(1,275)	(347)
Other investment liabilities		
Pending purchases	**(29,201)**	(10,760)
Cash margin	**(1,041)**	(1,658)
Repo	**-**	(11,989)
	(30,242)	(24,407)
Total investment liabilities	**(31,517)**	(24,754)
Net investment assets	**695,084**	668,943

Derivative contracts

Objectives and policies

The Trustees have authorised the use of derivatives, where they are specifically permitted in the investment management agreement, as part of their investment strategy for the pension fund.

Swaps

Swap contracts are over the counter arrangements in which the parties agree to exchange one stream of cash flows for another. The details of swap contracts in place at the year-end date are as follows:

Type of swap	**Duration Years**	**Nominal amount**	**Asset value at year end**	**Liability value at year end**
		£000	**£000**	**£000**
Credit default	0 to 10	1,000	7	-
Synthetic default	0 to 10	9,100	-	(8)
Inflation rate	over 20	300	15	(4)
Exchange Rate Swap	0 to 10	73,900	469	(355)
Exchange Rate Swap	10 to 20	346,500	129	(335)
Exchange Rate Swap	Over 20	143,450	30	(253)
			650	**(955)**

Collateral deposited by counterparties in respect of swap contracts at the year-end date amounted to £358k (2018: £315k). Collateral received in this way is not reported within the Fund's net assets.

Futures

Futures contracts are standardised, transferable, exchange traded contracts that require delivery of a commodity, bond, currency or stock index, at a specified price, on a specified future date. The details of open futures contracts at the year-end date are as follows:

Type of future	Expiration	Economic exposure at year end £000	Asset value at year end £000	Liability value at year end £000
Assets				
Interest Rate Future	9 months		118	–
Currency Rate Future	3 months		581	(186)
			699	(186)

Included within cash balances is £722k (2018: £337k) in respect of initial and variation margins arising on open futures contracts at the year end.

Forward Foreign Exchange (FX)

The Fund had open FX contracts at the year end as follows:

Buy/Sell currency	Currency bought £000	Currency sold £000	Asset £000	Liability £000
Assets				
Sterling/Australian Dollar	1,276	2,311	18	–
Sterling/Euro	6,464	7,350	120	–
Sterling/Japanese Yen	132	18,800	2	–
Sterling/US Dollar	18,611	24,105	152	–
US Dollar/Mexican Peso	1,157	22,209	11	–
US Dollar/Argentine Peso	1	35	–	–
US Dollar/Sterling	453	342	5	–
	Currency bought £000	**Currency sold £000**	**Asset £000**	**Liability £000**
Liability				
Mexican Peso/US Dollar	22,066	1,143	–	(6)
Argentine Peso/US Dollar	5	–	–	–
Euro/Sterling	46	40	–	(1)
Sterling/US Dollar	1,515	2,014	–	(28)
Sterling/Euro	107	125	–	(1)
US Dollar/Chinese Yuan	930	6,517	–	(30)
Total			**308**	**(66)**

All FX contracts settle within 3 months of the year end.

As stated on page 25, all FX contracts are stated net. In previous years they were stated gross, so the 2018 numbers have been restated to net in order to provide a fair comparison.

Options

Call/Put	Expiration	Asset	Liability
		£000	£000
Call	Apr-19	–	(3)
Call	Mar-20	53	(54)
Call	Jun-19	–	(11)
Put	Jun-19	5	–
Total		**58**	**(68)**

Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and Statement of Financial Position heading. No financial assets were reclassified during the accounting year.

	Fair value though profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value though profit and loss	Loans and receivables	Financial liabilities at amortised cost
	31 March 2019			31 March 2018		
	£000	£000	£000	£000	£000	£000
Financial assets						
Fixed interest securities	67,408	–	–	80,298	–	–
Index Linked Securities	6,647	–	–	6,046	–	–
Equities	120,567	–	–	110,634	–	–
Pooled investment vehicles	494,523	–	–	475,764	–	–
Derivative contracts	1,715	–	–	1,537	–	–
Additional voluntary contributions	2,180	–	–	2,371	–	–
Cash and cash equivalents	–	21,103	–	–	12,165	–
Other investment balances	17,532	–	–	9,134	–	–
Trade and other receivables	–	1,167	–	–	1,054	–
	710,572	**22,270**	**–**	**685,784**	**13,219**	**–**
Financial liabilities						
Derivative contracts	(1,275)	–	–	(347)	–	–
Other investment balances	(30,242)	–	–	(24,407)	–	–
Trade and other payables	–	–	(855)	–	–	(961)
	(31,517)	–	**(855)**	**(24,754)**	**–**	**(961)**
Total	**679,055**	**22,270**	**(855)**	**661,030**	**13,219**	**(961)**

