PARLIAMENTARY CONTRIBUTORY PENSION FUND

Annual Report and Financial Statements

Year ended 31 March 2023

HC 1939

Parliamentary Contributory Pension Fund

Annual Report and Financial Statements

Year ended 31 March 2023

Presented to the House of Commons pursuant to Schedule 6 of the Constitutional Reform and Governance Act 2010

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HC 1939

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Statutory Basis for the Fund

The Parliamentary Contributory Pension Fund ('PCPF' or '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). The Constitutional Reform and Governance Act 2010 passed responsibility for the schemes to the above mentioned bodies.

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. Transitional protections brought in at the same time, meant that re-elected MPs that had been within 10 years of retirement on 1 April 2013 would remain in the final salary section. 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 (this was known as partial 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 2015.

Transitional and partial transitional protection also applied to those appointed as an Office Holder from 8 May 2015. Those who had transitional protection in respect of their MPs service built up additional Office Holder benefits under the Rules in force prior to 2015, while those without transitional protection joined the CARE section as an MP Office Holder.

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

- Chair and Deputy Chair of Ways and Means
- Chair and Deputy Chair of Committees of the House of Lords
- Paid Select Committee Chairs
- Member of Chair's Panel

At the end of the accounting year, on 31 March 2023, the Final Salary section of the MPs' Pension Scheme closed to future accrual for MPs and relevant Office Holders. All active members of MPs' Pension Scheme began accruing benefits in the CARE Section from 1 April 2023. Accrued benefits within the Final Salary section remain linked to a members' future final salary, although no further benefit accrual may occur.

During the accounting year, MPs' salaries (which are also set by IPSA) were £84,144.

During the year, 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 paid 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.

PCPF Response to McCloud

The McCloud/Sargeant court cases (later referred to solely as McCloud) declared that the transitional protection within the Judges' and Firefighters' Pension Schemes gave rise to age discrimination. In July 2019 having been denied leave to appeal, the Government accepted that the discriminatory transitional protections would be removed across all public service schemes affected by transitional protections. Although not directly affected by the judgement, similar transitional protections had been included within the Rules of the MPs' Pension Scheme, as already discussed above. Therefore, IPSA decided to make the following changes to the MPs' Pension Scheme in response to McCloud, to ensure that the PCPF remained in line with other public service schemes:

- The closure of the Final Salary section on 31 March 2023;
- All impacted members to be offered a choice of benefits for service between 8 May 2015 and 31 March 2023, through an immediate choice exercise to be administered between 2023 and 2025.
- Fully Protected Members to be offered a choice in line with other impacted members;
- Partially Protected Members are to be offered a 'no change' option (i.e., to retain their mix of Final Salary and CARE accrual);
- Defaults where a member does not communicate a choice will be 'no change' based on an individual member's accrued benefits.

The MPs' Pension Scheme Rules had to be amended to implement the McCloud response. The new Scheme Rules were laid on 30 March 2023. The Trustees are committed to working with IPSA to make the required amendments to the PCPF to implement the PCPF's McCloud response.

The gross pension liabilities calculated as at 31 March 2019 included an allowance for the additional liability potentially arising from the McCloud judgment, this was reflected as a past service cost and amounted to £30m. In 2019-20 the allowance for the McCloud liability was adjusted down by £9.0m (shown as a negative past service cost), following on from the HM Treasury consultation document issued in July 2020. Since 2020-21 the accruing cost of McCloud liabilities has been included in the current service cost each year but the McCloud element has not been shown separately in the accounts.

The 2022-23 start year liabilities therefore included the McCloud costs up to 31 March 2022. The McCloud element of the current service 2022-23 was £5m. The overall liability for McCloud costs over the entire remedy period on assumptions consistent with those used to calculate the current service cost and other disclosures in the accounts for the year ending 2022-23 is in the region of £45m. As for the current service cost and other disclosures, this value is given prior to the overall change in assumptions at the end of the accounting year which is included in the accounts disclosures.

Ministers' Pension Scheme

The 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. As a result, the Ministerial Scheme is not affected by McCloud.

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

Pension contributions to the Ministers' Pension Scheme did not change during the accounting year.

Benefits Payable

The table below outlines the benefit provision of the MPs' and Ministers' Pension Schemes.

MPs' Pension Scheme – final salary section for service up to 31 March 2023 and Ministers' Pension Scheme up to 8 May 2015	MPs' Pension Scheme – CARE section for service from 8 May 2015 and Ministers' Pension Scheme from 9 May 2015
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. Additional benefits payable if a member dies whilst undertaking Parliamentary duties.
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 amount.
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. Additional benefits payable if a member dies whilst undertaking Parliamentary duties. 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, if contract in place prior to 8 May 2015 date, and prior to February 2022 to 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 prior to February 2022 to contribute to an AVC scheme with an outside provider.

Benefits payable from the CARE section of the MPs' Pension Scheme and Ministers' Pension Scheme are subject to a cost capping mechanism. The cost cap was put in place to protect the Government against future increases in the cost of pension liabilities. If the cap was exceeded, then benefits could be reduced, or member contributions could rise to compensate. Similarly, a floor in each scheme means that if costs decrease below the floor, member benefits could increase, or contributions decrease to compensate. The calculation to determine which, if any, of these circumstances would apply is the cost cap valuation which should be carried out following each pension scheme valuation.

The Ministers' Pension Scheme is covered by the same cost capping mechanism that is used for the major public service pension schemes. However, the MPs' Pension Scheme is covered by a "light touch" approach which is set out in the MPs' pension scheme rules.

Initial calculations for the cost cap valuation were undertaken in 2018, following the 2017 PCPF Valuations. However, the Government paused the cost cap mechanism across the public sector due to unexpected initial results and uncertainty caused by McCloud. The cost cap mechanism was un-paused in July 2020 and the Government announced that schemes would need to include the cost of McCloud in the previously paused cost cap valuations. Initially the implications for the PCPF were uncertain, as the cost cap mechanism in the MPs' Pension Scheme Rules differ to the approach in other public sector schemes and excludes costs relating to transitional protections and relates to the cost of accruing future service benefits in the CARE Section only. IPSA confirmed that allowing for McCloud costs does not fit naturally with the cost cap mechanism as it currently exists. As such, IPSA asked GAD to proceed with the 2017 and 2020 cost cap valuations according to the current scheme rules, which excluded the impact of McCloud. IPSA have amended the cost cap mechanism slightly so that the 'corridor' between ceiling and floor is widened to +/- 3%, in line with the government's approach to the cost caps of other public service schemes. GAD presented the draft 2017 and 2020 cost cap valuation results for the MPs' Pension scheme to the Trustees in September 2022 and there was no breach of the cost cap corridor at 3%. This meant that no adjustment to the member contribution rate to the MPs pension scheme was required. GAD presented the results of the 2017 Ministerial Pension Scheme cost cap valuation to the Trustees in July 2023 which also showed that there was no breach of the cost cap mechanism and therefore no adjustment was required to the member contribution rate to the Ministerial pension scheme as a result of the cost cap valuation. The 2020 Ministerial Pension Scheme cost cap valuation will be completed in due course and work undertaking the 2023 MPs' and Ministerial Pension Scheme cost caps will commence following the completion of the 2023 triennial valuation.

Financial statements

During the year, contributions received into the Fund increased to £13.8 million compared with £13.6 million for the prior year. Member benefits payments have decreased year on year from £29.3 million in 2022 to £28.0 million in 2023.

The net returns on investments comprised; negative change in market value of investments of £42.0 million in the current year (2022: positive £72.4 million), and investment income of £10.2million (2022: £8.8 million) offset by both management expenses and investment fees of £2.8 million (2022: £2.9 million).

The total taxpayers' surplus as at 31 March 2023 was £46.6 million (2022:deficit of £202.2 million).

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 £496k in 2022-23, (£900k in 2021-22).

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's Department (GAD) with interim assessments undertaken in the years between valuations. A triennial actuarial valuation was last undertaken in 2020 and was based on the membership as at 1 April 2020. Following the valuation, GAD recommended that the exchequer contribution rate remain at 12.9% from 1 April 2021 onwards. A triennial actuarial valuation based on the membership as at 1 April 2023 has commenced and will determine the exchequer contribution rate from 1 April 2024.

REPORT OF THE ACTUARY

Actuarial update as at 31 March 2023

In addition to the triennial actuarial valuations, every year GAD provide an accounting valuation report to the Trustees which sets out the current service cost and actuarial liability for the Fund year. The Actuary's report on the liabilities as at 31 March 2023 is shown on pages 59 to 65 of these Accounts, and the information below has also been taken from this report.

The Fund's net liability, or surplus/ (deficit), as at 31 March 2023, and the corresponding figures as at 31 March 2022, are set out below:

	31 March 2023 £m	31 March 2022 £m
Present value of Fund liabilities	741.5	1,040.1
Fair value of Fund assets	(785.9)	(835.7)
Surplus / (Deficit)	**44.4**	**(204.4)**

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 2022-23 accounts.

The principal financial assumptions used to value the liabilities at 31 March 2023 and a comparison as at 31 March 2022 are summarised below:

Principal financial assumption	31 March 2023 (% p.a.)	31 March 2022 (% p.a.)
Gross discount rate	4.65	2.65
Price inflation (CPI)	2.60	3.15
Earning increases (excluding promotional increases)	4.10	4.65
Real discount rate (net of CPI)	2.00	(0.50)

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2023 are based on those adopted for the 2020 funding valuation of the PCPF.

The value of benefits accrued under the Fund prior to 31 March 2023 are summarised below:

	31 March 2023 (£m)	31 March 2022 (£m)
Total market value of assets	785.9	835.7
Value of liabilities	(741.5)	(1,040.1)
Surplus/(Deficit)	44.4	(204.4)
Funding Level	106%	80%

The contribution rate for accruing costs in the year ended 31 March 2023 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2021-22 accounts.
The cost of benefits accruing in the year ended 31 March 2023 (the Current Service Cost) is based on a standard contribution rate of 64.1% (including member contributions but excluding expenses) (2022: 64.5%), as determined at the start of the year. The table below shows the standard contribution rate used to determine the Current Service Cost for 2022-23 and 2021-22:

	Percentage of pensionable pay	
	2022-23	**2021-22**
Standard contribution rate (excluding expenses)	64.1%	64.5%
Members' contribution rate (average)	(10.7%)	(10.7%)
Employer's share of standard contribution rate (excluding expenses)	**53.4%**	**53.8%**

The Trustees commission GAD to undertake an assessment of the Fund each year in accordance with International Accounting Standard 19 (IAS19) in order to inform the disclosures for inclusion in the accounts. This actuarial update outlines the Current Service Cost and actuarial liability for the relevant accounting period. The assumptions adopted for the assessment are the responsibility of the Trustees although IAS19 provides guidance on how the assumptions should be set. In particular, the methodology for setting the most significant assumption, the discount rate, is prescribed to ensure consistency across all schemes subject to the IAS19 requirements. The discount rate for accounting purposes is required to be based on corporate bond yields at the accounting date. This basis does not allow for how the assets are invested and therefore makes no allowance for the returns these assets are expected to generate in excess of corporate bonds. As a result, the discount rate tends to be significantly lower than the actual return expected on the scheme's assets. A lower discount rate will produce a higher actuarial liability and higher Current Service Cost. The actuarial liabilities and current service cost produced for accounting purposes are not reflective of the actual cost of providing the scheme benefits, which is assessed through the triennial funding valuation.

The discount rate adopted for the 2022-23 accounts which produced the 53.4% current service cost quoted was 4.65%. In addition, this 53.4% current service cost also includes an explicit allowance for the McCloud cost allowing for all members joining the pre-reform scheme. However, GAD expect the cost of McCloud to be lower than included here. The actuarial figures outlined in this report, shown above, are for accounting purposes only and cannot be used for any other purpose.

Last year an assumption for long-term salary increases of 1.5% pa in excess of CPI was adopted. This year the assumption for salary increases has been maintained at 1.5% pa in excess of CPI. This is in line with GAD's long-term view of earnings, which is based on the long-term historical earnings increase relative to inflation and considering possible future trends.

The Trustees agreed that the baseline mortality assumption used should be based on that used for the most recent full actuarial valuation of the PCPF as at 1 April 2020. The Trustees also agreed that the current population mortality projections should be based on those underlying the most recent (2020) based population projections prepared by the Office for National Statistics (ONS) which were published on 12 January 2022. The mortality improvements underlying the 2020 based population projections lead to lower life expectancies than those underlying the 2018 based population projections. The cumulative change in the mortality rates over the first few years of the 2020 based population projections take account of the COVID-19 pandemic. Life expectancy broadly catches up to 2019 levels in 2022 but there is no allowance for life expectancy under the 2020 based projections to return to that assumed for the 2018 based population expectations at any year in the future.

The Trustees agreed that the other demographic assumptions used, should be the same as those used for the most recent full actuarial valuation of the PCPF as at 1 April 2020.

The sensitivities to the assumptions are shown in the actuary's accounting valuation report for the position as at 31 March 2023.

The next triennial actuarial valuation is due as at 1 April 2023 and will be completed during 2023-24.

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 Fund. These are prepared in accordance with International Accounting Standards (IAS 19).

The Government Actuary's triennial actuarial valuation report as at 1 April 2020 referred to in these Accounts is available for review at: https://www.mypcpfpension.co.uk/wp-content/uploads/2021/09/2020-PCPF-valn-report_final-290721.pdf.

INFORMATION FOR MEMBERS

Membership at 31 March 2023

Active

Active members at the start of the year	640
Adjustments*	1
Joiners	11
	652
Less:	
Deferred	(5)
Opt out	(2)
Retirements	(5)
Refunds	(2)
Active membership as at 31 March 2023	**638**

Deferred members

Deferreds at the start of the year	312
Adjustments*	(4)
Actives becoming deferred	7
	315
Less:	
Retirements	(14)
Transfers out	(3)
Deferred members as 31 March 2023	**298**

Pensioners

Pensioners at the start of the year	1,123
Adjustments*	2
Retirements	16
New dependant pensioners	13
	1,154
Less:	
Death of a pensioner	(17)
Death of a dependant	(19)
Pensioners as at 31 March 2023	**1,118****

* Adjustments to prior year opening balance are related to late notification of changes in the membership
**There are 311 (2022: 317) dependants included within the figures above.

Trustees during the year to 31 March 2023

Since 24 October 2011, the governing legislation has specified that there should be ten Trustees, eight of whom should be Member Nominated Trustees (MNTs), plus one appointed by each of IPSA and the MCS. At the end of the Fund year there were eight MNTs, one IPSA Trustee and one Minister for the Civil Service (MCS) Trustee. 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 would normally be given in brackets, although there were no such instances in the Fund this year:

Name	**Trustee status**	**Fund membership status**	**No. meetings attended during the Fund year**	
			Ordinary (4 meetings)	Investment (4 meetings)
Sir Brian Donohoe	MNT – Chairman	Pensioner member	3	4
Harriett Baldwin MP	MNT	Active member	3	3
Clive Betts MP	MNT	Active member	4	2
Thomas Fitch	IPSA Trustee	Non-member	4	4
Richard Graham MP	MNT	Active member	4	1
Meg Hillier MP	MNT	Active member	3	3
Andrew Love	MNT	Pensioner member	4	3
Bridget Micklem	MCS Trustee	Non-member	4	2
Rt Hon the Lord Naseby	MNT	Pensioner member	2	4
Rt Hon the Viscount Thurso	MNT	Pensioner member	3	4

Following the end of the Fund year, on 6 July 2023, Bridget Micklem left her Civil Service post and subsequently resigned as the MCS appointed Trustee. The Trustees noted their thanks to Bridget Micklem for her service to the Fund as a Trustee for over nine years. The Cabinet Office, on behalf of the Minister for the Civil Service, will appoint a new Trustee in due course.

The Trustees managed conflicts of interest in line with their conflict of interest policy, which was reviewed and updated during the Fund year. The policy sets out that all potential or actual conflicts of interest are to be declared at the beginning of each meeting and a record of these declarations and any mitigating action will be minuted. The Trustees do not maintain a separate register of interests but it is noted that Trustees who are also Members of the House of Commons or House of Lords are required to maintain a register of interests through their membership of those organisations.

Method of appointment

Trustees are appointed under the provisions of the Constitutional Reform and Governance Act 2010.

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

Gurpreet Bassi, Head of Members' Pensions, House of Commons.

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 are based in Finance, Portfolio & Performance team of the House of Commons and 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 was outsourced to Buck Ltd.
Other parties who held office in connection with the Fund during the current accounting year:

Service	Officials	Appointed by
Actuarial Advice	The Government Actuary	Constitutional Reform and Governance Act 2010
External Auditor of Annual Accounts	Comptroller and Auditor General, National Audit Office	Schedule 1 of the Parliamentary Pensions (Consolidation) Regulations 1993
Investment Advice	Hymans Robertson LLP	Trustees
Fund Management	MFS International (UK) Ltd BlackRock Advisers (UK) Ltd PIMCO Europe Ltd UBS Global Asset Management Schroder Investment Management Ltd M&G Investments Ltd Foresight Group LLP Barings UK Ltd (appointed 16/11/2022)	Trustees 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	Buck	Trustees
AVC providers	Utmost Zurich Insurance plc	Trustees Trustees
Banker	Lloyds Bank PLC	Trustees (delegated to Administrator)

Annual Report

Every year, the Trustees prepare an Annual Report, which contains among other things, 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/scheme-information/

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

pensionsmp@parliament.uk

Members should direct enquiries about their own pension position to Buck:

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 2023, the Fund returned -4.6% against a benchmark return of -1.1%. Performance over the 12-month period was influenced by high inflation, rising interest rates and growth concerns weighing on equity markets, and market reactions to the government's budget announcement in September 2022 negatively affecting credit mandates. Performance towards the end of the period was supported by better than expected growth and subsiding recession fears which benefitted equity markets.

The Fund's fixed income assets trailed over the period; the PIMCO Global Libor Plus fund underperformed its cash based benchmark by 7.8% over the period, primarily due to widening credit spreads and increasing interest rates throughout 2022.

The Fund made its first investment in the Barings Global Private Loan fund during the year. Further capital calls were also made to the BlackRock Global Renewable Power Infrastructure fund and Foresight Energy Infrastructure Partners fund.

The Fund's UK property portfolio produced returns of -15.5% over the year as property capital values fell in the second half of the year. The property portfolio remains well positioned however, with underweight positions to the traditional retail sector which continues to struggle following the COVID-19 pandemic and general trend towards online shopping. The industrial and retail warehouse sectors remain overweight in the portfolio.

Longer term performance has been strong in absolute terms. The Fund has delivered returns of 9.9% p.a. over the 3-year period (broadly in line with the benchmark return of 10.0%) and 5.5% p.a. over the 5-year period, slightly behind the 6.3% benchmark return. The significant 3 year return figure has been driven by the post-COVID 19 recovery seen across markets in 2020 and 2021.

The Trustees continue to integrate Environmental Social and Governance (ESG) issues throughout all aspects of 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 SIP can be viewed on the Fund's website at www.mypcpfpension.co.uk. The Trustees' Responsible Investment policy and Climate Risk policy are also available on their website.

The Trustees publish quarterly voting and engagement reports 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 31.3.23 %	Interim Target Allocation %
BlackRock Advisors (UK)	Global equities	23.0	22.0
MFS International (UK) Ltd	Global equities	17.2	16.5
Schroders Investment Management Ltd	Global equities	16.6	16.5
BlackRock Advisors (UK)	Infrastructure	2.3	2.0
Foresight Group LLP	Infrastructure	2.9	3.0
Barings Global Private Loan Fund 4 SCSp	Private Loans	3.0	0.0
M&G	European Loans	10.1	10.0
M&G	Illiquid credit	3.7	5.0
Multi-managers	Property	8.6	10.0
PIMCO Europe Ltd	Global bonds	6.9	7.5
BlackRock Advisors (UK)	UK Gilts	5.6	7.5
Cash*	Cash	0.1	0.0
Total		**100.0**	**100.0**

*Held by the Fund's custodian, Northern Trust

There were no employer related investments during the year (2022: nil).

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 42 to 44.

The liability for the PCPF as at 31 March 2023 is assessed by the Government Actuary's Department (GAD) on an International Accounting Standards (IAS19) basis and is shown on pages 59 to 65 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 taxpayer with deficits financed by increased contributions agreed between the Trustees, 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 and 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.

A Statement of the Trustees' responsibilities with regard to the preparation of the accounts is on page 14.

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 20 October 2023 by:

Sir Brian H Donohoe
Chairman of Trustees

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (Schedule 1, Paragraph 16), the Comptroller and Auditor General has directed the Fund to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Fund and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the financial statements, the Trustees are required to comply with the requirements of the Government Financial Reporting Manual 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 judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- 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 judgements required for determining that it is fair, balanced and understandable.