Net gains and losses on financial instruments

	31 March 2019 **£000**	31 March 2018 £000
Financial assets		
Fair value through profit and loss	**32,746**	9,192
Loans and receivables	**–**	2,159
Financial liabilities		
Fair value through profit and loss	**(1,362)**	(196)
Loan and receivables	**–**	–
Total	**31,384**	11,155

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments in Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

Values at 31 March 2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Fixed Interest Securities	-	67,408	-	67,408
Index Linked Securities	-	6,647	-	6,647
Equities				
UK quoted	11,268	-	-	11,268
Overseas quoted	109,299	-	-	109,299
Pooled investment vehicles				
Equity	-	329,481	-	329,481
Bonds	-	62,331	-	62,331
Property	-	-	69,791	69,791
Hedge funds	-	-	32,920	32,920
Derivatives				
Swaps	-	650	-	650
Futures	699	-	-	699
FX Contracts	-	308	-	308
Options	5	53	-	58
Other investment balances	7,387	27,996	358	35,741
Total financial assets	**128,658**	**494,874**	**103,069**	**726,601**

Values at 31 March 2019	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial liabilities				
Derivatives				
Swaps	–	(955)	–	(955)
Futures	(186)	–	–	(186)
FX Contracts	–	(66)	–	(66)
Options	(12)	(56)	–	(68)
Other investment balances	–	(30,229)	(13)	(30,242)
Total financial liabilities	**(198)**	**(31,306)**	**(13)**	**(31,517)**
Net financial assets	**128,460**	**463,568**	**103,056**	**695,084**

Values at 31 March 2018	Level 1	Level 2	Level 3	Total
	£000 RESTATED	£000 RESTATED	£000 RESTATED	£000
Financial assets				
Fixed Interest Securities	–	79,897	401	80,298
Index Linked Securities	–	6,046	–	6,046
Equities				
UK quoted	51,552	–	–	51,552
Overseas quoted	59,082	–	–	59,082
Pooled investment vehicles				
Equity	–	311,236	–	311,236
Bonds	–	62,853	–	62,853
Property	–	–	68,231	68,231
Hedge funds	–	–	33,444	33,444
Derivatives				
Swaps	–	560	–	560
Futures	669	–	–	669
FX Contracts	–	308	–	308
Options	–	–	–	–
Other investment balances	12,053	7,080	285	19,418
Total financial assets	**123,356**	**467,980**	**102,361**	**693,697**

Financial liabilities				
Derivatives				
Swaps	–	(163)	–	(163)
Futures	(151)	–	–	(151)
FX Contracts	–	(30)	–	(30)
Options	(3)	–	–	(3)
Other investment balances	(11,986)	(12,119)	(302)	(24,407)
Total financial liabilities	**(12,140)**	**(12,312)**	**(302)**	**(24,754)**
Net financial assets	**111,216**	**455,668**	**102,059**	**668,943**

The 2018 values have been restated following a reclassification by a fund manager.

As a result of additional information being provided by the investment managers for the year ended 2019, £38,867k of PIV's have been reclassified and moved from level 1 to level 2 and £147k of overseas equities from level 3 to level 1. In addition, as noted on 25, foreign exchange contracts have been restated to show the net position not gross.

As a result, level 2 foreign exchange contracts financial assets and financial liabilities have decreased by £32,220k. Level 1 and level 2 financial assets previously reported of £162,076 and £461,333 have been restated to £123,356k and £467,980k respectively. Level 2 financial liabilities previously reported of (£44,532k) have been restated to (£12,312k)

The following table presents the changes in level 3 items for the periods ended 31 March 2019 and 31 March 2018.