The Trustees of the Fund are appointed under the provisions of the Constitutional Reform and Governance Act 2010. The responsibilities of the Trustees, including responsibility for the propriety and regularity of the public finances for which the Trustees are answerable, for keeping proper records and for safeguarding the Fund's assets, are set out in Managing Public Money published by the HM Treasury.

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

IMPLEMENTATION STATEMENT

Statement of Compliance with the Parliamentary Contributory Pension Fund (PCPF)'s Stewardship Policy for the Fund year ending 31 March 2023.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Fund's Stewardship Policy during the period from 1 April 2022 to 31 March 2023.

Stewardship policy

The Trustees' Responsible Investment Policy sets out how the Trustees will behave as an active owner of the Scheme's assets which includes the Trustees' approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Responsible Investment Policy is reviewed on an ongoing basis and was last updated in January 2023, along with the Trustees' Statement of Investment Principles.

You can review these policies at https://www.mypcpfpension.co.uk/investments.

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Fund's investment managers. The Trustees believe it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustees' own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with their managers and consider managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustees also monitor their managers' compliance with the Responsible Investment Policy on a regular basis and are satisfied that they have complied with the Fund's stewardship policy over the last Fund year.

Voting activity

The Trustees seek to ensure that their managers are exercising voting rights and where appropriate, to monitor managers' voting patterns. The Trustees also monitor investment managers' voting on particular companies or issues that affect more than one company.

During the Fund year, the Trustees have investment in equity assets through three different mandates: MFS Global Equity (active), BlackRock Low Carbon Equity (index-tracking), and Schroders Multi-factor Sustainable Equity (index-tracking).

The Trustees conducted a proxy voting review during the Fund year to ensure voting guidelines adopted remain consistent with the Fund's Responsible Investment Policy. Having considered four sets of guidelines, the Trustees concluded that the ISS (Institutional Shareholder Services) Sustainability guidelines are the most robust and comprehensive in addressing ESG (environmental, social, and governance) issues. The

Trustees decided to instruct their equity managers to switch to the ISS Sustainability guidelines where possible, in line with their responsible investment beliefs.

The Trustees' equity investment managers have reported on how votes were cast in each of these mandates as set out in the table below[1]:

Strategy/Fund name	MFS	BlackRock	Schroders
Proportion of Scheme assets	16.5%	23%	16.5%
No. of meetings eligible to vote at during the year	87	939	334
No. of resolutions eligible to vote on during the year	1,353	12,950	4,430
% of resolutions voted	100%	99%	91%
Of the resolutions voted on, % of resolutions voted with management	93%	94%	85%
Of the resolutions voted on, % of resolutions voted against management	5%	5%	14%
Of the resolutions voted on, % of resolutions abstained	0%[2]	0%	0%
% of meetings with at least one vote against management	33%	30%	66%

At the firm level MFS voted against or abstained on approximately 11% of executive pay proposals globally in 2022. The rationale ranged from disconnects between company performance and executive pay to poor disclosure of pay. MFS also voted against management's recommendation of 6.4% of director nominees globally. The primary concerns were 1) boards' failure to remove shareholder-unfriendly provisions; 2) insufficient director or board independence; 3) insufficient board gender; and 4) overboarding or excessive board service. [3]

As outlined in the firm's 2022 voting spotlight summary, the resolutions which BlackRock voted against management the most on were in relation to: director elections, director-related, compensation, and capitalisation.

The resolutions which Schroders voted against management the most on during the Fund year were regarding directors related, non-salary compensation, and capitalisation.

Significant votes

Significant votes are considered by the Trustees as votes concerning issues stated within the Responsible Investment Policy as being of particular concern to the Trustees. The Trustees have identified that **climate**

[1] Voting statistics based on annual reporting run by investment managers. Small rounding differences may exist.

[2] MFS: Abstain votes are counted as votes against management when management has issued a recommendation on a proposal. If management has not issued a recommendation, all votes (including abstentions) are counted as being with management. As such, the three rows (with/against/abstained) may not add up to 100%.

[3] See 2022 MFS Annual Sustainability Report.

change represents a risk which warrants more detailed scrutiny given the potentially widespread and uncertain impact on financial, economic, and demographic outcomes. The Trustees also regard **executive remuneration** as a material governance related risk and support the mitigation of this risk predominantly through active engagement by investment managers. The Trustees have asked their managers to provide details on votes in line with these criteria and report on a selection of the votes cast below[4]:

<u>Novartis AG (Q1 2023)</u>

- Proposal: Approve Remuneration Report

BlackRock: - Abstained from vote.

Rationale: Disclosure does not provide sufficient understanding of the company's remuneration policies and the link between performance-based pay and company performance.

MFS: - Stock not held in portfolio.

Schroders: - Voted against the proposal and against management.

Rationale: Lack of disclosure of bonus targets. The remuneration report provides a high level of transparency, and pay and performance appear reasonably aligned at this time. Nevertheless, some concern is noted regarding the limited explanation surrounding an in-flight change to a financial target under the STI (short-term incentive) during the year.

<u>Oracle Corporation (Q4 2022)</u>

- Proposal: Advisory Vote to Ratify Named Executive Officers' Compensation

BlackRock: - Voted against the proposals and against management.

Rationale: Pay is not aligned with performance and peers.

MFS: - Voted against the proposals and against management.

Rationale: vague disclosure of Oracle's engagement efforts with shareholders but does disclose certain concerns heard from shareholders. No substantial positive changes nor commitments made to pay program to address significant shareholder dissatisfaction. Concerns remain within the annual pay program, as one NEO's annual bonus was entirely discretionary. Although annual bonus program for the CEO and Executive Chairman utilizes a pre-set objective growth goal, there is only limited disclosure regarding the year-over-year changes in the target opportunity for that goal. The annual equity grants for two NEOs were entirely in time-vested equity, which is inconsistent with prevailing market practices. While decision to modify in-progress performance equity grants to the CEO and Executive Chairman was disclosed in last year's proxy, the resulting incremental value disclosed in this year's proxy was substantial, in excess of $100 million for each executive's respective award.

Schroders: - Stock not held in portfolio.

<u>Compagnie Financière Richemont SA (Q3 2022)</u>

- Proposal: Approve Variable Remuneration of Executive Committee in the Amount of CHF 27.7 million

[4] Source of information: quarterly voting and engagement reports.

BlackRock: - Voted against the proposal and against management.

Rationale: Remuneration arrangements are poorly structured.

MFS: - Voted against the proposal and against management.

Rationale: The proposal represents a significant increase in long-term variable remuneration, and the company has not provided a detailed explanation; one executive was awarded a discretionary bonus during the year without an accompanying and detailed justification; there is a low level of ex-post transparency to explain the evolution of variable pay-outs versus company performance; the board of directors retains significant discretion within the overall compensation framework.

Schroders: - Stock not held in portfolio.

United Parcel Service, Inc. (Q2 2022)

- Proposal: Report on Climate Lobbying Aligned with Paris agreement

BlackRock: - Voted against the proposal and with management.

Rationale: The company already has policies in place to address the request being made by the proposal or is already enhancing its relevant policies.

MFS: - voted for the proposal and against management.

Rationale: The company and its shareholders are likely to benefit from a review of how the company's and its trade associations' lobbying positions align with Paris Agreement.

Schroders: - voted for the proposal and against management.

Rationale: The company has been asked to issue a report describing how its lobbying efforts align with the 1.5-degree temperature goal as well as plans for mitigating against climate risk. This review would provide extra transparency into the company's efforts to align with the Paris temperature goal and their preparedness against potential climate risk, therefore Schroders are supportive of this resolution.

Engagement activity with investment managers

The Trustees held two Manager Days in November 2022, where they met with all their investment managers in person. The Secretariat, supported by Hymans Robertson, the Trustees' investment adviser, also hold regular review meetings with the investment managers on behalf of the Trustees.

Below is a summary of topics discussed during meetings held in the Fund year, besides common topics such as market overview, portfolio strategy and positioning, fund performance, and ESG integration.

Date	Fund manager	Subject discussed
September 2022	MFS (equities)	- Overall performance in line with expectations given market context. MFS explained that the energy sector underweight has hurt the fund's recent performance. - MFS shared updates on stewardship practices and new senior hires on the stewardship team. - The Secretariat noted the manager's insight on challenges faced by foreign investors trying to exit Russian equities. Whilst the MFS mandate has no direct Russian holdings,

		exposure to Russia continues to be something the Trustees are keen to monitor.
September 2022	PIMCO (fixed income)	- Fund underperforming benchmark for some time, though middle-ranking amongst its peers. PIMCO explained significant changes in the market environment and the implications on performance. - The Secretariat asked PIMCO whether any adjustments have been made to portfolio positioning in light of these changes. The manager shared an example of tactical re-positioning to take advantage of market dislocations. - Whilst the mandate is not specifically optimising for ESG factors, PIMCO does on average engage with over 90% of issuers regarding various topics including ESG.
November 2022	Property managers (UBS, Schroders, and BlackRock)	- Two managers have suspended redemptions until further notice in the aftermath of the Liability Driven Investments crisis. - The managers were asked to elaborate on how the interest of the remaining investors would be protected when these redemptions are being fulfilled. - The managers were also asked to explain the steps they are taking to ensure EPC (Energy Performance Certificate) rating compliance before the deadline.
November 2022	MFS (equities)	- MFS discussed a few Canadian railway names held in the fund, the engagement approach taken with them, and the progress made over time. - The Trustees asked for examples where engagement around sustainability has resulted in changes, or been met with challenges, and whether divestment has been used to drive change. MFS explained that ESG factors are imbedded into the research stage, and that divestment will be the last resort, only if escalations have failed.
November 2022	Schroders (Multi-factor Equity)	- The strategy achieved over 50% carbon intensity reduction vs benchmark by incorporating ESG risk factors at the stock level. Factors such as value and profitability worked well this year, while the ESG factor has cost the fund due to energy price spikes. - The Trustees queried the holding of Exxon. Schroders explained why Exxon is an efficient way to gain exposure to the energy sector and highlighted ongoing engagement with the company to drive change.
November 2022	BlackRock (Low Carbon Equity)	The Trustees queried the holding of Linde, the highest contributor to PCPF's overall carbon footprint profile. BlackRock explained that the fund is underweight Linde relative to the benchmark due to its high carbon emissions intensity. BlackRock's stewardship team have been engaging

		with Linde for several years as part of the climate focus universe.
November 2022	M&G (credit)	- The Trustees asked the manager to explain how ESG is integrated into private debt investments with examples. - M&G highlighted the challenges with ESG data quality, particularly in the illiquid credit space.
November 2022	PIMCO (fixed income)	- Performance has been challenged due to a rare breakdown of correlation between rates and spreads, hence the lack of benefit in diversification. - PIMCO was more optimistic about recent shifts in market dynamics. The manager also clarified that the losses were as a result of marking-to-market rather than defaults.
November 2022	Foresight (renewable energy infrastructure)	Private markets manager, currently not a signatory to the UK Stewardship Code. The Trustees would expect to see all their managers aspiring to become signatories and urged Foresight to re-consider the benefits of signing up.
March 2023	PIMCO (fixed income)	- PIMCO provided an update on recent market events and fund performance. - The manager also shared thoughts on PCPF's potential move to restructure the Fund's protection assets in the run up to the next General Election and what the team intend to propose.