	Property	Hedge	Bonds	Overseas Equities	Other	total
Opening 2018	54,903	-	579	-	-	55,482
CIMV	8,729	444	(178)	147	124	9,266
Additions	10,700	33,000	-	-	3,344	47,044
Disposals	(6,101)	-	-	-	(3,485)	(9,586)
CLOSING 2018	**68,231**	**33,444**	**401**	**147**	**(17)**	**102,206**
Restated to Level 2	-	-	(401)	-	-	(401)
CIMV	1,560	(524)	-	(11)	226	1,251
Additions	-	-	-	110	4,400	4,510
Disposals	-	-	-	-	(4,264)	(4,264)
Closing 2019	**69,791**	**32,920**	**-**	**246**	**345**	**103,302**

12 Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will not be sufficient to meet the payment of benefits promised to members (i.e. meet the liabilities) in full as they fall due. The primary objective of investment risk management is to reduce, or remove, the risk that the Fund's assets will be insufficient to meet the liabilities in full. In order to meet the risk management objective, strategic requirements for asset growth, income generation and capital preservation must be balanced. The Fund aims to minimise risk through asset diversification to reduce market risk exposure (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. This is supported by management of liquidity risk to ensure that there is sufficient liquidity to meet the Fund's shorter-term obligations. The Trustees manage these risks as part of their overall risk management policy.

While there are no set risk levels, risk management is a primary consideration when the Trustees review Fund's investment strategy, after considering advice. For example, liquidity risk plays a major role in the design of the investment strategy. Ongoing cashflow and liquidity requirements are reviewed on a quarterly basis to ensure that these requirements are being delivered from the current investment strategy. Therefore, material changes in this risk will be identified, with actions to address suggested as necessary.

The Fund's investment strategy is reviewed typically on a triennial basis, considering the most recent funding assessment. This process involves considering the Fund's investment return needs and determining whether refinements are required to the investment approach to ensure the Fund is on track relative to objectives, with no unnecessary risks taken in targeting this aim. Investment performance relative to the Fund's performance objectives, and underlying manager targets, is reviewed on a quarterly basis by the investment consultants, Hymans Robertson, and reported to the Trustees as part of regular Investment Committee meetings. Material deviations in performance relative to expectations, and so sources of investment risk, are explored in more detail with consideration given to potential actions to address where this is appropriate. The quarterly review of investment performance also considers up to date market views, facilitating the scope to refine the investment approach out with a scheduled review of the investment strategy, should this be required.

Market risk

Market risk is the risk of loss from variations in equity prices, interest and foreign exchange rates, property values and credit spreads. The Fund is exposed to market risk through the investments within the overall portfolio. The overall level of risk exposure depends on market conditions, expectations of future prices and yields and the extent of diversification across the portfolio. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

Market risk – Currency risk

The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pound sterling, and the Fund's primary exposure to currency risk is via its overseas equity holdings.

The 1 year expected standard deviation for an individual currency as at 31 March 2019 is 10%. This assumes no diversification with other assets and, in particular, that interest rates remain constant. This is the same as the measure of currency risk as at 31 March 2018.

Market risk – Other price risk

Potential price changes are based on the observed historical volatility of asset class returns. For example, riskier assets, such as equities typically display greater volatility than other asset classes such as government bonds, so the overall outcome will depend on the Fund's allocation to various asset classes at any given point in time.

Price risk is managed through diversification which is expected to reduce the overall impact of price changes on the combined value of the Fund's assets. The individual mandates within the Fund's investment strategy are also monitored regularly by the Trustees and the Secretariat, to ensure that they are being managed in accordance with their objectives, so as to remain aligned to the overall portfolio strategy.

The table below shows the volatility of the asset classes the Fund invests in, and an estimate of the combined volatility for the Fund's combined assets. The assets detailed below are the assets in the underlying PIV's:

Table 1: Parliamentary Contributory Pension Fund – Other price risk

Asset class	1 year expected volatility (%)	% of Fund	Asset values as at 31 March 2019 (£m)
UK equities	16.6	12.1	85.0
Global equities (ex UK)	16.9	46.7	326.3
Emerging market equities	25.3	5.6	39.3
Property	14.3	10.4	71.6
Corporate bonds/Non-Gilts (medium term)	10.5	5.3	36.8
Fixed gilts (medium term)	9.7	2.8	19.6
Senior Loans	5.9	11.1	77.4
High Yield Debt	7.3	4.9	34.5
Cash	0.5	1.1	7.5
Total Fund volatility	**10.7**	**100.0**	**698.0**

Note: Asset values are as at 31 March 2019. Numbers may not sum due to rounding. Asset values are sourced from Northern Trust and also includes the balance of the Trustees' bank account totalling £2.9m as at 31 March 2019.