Summary of manager engagement activity with investee companies

The Trustees receive quarterly reporting on their equity managers' engagement activity and annual reporting on non-equity managers' engagement activity. Overleaf is a summary of the key engagement activity for the 12-month period ending 31 March 2023:

Equity managers:

Manager	Number/methods of engagement	Topic engaged on
MFS	MFS has recently developed its engagement platform, which is still in early stages. As a result, the data provided is limited at this time and may not reflect the total extent of engagements held. Over the Fund year, MFS conducted 201 engagements with 159 entities at the firm level and carried out 27 engagements with 22 entities at the strategy/mandate level.	MFS reported an estimated breakdown of engagements at the firm level by E, S and G topics as follows: E - 107 engagements S - 96 engagements G - 146 engagements The main topics of engagement include climate change, corporate governance, human and labour rights, and human capital management. Top-down strategic engagement priorities are aligned with areas of greatest potential

	There were multiple engagements with management teams, Board members and specific company representatives on a wide range of sustainability and ESG topics, where they were relevant and material to that company.	investment risk and opportunity. Strategic engagement themes predominately tackle systemic risks such as climate change and issues where multiple industries are affected.
BlackRock	Over the Fund year, BlackRock carried out a total of 1,086 company engagements with 599 individual companies.[5] Engagements can include multiple company meetings during the year with the same company. Most engagement conversations cover multiple topics based on BlackRock's vote guidelines and engagement priorities.	BlackRock's investment stewardship engagement priorities in 2022 are: • Board quality and effectiveness – Quality leadership is essential to performance. Board composition, effectiveness, diversity and accountability remain a top priority. • Strategy, purpose, and financial resilience – A purpose driven long-term strategy, underpinned by sound capital management, supports financial resilience. • Incentives aligned with value creation – Appropriate incentives reward executives for delivering sustainable long-term value creation. • Climate and natural capital – Climate action plans with targets to advance the transition to a low carbon economy. Managing natural capital dependencies and impacts through sustainable business models. • Company impacts on people – Sustainable business models create enduring value for all key stakeholders.
Schroders	Over the Fund year, Schroders carried out a total of 445 engagements with 125 companies held by the Sustainable Multi-Factor Equity Fund. The Schroders Systematic Investments team (SSI) provides holdings data along with an engagement score to the Sustainable Investment team. This score can then be used to identify the most urgent engagement targets. The ESG team will engage the highest scoring names as a priority and will work down	Engagements primarily focused on climate change with just over 50% of engagements on this theme. The main topics of engagement carried out by the Sustainable Investment Team for portfolio companies during the Fund year include: • Climate change • Corporate governance • Human capital management

[5] Source of information: engagement summary report run by BlackRock for Low Carbon Equity fund.

	the list subject to having available resources. Schroders has a points-based process and stocks accrue points as they hit a range of engagement triggers.	• Human rights

Non-equity managers:

Manager	Engagement activity
M&G (credit)	The M&G Leveraged Finance team conducts engagements with borrowers and sponsors to attest to governance models, environmental and social operating guidelines and to probe on key issues such as climate, diversity and inclusion, cyber-security, and lobby for greater disclosure. This activity is undertaken jointly by fund managers and analysts and in consultation with M&G's Sustainability & Stewardship team. All engagement notes are structured, including ESG objective, engagement key takeaways and ESG investment decision consequences. Engagements, formal and informal, are recorded via the ESG dashboard and may be retrieved for review at company or fund level. A regular calling programme on ESG themes is held with all major sponsors. The European loan market is a private one and often involves investing in newly created entities, where ESG data and policies are not always readily available. As a private investor, M&G aims to use its influence to encourage target-setting and ESG disclosure.
Barings (credit)	As a debt investor, Barings has limited control in engaging with portfolio companies on ESG-related risks in comparison to an equity investor, who tends to have controlling rights. However, one advantage of the private debt market is the direct relationship with key stakeholders, including private equity sponsors and issuer management teams. Barings focuses on partnering with reputable private equity sponsors, as they play a critical role in influencing ESG practices, given the control they have over the company. The benefit of these relationships and the private nature of the asset class is that Barings is able to stay in constant communication with both the sponsor and the portfolio company management teams. This allows the investment team to closely monitor any potential ESG-related concerns and a view into the company's controls. Through this meaningful engagement and partnership with private equity partners, Barings has created tangible engagement opportunities, specifically through customizing the loan documentation to include an ESG margin ratchet. If a company meets a certain number of specified ESG criteria, it can get a reduction in its borrowing costs (5–15bps).
Schroders (real estate)	Schroders' occupier engagements include regular tenant meetings, the use of online occupier portals, tenant satisfaction surveys, and annual newsletters. For example, during 2022 Schroders carried out an environment waste audit across the Brewery Romford portfolio which provides mutual benefit for both the

	landlord and the tenants, through collaborative efforts aimed at reducing operational emissions and waste. Schroders' community engagement is dependent upon the type of asset and how it and its users relate to the local community. With a shopping centre there may be communications to help determine local attitudes to the centre, amenity, safety and security, access, and open space as well as support opportunities for recruitment. For a fully let office building examples may include sponsorship for a street festival and a youth centre.
UBS (real estate)	Responsible ownership and operation of real property can have a significant positive impact on the environment and returns for clients. UBS Asset Management's Real Estate & Private Markets (REPM) business operates with this in mind. The Triton team continued to engage with all tenants to improve outcomes for both occupiers and the fund, specifically to enhance tenant experience and work towards achieving the fund's sustainability objectives (e.g. net zero by 2050). All Triton tenants have been formally surveyed about their general experience as occupiers and sustainability. During 2022, the team carried out a bespoke survey and focus groups at Imperium and Worton Grange in order to develop a new programme of events and wellbeing activities post-COVID. The results of these surveys are being considered at Fund level to help define future sustainability strategy and enhance outcomes for occupiers more widely.
BlackRock (real estate)	Working with appointed Property Managers and on-site Building Managers, BlackRock aims to establish active tenant sustainability programmes that regularly engage with tenants on a range of ESG issues. Examples of engagement activities have included focused events on energy efficiency and reduction, including the launch of 'Carbon Challenges' and 'Switch-off Week' campaigns. Energy savings achieved during these campaigns have been reported back to tenants to raise awareness of energy performance 'quick wins' and help encourage longer-term behaviour changes that drive ongoing reductions in energy consumption and wastage. BlackRock's tenant engagement programmes also address wider sustainability issues, including water efficiency, waste management and recycling, local wildlife conservation, and health and wellbeing. Further examples have included 'Waste Aware' and 'Zero Waste to Landfill' campaigns, on-site tree-planting and landscaping activities, introducing tenant yoga classes and other wellbeing activities, and establishing on-site bike rental and cycling clubs.
BlackRock (renewable energy infrastructure)	BlackRock Global Renewable Power III (GRP III) Fund is a private market fund that focuses on large scale climate infrastructure assets. The team has mostly taken majority controlling stakes, but also does sometimes take minority. The team's ability to take majority or minority ownership positions facilitates engagement with the full spectrum of sponsors from the small developers that prefer to sell outright, to the large utilities that want to retain a significant ownership stake. In the instance that it is a minority owner, BlackRock will seek the appropriate governance and exit rights in the investment documentation.

	For example, with the $100m investment into Revel (known as Prospect), BlackRock was able to obtain board seats despite taking a minority investment. With all of GRP III's portfolio companies (no matter the % stake), BlackRock takes an active management approach by engaging closely with the management teams and working collaboratively to execute the business and strategic plans of each company.
Foresight (renewable energy infrastructure)	Sustainability and counterparty ESG is a topic which is engaged on early into any investment decision. Foresight considers engagement with companies a key part of its investment process and believes that it will be instrumental in improving their ESG standards. Foresight will typically meet investee companies face to face, primarily during a one-on-one meeting but also as part of group events. Dialogue will take place over email and phone where necessary. The level of engagement between Foresight and the investee company will vary depending on many factors. Meetings to carry out periodic monitoring will be the primary driver of engagement. Where Foresight believes that its engagement will have a beneficial impact on the performance of the company or the standards of their ESG reporting, it may increase its engagement with the management team and, where necessary, the Board.
PIMCO (fixed income)	PIMCO prioritises engagement where financial exposure, influence and thematic exposure are the greatest. Engagement is an essential tool for delivering impact in ESG investing – PIMCO believes that ESG investing is not only about partnering with issuers that already demonstrate a deeply unified approach to ESG, but also about engaging with those with less advanced sustainability practices. This can be a direct way for PIMCO to influence positive changes that may benefit all stakeholders, including investors, employees, clients, society, and the environment. The objective of engagement is to influence change, improve returns and reduce risks for clients. PIMCO believes that bondholder engagement in the research phase is critical to understanding the risk and reward profile of an issuance and ultimately making buy/sell decisions. At present, engagements are focused on the corporate and sovereign asset classes, though PIMCO has engaged on structured credit issuances and with municipal issuers and continues to work to expand coverage of asset classes.

Use of a proxy adviser

During the reporting period, the Trustees have adopted the sustainability voting guidelines issued by Institutional Shareholder Services (ISS) as the basis against which they will judge good voting practice.

- For segregated mandates, the Trustees have instructed their managers to adopt the ISS sustainability voting guidelines. Where a manager does not vote in line with the ISS sustainability guidelines, this will be reported to the Trustees and explanation will be required.
- For pooled mandates, where possible the Trustees will instruct their managers to adopt the ISS sustainability voting guidelines. Where not possible to instruct their managers how to vote, the

Trustees will review the policies employed by the manager against the ISS sustainability guidelines and where appropriate request that the manager take account of the ISS sustainability guidelines in the execution of voting policy.