The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

Market risk - Interest rate risk

In general, the Fund's bond investments are subject to interest rate risk, which represents the risk that the value of the investments will fluctuate due to changes in interest rates. Duration is a measure of the sensitivity of an investment to changes in interest rates.

Table 2 below shows the duration estimates for the different components within the Fund's bond investments.

Table 2: Parliamentary Contributory Pension Fund – Interest Rate Risk

Asset class	Duration (years)	Asset values as at 31 March 2019 (£m)
Corporate bonds/Non-Gilts (medium term)	1.7	36.8
Fixed gilts (medium term)	11.7	19.6
Senior Loans	0.9	77.4
High Yield Debt	0.0	34.5
Total bond investments	**2.1**	**168.3**

Note: Underlying data sourced from investment managers (PIMCO, M&G) as at 31 March 2019. Numbers may not sum due to rounding.

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation that is entered into directly with the Fund, or indirectly via the Fund's investment managers.

The Fund is exposed to direct credit risk in relation to the Fund's bank account, custodian and investment managers who are appointed to manage the Fund's investments. The Fund has had no experience of default or uncollectable deposits in recent years from its cash holdings. The Fund's cash holdings (including cash balances with investment managers) as at 31 March 2019 was £7.5M, as shown in the table below.

Table 3: Parliamentary Contributory Pension Fund – cash holdings

Summary	**Rating (S&P)**	**Asset values as at 31 March 2019 (£m)**
Money market funds: Northern Trust	A1+	4.2
Bank current accounts: Royal Bank of Scotland	A2	2.9
Net cash equivalents: Investment managers	n/a	0.4
Total		**7.5**

Note: Asset values are sourced from Northern Trust and from investment managers (PIMCO, M&G). Credit ratings for investment manager net cash equivalent balances is not available.

The Fund is also exposed to indirect credit risk in relation to underlying investments in which the Fund is invested, including the bond mandate managed by PIMCO and the European Loans and Illiquid credit mandates managed by M&G. The management of this indirect credit risk is delegated to the Fund's investment managers. The market values of investments in these mandates generally include an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets. A summary of the Fund's indirect credit risk exposures is also provided below:

Table 4: Parliamentary Contributory Pension Fund – Indirect Credit Risk

Credit rating of bond investments	**Asset values as at 31 March 2019(£m)**	**% of Bond investments**
A1+	3.7	2.2%
AAA	25.3	15.0%
AA+	0.2	0.1%
AA	9.6	5.7%
AA-	10.6	6.3%
A+	1.4	0.8%
A	4.0	2.4%
A-	2.3	1.3%
BAA+	1.3	0.8%
BAA	1.2	0.7%
BAA-	1.6	1.0%
BBB	2.7	1.6%
BA+	0.9	0.5%
BA	0.2	0.1%
BB+	1.9	1.2%
BB	11.7	6.9%
BB-	9.1	5.4%
B+	10.1	6.0%
B	34.0	20.2%
B-	7.9	4.7%
CAA	0.0	0.0%
CCC+	0.8	0.5%
Not rated	27.8	16.5%
Total	**168.3**	**100.0%**

Note: Asset values are as at 31 March 2019. Numbers may not sum due to rounding. Asset values are sourced from Northern Trust. Credit ratings are sourced from PIMCO and M&G.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due.

The majority of the Fund's direct and underlying investments are made up of listed securities which are considered readily realisable as they are listed on major security exchanges.

The Fund invests in an illiquid credit fund managed by M&G, with capital committed for a period of 3 years. After that point, the fund will operate a redemption process on a quarterly basis, subject to 180 days' notice. The illiquid credit fund does, however, distribute income supporting the Fund's cashflow obligations. The Fund's allocation to illiquid credit is currently 5% of assets. The Fund has no further holdings in illiquid assets such as private equity, infrastructure or directly held property. The Fund also invests in certain assets that provide income which is used to support the Fund's cash flow obligations.

The Fund maintains investments in cash, outside of the investment assets held by the custodian that are highly liquid and can be used to meet short term obligations such as expenses, pension payments, pension commencement lump sums and the payment of transfer values.

The Secretariat undertakes regular reviews, with support from the Fund's advisers, to ensure the Fund's investment arrangements are appropriate for the Fund's liquidity requirements. The Secretariat has also put in place arrangements with the Fund's investment managers and custodian to allow for regular distributions of cash to support the Fund's cash flow obligations.

The Fund's cash position is also monitored by the Fund's administrator to ensure that there is sufficient cash to meet benefit payments as they fall due.