The Trustees' investment managers have made use of the services of the following proxy voting advisers over the Fund year:

Manager	Proxy Adviser used
MFS Global Equity	MFS has entered into an agreement with ISS to perform various proxy voting-related administrative services, such as vote processing and recordkeeping. As requested, MFS votes in line with ISS Sustainability Proxy Voting Policies effective 1 December 2022. Prior to the change, the manager voted in line with ISS Standard Proxy Voting policies.
BlackRock Low Carbon Equity	BlackRock has also been instructed to vote in line with the ISS Sustainability voting guidelines. This was implemented as of 30 September 2022. While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it does not blindly follow their recommendations on how to vote.
Schroders Multi-Factor Equity	Schroders uses ISS as service provider for the processing of all proxy votes in all markets. Schroders does not blanket follow the recommendations of a proxy voting provider. Schroders evaluates voting resolutions and, where it has the authority to do so, votes in line with fiduciary responsibilities in what is deemed to be the interests of the clients. Schroders' Corporate Governance specialists assess each proposal, applying the voting policy and guidelines to each agenda item. In applying the policy, Schroders considers a range of factors, including the circumstances of each company, long-term performance, governance, strategy, and the local corporate governance code. Schroders' specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Schroders' own research is also integral to the process; this will be conducted by both the financial and Sustainable Investment analysts. For contentious issues, Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Review of manager policies

The Secretariat conduct an annual review of the managers' investment stewardship on behalf of the Trustees. The review assesses managers' broader approach to responsible investment issues as well as any change in approach by the managers over the Fund year. The managers also update the Secretariat when key changes are made to their voting and engagement policies.

The Trustees and their advisers remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Fund.

GOVERNANCE STATEMENT

This statement covers the operation of the Fund for the year ended 31 March 2023. As the Chairman of Trustees, I acknowledge on behalf of all of the Trustees 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' Pensions, in the House of Commons' Finance, Portfolio & Performance team, is led by Gurpreet Bassi, who is Secretary to the Trustees. Staff are therefore employees of House of Commons. The House of Commons recharge staffing costs for the Secretariat team, in relation to their PCPF duties, to the PCPF. The PCPF therefore, funds the remuneration in relation to the PCPF Secretariat, but is not an employer. The PCPF has no employees of its own, so no remuneration and staff report was 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. This document is due to be reviewed in October 2023. The roles and responsibilities the Trustees have delegated to the Secretariat are set out in the Secretariat terms of reference.

During the year the Trustees monitored the progress made on the key areas of focus and milestones set in the three-year Business Plan (2020-2023). The Trustee received quarterly updates against the Business Plan at each ordinary meeting and an annual report with a detailed overview of the activities undertaken over the year in order to increase transparency over the work of the Secretariat. A new three-year Business Plan (2023-24 to 2025-26), was approved by the Trustees at their meeting in July 2023. The plan sets out the key areas of focus and expected projects over the three Fund years. This includes maintaining and strengthening the governance framework; reviewing the member engagement strategy and improving the overall service provided to members; and planning for the next General Election. The Business Plan also sets out the key areas of focus for 2023-24 which include delivery of the McCloud project, preparing to connect to pension dashboards and reviewing and improving the scheme data.

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. This policy was reviewed and updated during the Fund year. While the PCPF is not regulated by the Pensions Regulator, the Trustees meet these requirements voluntarily in order to improve the governance of the PCPF. In 2022-23 no material conflicts of interest were declared by the Trustees, but all Trustees who are also serving Members noted that they were personally impacted by the McCloud response as active members of the Fund. The IPSA appointed Trustee also abstained from discussions on McCloud policy.

Arrangements are 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 both at and in between Trustee meetings. During the Fund year the Trustees received training on a number of areas including on cyber security, responsible investing, and refresher training on The Pension Regulator's Trustee knowledge and understanding requirements.

The day-to-day administration of the Fund, including the operation of the pension payroll and accounting functions has been outsourced by the Trustees to Buck Ltd. 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 eight formal meetings during the year. This included four ordinary and four investment focused meetings. A record of Trustees attendance at these meetings is included in the Annual report of the Trustees.

The Trustees are not bound by the Treasury and Cabinet Office's Code of Good Practice, 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.

The Trustees monitor Hymans Robertson's performance under the Competition and Markets Authority (CMA) framework, which requires Trustees to set strategic objectives for their investment consultants and review their performance annually against these objectives.

During 2022-23 the Trustees continued to spend a considerable amount of time considering responsible investment, including environmental, social and governance (ESG) matters at their meetings. As part of the Trustees' commitment to monitor climate related risks within the equity portfolio on an annual basis, an updated Climate Risk Report was discussed at the Trustee meeting in November 2022. This showed that Fund generally performed well across all metrics versus the market benchmark. A review of investment manager's ESG policies and activities was undertaken in February 2023 which showed that all of the Fund's managers performed strongly from a responsible investment perspective and scored highly both on their ESG and stewardship considerations.

During the year, the Trustees reviewed and updated the Fund's Statement of Investment Principles (SIP), the Trustees' Responsible Investment policy and the Trustees' Climate risk policy. 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 their updated SIP, Engagement policy and the Implementation Statement which forms part of the Annual Report and Accounts.

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

Each quarter the Trustees monitor the performance of the Fund's administrator, Buck against contractual service level agreements. The Secretariat, on behalf of the Trustees, have held regular meetings with Buck to monitor Buck's performance against the service level agreements in place and update the Trustees at meetings. Representatives from Buck attended three Trustee meetings over the accounting year. It is expected that as a minimum requirement Buck will attend at least one Trustee meeting each year.

The Secretariat, on behalf of the Trustees also monitor the performance of the Fund's actuarial adviser, the Government Actuary's Department (GAD), legal adviser, Sackers and investment consultants, Hymans Robertson, on a regular basis. Annual service review meetings are held with these advisers and additional meetings are set up as required. Any issues are reported to the Trustees at Trustee meetings. Trustees also have the opportunity to raise any issues with advisers directly when they attend Trustee meetings.

The Secretariat follow House guidance in relation to information assurance issues such as General Data Protection Regulations and cyber security. The Trustees take their responsibilities as Data Controllers seriously. During the year, the Trustees received training on cyber security and questioned the Fund's administrator, Buck, on its data security practices. The Fund's information storage processes and policies can be found on the PCPF website. [https://www.mypcpfpension.co.uk/]. There were no data issues identified or reported to the Information Commissioner in the year.

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 Fund year the Risk Register was reviewed by the Trustees at each ordinary and investment meeting. This includes a summary which highlighted changes to the Risk Register as well as any significant risks along with actions planned to reduce the impact or likelihood of these potential risks.

The risks considered by the Trustees during the Fund year to 31 March 2023 included:

Risk	Mitigation and response to this risk
Failure of assets to provide expected returns	• Trustees have recognised that climate related risks may impact negatively on returns. Trustees have recognised this risk in their Responsible Investment Policy, Voting and Engagement policy and Statement of Investment Principles. The Trustees also published a climate risk policy which sets out the Trustees aim for PCPF investments to be compatible with net zero emissions by 2050 or earlier. • Trustees have agreed to commission annual carbon foot printing exercises to be undertaken and consider implications of analysis to their longer term objectives. • Trustees advisers provide expert advice in response to market events and evolving legislation. Trustees frequently look at the asset allocation to ensure that it remains appropriate and is providing expected returns. • Trustees regularly monitor their Fund managers engagement with these polices.
Personal data breach	• As data processors for the PCPF, Buck have robust processes in place to guard against a data breach. Buck base their security program around ISO 27001 which is an internationally recognised standard on managing information security. • The Secretariat does not hold a large amount of personal data on behalf of the PCPF. The data that it does hold is held securely on the House of Commons network/server. The Secretariat are supported by the House's Information Security team in following best practice for handling personal data.
Operational disaster	• Business continuity procedures in place for administrator and advisors. • PCPF Trustee Records are held on Parliamentary Network which is Cloud based. • The Secretariat has a business continuity plan in place.
Member data incomplete or inaccurate	• Annual benefit statements and access to the online member portal means members can check their data more regularly and inform the administrator of any corrections. • Buck undertook a data check when they took over the administration in late 2019. A full data check is required after each election. • There is a contractual requirement for the administrator to undertake a member level contribution reconciliation. Buck also have a regular interface with department payroll providers on contributions. • The annual audit process helps with identification of potential issues with member data.

Failure of management of contracts / relationship with third parties	• Formal agreements are held with all third parties, these include performance indicators / service level agreements where relevant. • Advisers attend ad hoc meetings with Trustees as required. • The Secretariat is supported by the House's Parliamentary Procurement and Commercial Services Team who help with undertaking tender exercises and contract management issues. • Quarterly performance reporting in place for Fund managers and Administrator.
Inadequate management of issues relating to the McCloud remedy	• 2020 Triennial valuation and annual funding report showed that the Fund is fully funded and can meet additional McCloud benefit costs. • The Secretariat and IPSA have worked collaboratively through the project control Board (Joint Working Group) as agreed by the Trustees. The Secretariat provide regular governance updates at Trustee meetings. • Trustees and their legal advisors have raised potential legal issues on the McCloud remedy through the statutory consultation process for the IPSA Board to consider. • Communication issued to all those in scope of remedy to explain the expected impact of McCloud on different categories of members.
Failure to maintain funding level of 100%	• Triennial valuations and annual funding level reports are provided by GAD. • The 2020 valuation report and a more recent annual funding update showed PCPF is fully funded. • Maintaining 100% funding level is one of the Fund's current objectives and this is a key focus for the investment advisors. • Trustees hold four investment focused meetings each year to allow sufficient review investment strategy and performance.
Failure to comply with legislative requirements surrounding responsible investment and climate change	• Trustees are guided by their professional advisers who provide detailed technical knowledge about changes to investment and pension legislation. • Trustees appointed an investment and governance specialist within the Secretariat who provides additional focused support, specifically in the responsible investment area.
Failure of assets to provide enough income: to pay monthly benefits; to pay exiting members; or to process leaver and retirement benefits in case of an unexpected General Election.*	• Investment strategy is focused on moving assets into investment vehicles that meet the Fund's income requirements. • Hymans and Buck monitor cash flow closely. The Administrator highlight any concerns about liquidity to the Secretariat. • Hymans review the liquidity position of the PCPF and make recommendations to the Fund's cash flow policy. • In the case of an early/snap General Election, the Secretariat would work with Hymans and Buck to ensure appropriate disinvestment to make cash available to process leavers/retirement benefits. The Fund has a diversified strategy which helps to reduce the risk of forced selling and crystalising losses.
Failure to interpret PCPF rules correctly	• Pension Scheme Lawyers are appointed to provide detailed technical scheme and legislative knowledge. • The administrator refers technical cases to Secretariat for additional oversight. Secretariat take advice from, or refer cases to, actuaries & pension lawyers where required.

Failure to govern according to TPR best practice and wider legislation	• Trustees and Secretariat are regularly trained, and all Trustees complete the TPR Trustee Toolkit. • Trustees appoint specialist third party advisers who apprise Trustees and Secretariat of relevant changes to legislation.
Fraud/Fraudulent behaviour	• The Fund participates in the National Fraud Initiative to assist in the prevention and detection of fraud by the membership. The Fund Membership includes high profile members which means the Secretariat generally become aware of deaths. • The risk of fraud by individuals within the Fund is minimised through the annual audit process, internal control systems and by following House of Commons Finance and procurement rules.

*New risk identified in 2022-23

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 2023-24, the Trustees are expecting to undertake a tender exercise for legal services.

The Trustees are supported by the Secretariat and the Parliamentary Commercial Directorate (PCD) to ensure that tender exercises follow public procurement guidelines wherever practical and comply with the EU procurement directives, ensuring equal treatment, non-discrimination and transparency.

Fund Administration

During the Fund year, Buck undertook the administration, Fund accounting, and the calculation and payment of all pension benefits. Buck 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 their administrators, on their behalf.

The Fund administrators refer complex or unusual cases to the 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 meet regularly with Buck to discuss performance against the contractual service level agreements. The Trustees reviewed the administration reports provided by Buck at their ordinary Trustee meetings in July 2022, October 2022, December 2022 and March 2023.

A separation of duties exists at Buck 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 Buck.

The Trustees require the Fund administrator to undertake a monthly reconciliation of expected member and Exchequer contributions. This ensures that incorrect contributions are uncovered and enable the administrator to liaise with the relevant payroll department to rectify the position. The administrator is also expected to monitor the timing of payments received from departments to ensure they are received within required timescales.

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.

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. On behalf of the Trustees, the Secretariat are responsible for the management of all of the Trustees third party contracts and ensuring they meet their contractual requirements. This includes engagement with and monitoring of the Fund administrator and Custodian reports.

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's Department (GAD) and reported to the Trustees via the Actuarial Valuation every three years. The Trustees last undertook a triennial actuarial valuation as at 1 April 2020 which was published during the Fund year. A triennial actuarial valuation as at 1 April 2023 is currently underway.

The value of liabilities has been calculated as at 31 March 2023. It has been determined by calculating the liabilities as at 1 April 2020, based on the data for the 2020 actuarial valuation, and rolling forward that liability to 31 March 2023. The report from the Actuary on the pensions liability as at 31 March 2023 is included in these accounts on pages 59 to 65.

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's Department (GAD) 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.

During the year, the House of Commons' internal audit team undertook an audit of the Members Estimate Control Framework, which included an assessment of the controls and governance processes in relation to the payment of the PCPF exchequer contribution for which the PCPF Secretariat are responsible. The 2022/23 internal audit report provided a "substantial" level of assurance for the areas audited. The report stated that this opinion was given because there was clarity over scope and responsibilities internally within the House and by third parties contracted to deliver services and appropriate assurance was obtained over Buck's internal controls. The report also stated that operational processes helped to ensure compliance with rules and policies and supported good quality governance and senior management oversight.

On behalf of the Trustees, the Secretariat review independent reports on internal operational controls for the custodian and the administrator where appropriate. While no relevant internal audit work was undertaken during the Fund year, the Secretariat reviewed Buck's internal controls for the year ending 30

April 2022 which was available during the accounting year. The Secretariat have reviewed Buck's internal controls report for the year ending 30 April 2023, which was made available in Summer 2023.

Trustee performance

All the Trustees have appropriate skills and knowledge and can give enough time to be effective in their role. As outlined above, the Secretariat organise regular training for the Trustees throughout the year. This training is tailored to the needs of the Trustees to ensure that Trustees are well informed at the right time to ensure efficient and effective decision making.

The Trustees review policies and procedures on a regular basis to strengthen their governance responsibilities and this also ensures that decisions can be made in accordance with agreed policies. The policies that were reviewed during the Fund year are outlined above on page 28.

While the Trustees maintain overall responsibility for the management of the Pension Scheme, on a day-to-day basis, this is delegated to the PCPF Secretariat. Every three years the Secretariat prepare a business plan for review and approval by the Trustees. This contains Trustee objectives and areas of focus for the upcoming three year period. The Secretariat's performance is assessed by the Trustees on a regular basis by reporting against the PCPF Business Plan, which includes key milestones and performance indicators for the Secretariat. This regular process of review of business plan objectives assists with an evaluation of how the Fund is being managed by the Trustees as well as their overall strategic direction. The Managing Director of the Finance, Portfolio and Performance team at the House of Commons maintains oversight over the work of the Secretariat and attends, and contributes to, all meetings.

As stated above, the Trustees agreed a new Business Plan for 2023-26. This includes a new milestone to undertake a Trustee Board effectiveness review to provide further insight into how the Board operates and where improvements can be made.

Conclusion

I am satisfied that during 2022-23 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. The Fund has also complied with Corporate governance in central government departments: code of good practice, where applicable, specifically in relation to board effectiveness and risk management.

Approved on behalf of the Trustees on 20 October 2023 by:

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 2023 under Schedule 1 of the Parliamentary Pensions (Consolidation) Regulations 1993.

The Fund's financial statements comprise: the Fund's

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Schedule 1 of the Parliamentary Pensions (Consolidation) Regulations 1993 and the Accounts Direction given by the Comptroller and Auditor General under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (Schedule 1, Paragraph 16).

Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law, Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom* and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 2019*. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Fund is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Accountability Report, but does not include the financial statements and my auditor's certificate and report thereon. The Trustees are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit: the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

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 material misstatements in the Accountability Report.

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

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

Responsibilities of the Trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Fund from whom the auditor determines it necessary to obtain audit evidence;

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with the Accounts Direction issued by the Comptroller and Auditor General under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (Schedule 1, Paragraph 16);
- ensuring that the Accountability Report, is prepared in accordance with the Accounts Direction issued by the Comptroller and Auditor General under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (Schedule 1, Paragraph 16); and
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees anticipate that the services provided by the fund will not continue to be provided in the future.

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 Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Fund's accounting policies, key performance indicators and performance incentives.
- inquired of management, the Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Fund's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Fund's controls relating to the Fund's compliance with the Constitutional Reform and Governance Act 2010; the Public Service Pensions Act 2013 and the Parliamentary Pensions (Consolidation and Amendments) Regulations 1993.
- inquired of management, the Fund's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud,

- discussed with the engagement team and the relevant internal and external specialists, including actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Fund for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, the misappropriation of assets, the selection of inappropriate assumptions or methodology underpinning the pensions liability and related estimates and the payment of benefits to ineligible members. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Fund's framework of authority and other legal and regulatory frameworks in which the Fund operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Fund. The key laws and regulations I considered in this context included Constitutional Reform and Governance Act 2010, Public Service Pensions Act 2013 and Parliamentary Pensions (Consolidation and Amendments) Regulations 1993.

I considered the control environment in place at the Fund, the administrator and the Fund's actuary, and how this impacted membership data, the pension liability, contributions and benefits payable.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Trustees and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I performed substantive testing of contributions received and benefits paid in the year to respond to the risk of fraud; non-compliance with laws and regulations and regularity; and
- I engaged an auditor's expert to review the actuarial methods and assumptions used by the Fund actuary.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date 24 October 2023

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

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2023

	Note	2022-23	2021-22
Income		**£000**	**£000**
			RECLASSIFIED
Contributions receivable	6	**13,808**	13,629
Transfers in	7	**496**	900
Other pension income		**4**	1
		14,308	14,530
Expenditure			
Service cost	8	**(37,100)**	(38,700)*
Enhancements		**(200)**	(200)*
Pension financing cost	9	**(27,700)**	(19,900)
Transfers in - additional liability	10	**(496)**	(900)
Management expenses	11	**(2,780)**	(2,858)
		(68,276)	(62,558)
Finance income			
Investment income	12	**10,171**	8,775
Change in market value of investments	13	**(42,263)**	72,446
		(32,092)	81,221
Net (expenditure)/ income		**(86,060)**	33,193
Other comprehensive net income			
Pension re-measurements			
- Actuarial gain	22	**334,800**	7,100
- Other re-measurements	22	**-**	(1,100)
Total comprehensive net Income		**248,740**	39,193

The notes on pages 42 to 68 form part of these accounts.

* £6,000k has been reclassified from enhancements to current service cost. This represents the proportion of current service cost which was incorrectly classified as enhancement contribution income in the prior year.

Statement of Financial Position as at 31 March 2023

	Note	2022-23 £000	2021-22 £000
Non-current assets			
Financial assets	14	**778,857**	828,908
Cash and cash equivalents	14,15	**2,656**	3,137
Accrued income	16	**899**	643
Additional voluntary contribution assets	18	**2,208**	2,204
Total non-current assets		**784,620**	834,892
Current assets			
Receivables	19	**1,523**	1,156
Cash	19	**3,670**	3,938
Total current assets		**5,193**	5,094
Total assets		**789,813**	839,986
Current liabilities			
Payables (within 12 months)	20	**(1,723)**	(2,036)
Total current liabilities		**(1,723)**	(2,036)
Non-current assets plus net current assets		**788,090**	837,950
Non-current liabilities			
Provision for pension liability	22	**(741,500)**	(1,040,100)
Total non-current liabilities		**(741,500)**	(1,040,100)
Assets less liabilities		**46,590**	(202,150)
Taxpayers Equity /(Deficit)			
General Fund		**46,590**	(202,150)

The financial statements on pages 38 to 68 were approved by the Trustees on:
Signed on behalf of the Trustees by:

Sir Brian H Donohoe
Chair of Trustees **20 October 2023**

Statement of Cash Flows for the Year Ended 31 March 2023

Cash flows from operating activities	**2022-23 £000**	**2021-22 £000**
Net (expenditure)/income for the year	**(86,060)**	33,193
Adjustments for non-cash transactions		
Change in market value of investments and gains	**45,995**	(72,446)
Less: market value of movements on cash equivalents	**546**	100
(Increase)/decrease in receivables		
(Increase) / decrease in accrued investment income receivable	**(256)**	895
Increase in trade and other receivables	**(367)**	(67)
Increase/(decrease) in payables		
Decrease / (increase) in trade and other payables	**(313)**	854
Increase in pension provision	**36,200**	29,900
Net cash outflow from operating activities	**(4,255)**	(7,571)
Cash flows from financing activities		
Purchase of investment assets	**(60,831)**	(1,296,427)
Proceeds of disposal of investment assets	**64,337**	1,301,440
Net cash inflow from financing activities	**3,506**	5,013
Net (decrease) in cash and cash equivalents	**(749)**	(2,558)
Cash and cash equivalents at the beginning of the year	**7,075**	9,633
Cash and cash equivalents at the end of the year *	**6,326**	7,075

* Totals are made up of cash at bank 2023: £3,670k (2022: £3,938k) and cash and cash equivalents note 17 2023: £2,656k (2022: £3,137k) totalling 2023: £6,326k (2022: £7,075k).