13 Concentration of investment

The Fund held the following investments which had a value exceeding 5% of the total value of assets less liabilities (excluding the long-term liability) as at 31 March 2019.

Pooled Investment Vehicles	**Market Value 2018-19 £000**	**% of Net Assets 2018-19**	Market Value 2017-18 £000	% of Net Assets 2017-18
BlackRock Pensions Management Aquila Life Global	**96,045**	**13.8**	89,915	13.4
Aquila Life UK Equity Index	**70,986**	**10.2**	67,002	10.0
M & G European Loan C	**62,331**	**9.0**	62,853	9.3
Aquila Life US Equity Index	**62,443**	**9.0**	56,130	8.3
BlackRock Emerging Markets	**39,147**	**5.6**	38,867	5.8
Aquila Life European Equity Index	**39,666**	**5.7**	38,594	5.7

14 Additional Voluntary Contributions (AVCs)

The Trustees are responsible for administering an AVC Scheme whereby active members may make contributions to secure additional benefits to those provided by the Fund. These contributions are invested separately from the Fund, with outside providers (Utmost (formerly Equitable Life) and or Zurich) securing additional benefits on a money purchase basis for those members electing to pay AVCs. lthough the Trustees withdrew the option for Active members to pay AVCs to Equitable a number of years ago, some members still retain their funds with them. Scheme members who have AVCs invested with Utmost and Zurich, receive an annual statement confirming the amounts held in their accounts and the movements in the year. The aggregate movements and amounts of AVC investments are as follows:

	2018-19	2017-18
	£000	£000
AVC investments as at 1 April	**2,371**	2,502
AVC contributions purchases	**26**	50
AVC sales	**(352)**	(227)
Change in market value	**135**	46
AVC investments as at 31 March	**2,180**	2,371
Market value of AVC investments by provider		
Equitable Life	**1,036**	1,110
Zurich	**1,144**	1,261
	2,180	2,371

AVCs are held in with-profits, unit-linking and deposit balances.

15 Current assets

	2019	2018
	£000	£000
Contributions due to Fund:		
Member normal contributions	**470**	466
Employer normal contributions	**680**	570
Member AVC	**2**	2
Member added years	**12**	12
	1,164	1,050
Provision for overpaid Guaranteed Minimum Pension (GMP) owed by members to the Fund	**3**	4
Balance at bank	**2,894**	1,881
	4,061	2,935

16 Current liabilities

(amounts due within one year)	**2019** **£000**	2018 £000
Lump sums and taxation	**(443)**	(566)
Administrative expenses	**(128)**	(247)
Investment management expenses	**(272)**	(136)
Provision for GMP owed to members	**(12)**	(12)
	(855)	(961)

17 Actuarial Liability - IAS 19 Basis

The statement is based on an assessment of the liabilities as at 1 April 2017, with an approximate uprating to 31 March 2019 to reflect known changes.

Membership Data

Tables A and B summarise the principal membership data as at 1 April 2017 and 31 March 2018 used to prepare this statement.

Table A – Active members (MP's and officeholders combined)

	1 April 2017		**for the year to 31 March 2019**
Number	**Total salaries in membership data (pa) (£ million)**	**Total accrued pensions (£ million)**	**Total salaries (£ million)**
792	52.8	12.5	53.9

Table B – Deferred members and pensions in payment

	1 April 2017	
Category	**Number**	**Total deferred pension (pa) (£ million)**
Deferreds	224	4.5
Pensioners	1,090	22.6

Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of final salary benefits for active members, and the principal financial assumptions applying to the 2018-19 accounts. The contribution rate for accruing costs in the year ended 31 March 2019 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2017-18 accounts.

This statement takes into account the benefits normally provided under the scheme, including age retirement benefits and benefits applicable following the death of the member.

Principle financial assumptions

The principal financial assumptions adopted to prepare this statement are shown in Table C

Table C – Principal financial assumptions

Category	31 March 2019 (% p.a.)	31 March 2018 (% p.a.)
Gross discount rate	2.45	2.55
Price inflation (CPI)	2.35	2.30
Earnings increases (excluding promotional increases)	4.35	4.30
Real discount rate (net of CPI)	0.10	0.25

Demographic assumptions

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2019 are based on those adopted for the 2017 funding valuation of the PCPF.

The standard mortality tables known as S2NxA are used. Mortality improvements are in accordance with those incorporated in the 2016-based principal population projections for the United Kingdom.