The notes on pages 42 to 68 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2023

	2022-23 £000	2021-22 £000
Balance as at 1 April	**(202,150)**	**(241,343)**
Comprehensive net (expenditure) / income for the year	**(86,060)**	**32,093**
Actuarial gain	**334,800**	**7,100**
Net change in taxpayers' equity	**248,740**	**39,193**
Balance as at 31 March	**46,590**	**(202,150)**

Notes to the Financial Statements

1. Description of the Fund

The PCPF is a trust based 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 established as a trust under English Law. 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, including English Trust law. The Constitutional Reform and Governance Act 2010 passed responsibility for the MPs' scheme to the Independent Parliamentary Standards Authority (IPSA) and for the Ministers' scheme to the Minister for the Civil Service (MCS).

Previously, the main legislative provisions containing the rules of the Fund 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.

The Fund is established as a Trust under English Law. The address for enquiries to the fund is included on page 11.

A further description of the Fund and relevant legislation can be found in the Annual Report of the Trustees on pages 2 to 5 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 2022-23 financial year and its position at year-end as at 31 March 2023.

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 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.

Notes to the Financial Statements (continued)

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 11 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 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:

   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.

   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.

   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.

Notes to the Financial Statements (continued)

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 year 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 22.

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 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

Notes to the Financial Statements (continued)

McCloud/Sargeant Case

The McCloud case is significant for the PCPF accounts and further information about the Fund's proposed response to McCloud is available within the Trustees report on page 3.

The gross pension liabilities calculated as at 31 March 2019 included an allowance for the additional liability potentially arising from the McCloud judgment, this was reflected as a past service cost and amounted to £30m. In 2019-20 the allowance for the McCloud liability was adjusted down by 9.0m (shown as a negative past service cost), following on from the HM Treasury consultation document issued in July 2020. Since 2020-21 the accruing cost of McCloud liabilities has been included in the current service cost each year but the McCloud element has not been shown separately in the accounts.

The 2022-23 start year liabilities therefore included the McCloud costs up to 31 March 2022. The McCloud element of the current service 2022-23 was £5m. The overall liability for McCloud costs over the entire remedy period on assumptions consistent with those used to calculate the current service cost and other disclosures in the accounts for the year ending 2022-23 is in the region of £45m. As for the current service cost and other disclosures, this value is given prior to the overall change in assumptions at the end of the accounting year which is included in the accounts disclosures.

The Ministers' Pension Scheme is not affected as it 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 Net Asset Value. 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 Global Libor Plus Fund, BlackRock UK Gilts Fund, BlackRock Renewable Infrastructure Fund, BlackRock Low Carbon Fund, Foresight Energy Infrastructure Partners, Barings Global Private Loan Fund, and through 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 2023 was £516.9m (£541.0m as at 31 March 2022).

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.

Notes to the Financial Statements (continued)

The items in the Statement of Financial Position at 31 March 2023 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; and • A two year increase in assumed life expectancy would increase the liability by approximately £79m.
McCloud response	It should be noted that there is considerable uncertainty around the potential additional costs as a result of the McCloud response, as although the of the response is known, member choices are uncertain.	The figures are still 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 receivable

	2022-23	2021-22
	£000	£000
Members		
Normal	**6,268**	6,108
Purchase of added years	**68**	130
Additional voluntary contributions	**-**	3
Employer (Exchequer)		
Normal	**7,472**	7,388
	13,808	13,629

Following the 2020 valuation, the contribution rate required from the Exchequer from 1 April 2021 was maintained at 12.9%. Member contribution rates vary and are set out on pages 2 and 3. Following the Fund year end the Exchequer contributions were calculated to be £625k per month for 2022-23.

7. Transfers in

	2022-23	2021-22
	£000	£000
Individual transfers in from other schemes	**496**	900

Notes to the Financial Statements (continued)

8. Service Cost (see also note 22 Table E)

	2022-23	2021-22
	£000	£000
		RECLASSIFIED
Current service cost	**(37,100)**	(36,800)*
Past service cost	**-**	(1,900)
	(37,100)	(38,700)

* £6,000k has been reclassified from enhancements to current service cost. This represents the proportion of current service cost which was incorrectly classified as enhancement contribution income in the prior year.

9. Pension financing costs (see also note 22 Table E)

	2022-23	2021-22
	£000	£000
Net interest on defined benefit liability	**(27,700)**	(19,900)
	(27,700)	(19,900)

10. Transfers in - additional liability (see also note 22 Table E)

	2022-23	2021-22
	£000	£000
Individual transfers in from other schemes	**(496)**	(900)

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Combined Statement of Comprehensive Net Income as expenditure as part of the movements in the provision during the year.

11. Management Expenses

	2022-23	2021-22
	£000	£000
Trustees expenses and Secretariat costs	**(294)**	(223)
Third party administration and advisor fees	**(208)**	(193)
Actuarial fees	**(276)**	(173)
Legal fees	**(381)**	(211)
External Audit fee	**(85)**	(79)
Other professional fees	**(232)**	-
Investment management basic fees	**(781)**	(1,396)
Investment management performance fees	**(306)**	(277)
Custody fees	**(49)**	(138)
Investment consultancy	**(168)**	(168)
	(2,780)	(2,858)

Other professional fees relate to project costs totalling £669k in respect of McCloud fees that are being paid by the Fund, of which £437k is being reimbursed by IPSA.

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

Notes to the Financial Statements (continued)

12. Investment income

	2022-23	2021-22
	£000	£000
Equities	**2,282**	2,326
Pooled investment vehicles	**7,835**	6,262
	10,117	8,588
Interest on cash held on deposit	**54**	187
	10,171	8,775

13. Change in market value of investments

	Note	**2022-23**	2021-22
		£000	£000
Defined benefit assets	14	**(42,255)**	72,311
Additional voluntary contribution assets	18	**(8)**	135
		(42,263)	72,446

14. Investment movements

	Market value at 1 April 2022 £000	Purchases at cost £000	Sales proceeds £000	Change in Market Value £000	**Market value at 31 March 2023 £000**
Equities	135,024	9,899	(12,695)	48	**132,276**
Pooled investment vehicles	693,884	47,158	(51,612)	(42,849)	**646,581**
	828,908	57,057	(64,307)	(42,801)	**778,857**
Cash and cash equivalents	3,137			546*	**2,656**
Accrued income	643				**899**
	832,688			(42,255)	**782,412**

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

Transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include commission charges as follows:

	2023 £	**2022 £**
Equities	4,370	184,701

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. These are not separately provided to the Fund. 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.

Notes to the Financial Statements (continued)

Investments analysed by Fund Manager

Fund Manager	Market value 2023 £000	% of investments	Market value 2022 £000	% of investments
Pimco Europe Ltd	**12**	**-**	18	0.0
MFS International (UK) Ltd	**134,329**	**17.2**	136,510	16.4
UBS Global Asset Management	**27,195**	**3.5**	33,177	4.0
BlackRock UK Property Fund	**25,353**	**3.2**	31,203	3.7
Schroder Exempt Property Unit Trust Fund	**14,516**	**1.9**	18,233	2.2
Northern Trust Cash	**797**	**0.1**	7	0.0
M & G European Loans Fund	**78,983**	**10.1**	81,260	9.8
M & G ICOF	**29,217**	**3.7**	33,785	4.1
Pimco Global Libor Plus Fund	**53,838**	**6.9**	55,828	6.7
BlackRock UK Gilts Fund	**43,926**	**5.6**	52,421	6.3
BlackRock Global Renewable Power Fund	**17,761**	**2.3**	6,463	0.8
BlackRock Low Carbon Fund	**180,230**	**23.0**	220,465	26.4
Schroders Multi-Factor Equity	**129,735**	**16.6**	155,111	18.6
Foresight Group LLP	**22,706**	**2.9**	8,173	1.0
Barings	**23,814**	**3.0**	-	-
BlackRock Advisors (UK) Ltd	**-**	**-**	34	0.0
	782,412	**100.0**	832,688	100.0

Investments analysed by asset or liability type

	2022-23	2021-22
Investment assets	**£000**	£000
Equities		
UK quoted	**9,922**	9,750
Overseas quoted	**122,304**	125,244
Rights / warrants	**50**	30
	132,276	135,024
Pooled investment vehicles		
UK – equity	**309,486**	374,640
UK – bond	**43,926**	52,421
UK – property	**66,859**	81,319
UK – hedge funds	**23,808**	-
Overseas – Hedge funds	**69,681**	48,416
Overseas – bond	**132,821**	137,088
	646,581	693,884
Other investment assets		
Cash and cash equivalents	**2,331**	2,530
Pending sales	**325**	723
Accrued income	**899**	643
	3,555	3,896
Total investment assets	**782,412**	832,804

Notes to the Financial Statements (continued)

Investments analysed by asset or liability type (continued)

	2022-23 £000	2021-22 £000
Other investment liabilities		
Pending purchases	-	(116)
Cash margin	-	-
	-	(116)
Total investment liabilities	-	(116)
Net investment assets	**782,412**	832,688

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	**Amortised Cost**	**Financial liabilities at amortised cost**	**Fair value though profit and loss**	**Amortised Cost**	**Financial liabilities at amortised cost**
	31 March 2023			**31 March 2022**		
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Financial assets						
Equities	132,276	-	-	135,024	-	-
Pooled investment vehicles	646,581	-	-	693,884	-	-
Additional voluntary contributions	2,208	-	-	2,204	-	-
Cash and cash equivalents	-	6,001	-	-	6,469	-
Other investment balances	325	-	-	723	-	-
Trade and other receivables	-	1,523	-	-	1,156	-
	781,390	**7,524**	**-**	**831,835**	**7,625**	**-**
Financial liabilities						
Other investment balances	-	-	-	(116)	-	-
Trade and other payables	-	-	(1,723)	-	-	(2,036)
	-	**-**	**(1,723)**	**(116)**	**-**	**(2,036)**
Total	**781,390**	**7,524**	**(1,723)**	**831,719**	**7,625**	**(2,036)**

Notes to the Financial Statements (continued)

Valuation of financial instruments carried at fair value through profit or loss (FVPL).