The contribution rate used to determine the accruing cost in 2018-19 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2017-18 accounts.

Liabilities

Table D summarises the assessed value as at 31 March 2019 of benefits accrued under the scheme prior to 31 March 2019 based on the data, methodology and assumptions described in paragraphs D to J. The corresponding figures for the previous year end are also included in the table.

Table D – Statement of Financial Position

	31 March 2019 £ million	31 March 2018 £ million
Total market value of assets (excl AVC'S)	698.3	671.0
Value of liabilities	957.0	887.3
Deficit	(258.7)	(216.3)
Funding Level	73%	76%

Table E – Movement in actuarial liability

	31 March 2019 £ million	31 March 2018 £ million
Actuarial liability at the start of the year	887.3	941.5
Movement in the year due to		
Current service cost (net of member contributions)	20.1	20.7
Member regular contributions	5.7	5.7
Past service cost	30.0	-
Benefits paid	(25.8)	(25.8)
Net transfers-in	-	(0.2)
Enhancements (i.e. added pension contributions)	0.2	0.2
Interest on scheme liability	22.6	25.0
Changes in assumptions	24.5	(58.2)
Experience gains or losses	(7.6)	(21.6)
Actuarial liability at end of year	**957.0**	**887.3**

Pension Cost

The cost of benefits accruing in the year ended 31 March 2019 (the Current Service Cost) is based on a standard contribution rate of 47.9% (including member contributions but excluding expenses) (2018: 50.0%), as determined at the start of the year. Table F shows the standard contribution rate used to determine the Current Service Cost for 2018-19 and 2017-18.

McLoud/Sergeant Case (Past Service Cost)

When IPSA reformed the PCPF benefit structure in 2015, a form of transitional protection was offered to those members closest to retirement. In December 2018 the Court of Appeal upheld a ruling (McCloud/Sargeant) that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. The implications of the ruling are expected to apply to other public service schemes as well. The PCPF was not initially directly affected by the judgement for two reasons, firstly the Act used to claim age discrimination at work would not necessarily cover MPs, as they are elected (not employed) individuals. Secondly, it would be for IPSA, not the Government, to make a decision about whether to compensate those affected by transitional protection in the PCPF. In September 2019, IPSA confirmed their continued intention to ensure that the PCPF remains in line with the Government's approach to other public service schemes.

The gross pension liabilities as at 31 March 2019, shown in note 17 include an allowance for the additional liability potentially arising from the McCloud/Sergeant judgment, this is reflected as a past service cost and amounts to £30m.

This cost has been assessed as the cost of providing members with benefits in whichever scheme (relevant pre or post 2015 scheme) is of higher value between 8 May 2015 and 31 March 2019. This approach is one possible form of compensation and is not the same as calculating which scheme provides better benefits at retirement for each member. The calculation approach is based on the assumptions adopted for the 2018 accounts. Different approaches, based on other assumptions, or different forms of remedy may produce significantly different costs. The ultimate cost of this judgement would depend on the form of remedy, differences between earning and price increases, and individuals' future career paths. The timeframe for the form of remedy to be announced in currently unknown.

The Ministers' Pension Scheme is not affected as is does not contain any transitional provisions.

Table F – Contribution Rate

	2018-19	2017-18
Standard contribution rate (excluding expenses)	47.9%	50.0%
Members' contribution rate (average)	10.6%	10.6%
Employer's share of standard contribution rate (excluding expenses)	37.3%	39.4%

The employer's share of the standard contribution rate determined for the purposes of the accounts is not the same as the actual rate of contributions payable by the Exchequer, currently 12.9%, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The most significant difference between the actuarial assessments for accounts and for scheme funding purposes is the discount rate net of pension increases, which was 0.1% pa for the 2018-19 Current Service Cost (0.25% pa for 2017-18) compared with 2.5% pa for scheme funding. The higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is determined considering the assets held by the scheme and the expected returns on those assets. The discount rate for accounts is set each year in accordance with IAS19.

The pensionable payroll for the financial year 2018-19 was £53.9 million (2017-18: £52.5 million). Based on this information, the accruing cost of pensions in 2018-19 (at 47.9% (2017-18: 50.0%) of pay) is assessed to be £25.8 million (2017-18: £26.2 million). There is no past service cost and so this is the total pension cost for 2018-19.

Sensitivity of results

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty the information below indicates the approximate effects on the actuarial liability as at 31 March 2019 of changes to the significant actuarial assumptions.

The principal financial assumptions are the future increases in pensionable salary due to general inflation (earnings increases), pension increases (both in payment and deferment), and the rate of interest (or discount rate) used to calculate the value of the benefits and contributions. A key demographic assumption is pensioner mortality.

Table F shows the indicative effects on the total liability as at 31 March 2019 of changes in these assumptions (rounded to the nearest ½%).

Sensitivity to main assumptions

Change in assumption*	Approximate effect on total liability		
Rate of return			
(i) in excess of earnings:	-½% a year	+1.0%	£9.5 million
(ii) in excess of pensions:	-½% a year	+8.5%	£79 million
Pensioner mortality			
(iii) two additional years increase to life expectancy at retirement:		+8.5%	£79 million

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

In these sensitivity runs it is assumed that all assumptions, other than the one that is listed, remain the same.

18 Related Party Transactions

The Exchequer contribution taking into account recommendations by the Actuary is paid from the House of Commons Members Estimate.

During the fund year of the ten PCPF Trustees, six were pensioners within the Fund (2018: five), two were active members of the Fund (2018: three) and the remaining two were not members of the Fund (2018: two). The Trustees who are pensioners or members of the Fund receive benefits on the same basis as other members of the Fund. The Trustees are listed on page 6.

Other than the related party transactions disclosed above, the Trustees and key management staff have declared that neither they, nor any party related to them, has undertaken any material transactions with the Fund during the year.

There were no fees paid to Trustees during the year (2018: nil). There were fees paid to the Secretariat of £140k (2018: £135k).

19 Employer Related Investments

There were no employer related investments as at 31 March 2019. (2018: nil).

20 Standards issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for period beginning on or after 1 January 2018, therefore the Scheme has adopted it in this Report and Accounts.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair value through other comprehensive income ("FVTOCI") and Fair value through profit and loss ("FVTPL").

As at 31 March 2019, the Scheme had investments assets of £695.1m. Under IFRS 9, the Scheme has designated these assets as measured at FVTPL. Consequently, all fair value gains and losses are reported during the year through profit and loss.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model does not apply to financial assets measured at FVTPL, so it is not relevant to the Scheme.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- The amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income ("OCI"); and
- The remaining amount of change in the fair value is presented in profit or loss

The Trustees' assessment did not indicate any material impact regarding the classification of financial liabilities at 31 March 2019.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for period beginning on or after 1 January 2018.

The Scheme does not receive any revenues and as such the Trustees do not consider IFRS 15 relevant to it.

21 Standard issued but not yet effective

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 is effective for period beginning on or after 1 January 2019.

The Scheme does not hold any leases and as such the Trustees do not consider IFRS 16 relevant to it.

22 Funding Arrangements

Paragraph 10 of Schedule 6 of the Constitutional Reform and Governance Act 2010 requires the Government Actuary to make a report to the Trustees, the Minister for the Civil Service, IPSA and HM Treasury, at three-year intervals on;

- the general financial position of the Fund; and,
- make a recommendation as to the rate at which Exchequer contributions should be paid into the Fund in respect of any financial year beginning after the report is made.

The principal funding objective is to maintain a fund of assets which is expected to be sufficient to provide the benefits promised to members and their beneficiaries. Another important aim is to ensure that accruing benefits are paid for during members' participation in the PCPF and that the charges borne by the Exchequer for accruing benefits are reasonably stable over time.

The most recent report provided by the Government Actuary was the IAS 19 accounting valuation related to the position as at 31 March 2019.

Based on the method and assumptions adopted for this valuation, the value of liabilities accrued up to the valuation date (including an allowance for future expenses) was assessed as £957.0 million. The market value of the assets on the same date was £698.3 million. The deficit at 1 April 2019 was accordingly £258.7 million. This corresponds to a funding level of 75%.

Following the 2017 triennial valuation, the Government Actuary recommended that, taking account of the Exchequer share of future service costs (16.8% of pay) and of the reduction to contributions to remove just under half of the surplus (3.9% of pay), that the rate of Exchequer contribution to be paid from 1 April 2018 until 31 March 2021 should continue to be 12.9% of pensionable salaries in respect of MPs' and officeholders' benefits.

The IAS 19 accounting valuation was carried out using the projected unit method, the principal assumptions used are the same as used in the 2017 triennial valuation and were as follows;

Principal Financial Assumptions

Gross rate of return	2.45%
Real rate of return, net of earnings increases	-1.80%
Real rate of return, net of pension increases	0.10%

Principal demographic assumptions

Mortality	**1 April 2017**
Males (retirements in normal health and dependants)	80% of SAPS (normal health males amounts) U=2014
Females (retirements in normal health and dependants)	85% of SAPS (normal health females amounts) U=2014
Male (ill-health pensioners)	80% of SAPS (ill-health males amounts) U=2014
Females (ill-health pensioners)	85% of SAPS (ill-health females amounts) U=2014

Further information can be found in the Government Actuary's report on the PCPF actuarial valuation at 1 April 2017, which is published as a House of Commons paper and can be found on the Fund's website www.mypcpfpension.co.uk.

23 Contingent liabilities

GMP Indexation and Equalisation

As the result of a legal ruling UK defined benefit pension schemes (such as the PCPF) must compensate members for differences attributable to guaranteed minimum pensions (the minimum pension an occupational pension scheme must provide a scheme member as an alternative to the State Earnings Related Pension Scheme). The impact of this is still uncertain as further consultation on the methodology for ensuring equalisation and the legislation required to implement the preferred option has yet to happen. However, initial high-level estimates by GAD indicate the increase in liabilities to be approximately 0.1%.

24 Events after the reporting period date

Events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Audit General. Since the year-end, due to the global impact of the Coronavirus (Covid-19) pandemic, the value of investment assets have been impacted. The value of the liabilities (across all categories) may also be affected, although the effect of this is currently unknown. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at the year end date. It is not possible, at this time, to quantify the change in market value or liabilities in a meaningful way, due to ongoing volatility as the situation is fluid and unpredictable.

Appendix A

Accounts Direction

GIVEN BY THE COMPTROLLER & AUDITOR GENERAL UNDER THE PARLIAMENTARY PENSIONS (CONSOLIDATION AND AMENDMENT) REGULATTONS 1993 (SCHEDULE 1, PARAGRAPH 16)

1 In accordance with Schedule 1 of the Parliamentary Pensions (Consolidation) Regulations 1993, the trustees of the Parliamentary Contributory Pension Fund ('the fund') shall prepare annual accounts for the fund in accordance with this accounts direction.

2 This direction supersedes that dated 10 March 1998 and is effective for the fund's accounts as prepared by the trustees for the year ended 31 March 2016. This direction will remain in force until such time as it is replaced or superseded by a new direction and will be subject to review in no more than five years following the date of issuance.

3 The trustees shall prepare financial statements so as to give a true and fair view as at the 31 March each year. There is a strong presumption that compliance with International Financial Reporting Standards ('IFRS') will give a true and fair view. Additional notes and disclosures are to be included as required where these exceed, but do not conflict with, the requirement to give a true and fair view.

4 This year IFRS 9 was adopted and subsequently the Trustee determined that all its investment assets should be valued through Fair Value Through Profit and Loss ("FVTPL") and therefore all gains and losses have been recorded through profit & loss. Prior year assets have been reviewed and it has been determined that no changes are required for prior year accounting in respect of IFRS 9. The adoption of IFRS 9 has had no impact on hedge accounting – the Scheme's custodian, Northern Trust, produce accounts reporting which are compliant with IFRS.

5 The trustees shall:

- prepare accounts that recognise the assets of the fund and the liabilities arising from past and present service by Members of Parliament in accordance with IFRS as interpreted by the Government Financial Reporting Manual (the'FReM') issued by Her Majesty's Treasury to the extent that the FReM is relevant and appropriate; and

- include such notes and disclosures as deemed appropriate and in accordance with best practice to the extent that the notes and disclosures exceed, but do not conflict with, the FReM.

6 The trustees shall prepare an annual report that includes information and other such disclosures as the trustees see fit as to provide transparency over the operations of the fund to the extent this information and these disclosures exceed, but do not conflict with, the FReM.

7 In exceptional cases, to ensure that the accounts present a true and fair view, the Accounting Officer and trustees may decide that it is appropriate to apply a material departure from IFRS requirements. If such an instance arises, the Accounting Officer and Trustees will need to discuss and agree the circumstances with the Comptroller and Auditor General, and they will need to disclose in the accounts the circumstances and implications of the departure.

8 The accounts shall be made available for audit no later than nine months following the end of the Financial year.

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