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 2023	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Equities				
UK quoted	9,922	-	-	**9,922**
Overseas quoted	122,304	-	-	**122,304**
Rights / warrants	50	-	-	**50**
Pooled investment vehicles				-
Equity	-	309,486	-	**309,486**
Bonds	-	176,747	-	**176,747**
Property	-	-	66,859	**66,859**
Hedge funds	-	-	93,489	**93,489**
Other investment balances	3,555	-	-	**3,555**
Total financial assets	**135,831**	**486,233**	**160,348**	**782,412**
Financial liabilities				
Other investment balances	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**
Net financial assets	**135,831**	**486,233**	**160,348**	**782,412**

Notes to the Financial Statements (continued)

Values at 31 March 2022	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Equities				
UK quoted	9,750	-	-	9,750
Overseas quoted	125,244	-	-	125,244
Rights / warrants	30	-	-	30
Pooled investment vehicles				
Equity	-	374,641	-	374,641
Bonds	-	189,509	-	189,509
Property	-	-	81,319	81,319
Hedge funds	-	-	48,416	48,416
Other investment balances	3,895	-	-	3,895
Total financial assets	**138,919**	**564,150**	**129,735**	**832,804**
Financial liabilities				
Other investment balances	(116)	-	-	(116)
Total financial liabilities	**(116)**	**-**	**-**	**(116)**
Net financial assets	**138,803**	**564,150**	**129,735**	**832,688**

The following table presents the changes in level 3 items for the periods ended 31 March 2023 and 31 March 2022:

	Property £000	**Hedge £000**	**Total £000**
Opening 2021	**67,878**	**35,400**	**103,278**
CIMV	13,441	3,630	**17,071**
Additions	-	10,998	**10,998**
Disposals	-	(1,612)	**(1,612)**
Closing 2022	**81,319**	**48,416**	**129,735**
CIMV	(14,460)	(1,633)	**(16,093)**
Additions	-	47,026	**47,026**
Disposals	-	(320)	**(320)**
Closing 2023	**66,859**	**93,489**	**160,348**

15. Cash and cash equivalents

	2022-23 £000	2021-22 £000
Balance at 1 April	**3,137**	3,258
Net change in cash balances	**(481)**	(121)
Balance at 31 March	**2,656**	3,137

The following balances at 31 March were held at:

Commercial banks and cash in hand	**-**	158
Short term investments	**2,108**	1,933
Other cash balances	**548**	1,046
	2,656	3,137

Notes to the Financial Statements (continued)

16. 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.

Overall responsibility for the Fund's risk management strategy resides with the Trustees, although day to day management is delegated to the Secretariat. The Fund's risk management processes are reviewed regularly to ensure they remain appropriate.

Market risk

Market risk is the risk of loss from variations in equity prices, interest and foreign exchange rates, property or infrastructure 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 2023 is 9.9%. This assumes no diversification with other assets and, in particular, that interest rates remain constant. This is a slight decrease of the measure of currency risk as at 31 March 2022 of 9.5%.

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.

Notes to the Financial Statements (continued)

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 2023 (£m)
UK equities	18.2	1.3	10.0
Global equities	19.0	55.3	433.2
Infrastructure Equity	16.0	5.1	39.9
Property	15.5	8.6	67.5
Corporate bonds / Non-Gilts (medium term)	7.5	-0.2	-1.2
Fixed gilts (medium term)	6.0	5.6	43.8
Senior Loans	9.6	14.3	111.8
High Yield Debt	9.4	7.8	61.4
Cash/short duration derivative instruments	0.3	2.2	17.3
Total Fund volatility	12.1	100.0	783.7

Note: Asset values are as at 31 March 2023. 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 £3.7m as at 31 March 2023.

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.

Notes to the Financial Statements (continued)

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 2023 (£m)
Corporate bonds / Non-Gilts (medium term)	7.7	-1.2
Fixed gilts (medium term)	9.2	43.8
Senior Loans	2.9	111.8
High Yield Debt	0.2	61.4
Cash/short duration derivative instruments	1.8	12.8
Total bond investments	**3.3**	**228.7**

Note: Underlying data sourced from investment managers (PIMCO, M&G and BlackRock) as at 31 March 2023. 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 as at 31 March 2023 was £4.5m, as shown in the table below.

Table 3: Parliamentary Contributory Pension Fund – cash holdings

Summary	Rating (S&P)	Asset values as at 31 March 2023 (£m)
Money market funds: Northern Trust	A1+	0.8
Bank current accounts: Royal Bank of Scotland	A1	3.7
Net cash equivalents: Investment managers	n/a	15.1
Total		**19.6**

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.

Notes to the Financial Statements (continued)

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, the European Loans and Illiquid credit mandates managed by M&G, the private debt mandate managed by Barings and the UK Gilts managed by BlackRock. 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 (please note that the entire Barings private debt investment has been classed as 'not rated'):

Table 4: Parliamentary Contributory Pension Fund – Indirect Credit Risk

Credit rating of bond investments	Asset values as at 31 March 2023 (£m)	% of Bond investments
A1	1.6	0.7%
AAA	21.8	10.1%
AA	49.2	22.8%
A	3.0	1.4%
BAA	5.2	2.4%
BBB	2.3	1.1%
BBB-	0.0	0.0%
BB+	0.2	0.1%
BB	11.7	5.4%
BB-	8.0	3.7%
B+	9.7	4.5%
B	45.0	20.9%
B-	12.6	5.9%
CCC+ and below	8.9	4.1%
Cash or cash equivalents	9.7	4.5%
Not rated	26.7	12.4%
Total	**215.7**	**100.0%**

Note: Asset values are as at 31 March 2023. Numbers may not sum due to rounding. Asset values are sourced from Northern Trust. Credit ratings are sourced from PIMCO, M&G and BlackRock.

Liquidity risk

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

Notes to the Financial Statements (continued)

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, in which capital was committed for a period of 3 years. This period has come to an end and the fund is currently winding up. The fund operates 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 has committed 5% of assets to the Barings Global Private Loan fund, as a direct replacement for the M&G illiquid credit fund. The Barings fund has an initial 4-year investment period, with a total fund term of 8 years.

In addition, 5% of Fund assets has been committed to the BlackRock Renewable Energy Infrastructure fund. After an initial 5-year investment period, the BlackRock fund will begin returning capital back to the Fund, with the total repayment period expected to last 7 years after the initial 5 year investment period. A further 5% of Fund assets has been committed to the Foresight Energy Infrastructure Partners fund which has a 10-year term before capital will be returned to investors.

The Fund has no further holdings in illiquid assets such as private equity or directly held property yet. 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.

17. 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 2023.

Pooled Investment Vehicles	**Market Value 2022-23 £000**	**% of Net Assets 2022-23**	**Market Value 2021-22 £000**	**% of Net Assets 2021-22**
BlackRock Pensions Management	179,779	23.0	219,555	26.5
Schroders Pensions Management – MFE	129,707	16.6	155,085	19.0
M & G European Loan C	78,983	10.1	81,260	9.8
Pimco Global Libor Plus	53,983	6.9	55,828	6.7
Aquila Life All Stocks UK Gilt	43,926	5.6	52,421	6.3

Notes to the Financial Statements (continued)

18. 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 and or Zurich securing additional benefits on a money purchase basis for those members electing to pay AVCs. Although the Trustees withdrew the option for Active members to pay AVCs to Equitable a number of years ago, some members retained their funds with them, and these are now held with Utmost. Fund 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:

	2022-23	**2021-22**
	£000	**£000**
AVC investments as at 1 April	**2,204**	**2,284**
AVC contributions purchases	**42**	**3**
AVC sales	**(30)**	**(218)**
Change in market value	**(8)**	**135**
AVC investments as at 31 March	**2,208**	**2,204**
Market value of AVC investments by provider		
Utmost	**987**	**964**
Zurich	**1,221**	**1,240**
	2,208	**2,204**

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

19. Current assets

	2023	2022
	£000	£000
Receivables		
Contributions due to Fund:		
Member normal contributions	**513**	510
Employer normal contributions	**625**	610
Member added years	**-**	7
McCloud Project reimbursement due from IPSA	**369**	-
Overpaid pension	**9**	26
Provision for overpaid Guaranteed Minimum Pension (GMP) owed by members to the Fund	**3**	3
Bank interest receivable	**4**	-
	1,523	1,156
Cash		
Balance at 1 April	**3,938**	6,375
Net change in cash balances	**(268)**	(2,437)
Balance at 31 March	**3,670**	3,938
The following balances at 31 March were held at:		
Commercial banks and cash in hand	**3,670**	3,938

Notes to the Financial Statements (continued)

20. Current liabilities

(amounts due within one year)	**2023**	2022
	£000	£000
Lump sums and taxation	**(696)**	(1,418)
Administrative expenses	**(369)**	(185)
McCloud Project expenses	**(369)**	-
Investment management expenses	**(277)**	(421)
Provision for GMP owed to members	**(12)**	(12)
	(1,723)	(2,036)

21. Capital commitments

The Fund has outstanding investment capital commitments in relation to a renewable power infrastructure fund managed by BlackRock, a renewable energy infrastructure fund with Foresight, and a global private loan fund with Barings. Commitments contracted to BlackRock for the year end but not recognised as liabilities amount to £18.9m ($23.4m) as at 31 March 2023 (£26.1m ($34.3m) as at 31 March 2022). Commitments contracted to Foresight for the year end but not recognised as liabilities amount to £17.0 (€19.4m) as at 31 March 2023 (£30.4m (€36.0m) as at 31 March 2022). Commitments contracted to Barings for the year end but not recognised as liabilities amount to £17.3m as at 31 March 2023 (nothing as at 31 March 2022).

The Trustees confirm that there were no other outstanding capital commitments or contingent liabilities at 31 March 2023.

22. Actuarial Liability - IAS 19 Basis

The Parliamentary Contributory Pension Fund is an unfunded defined benefit scheme. The Government Actuary's Department (GAD) carried out an assessment of the Scheme liabilities as at 31 March 2023. The Report of the Actuary on pages 6 to 7 sets out the scope, methodology and results of the work the actuary has carried out.

The Fund Trustees together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Fund Trustees should make available to the actuary in order meet the expected requirements of the Scheme auditor. This information includes, but is not limited to, details of:

- Fund membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the Fund;
- income and expenditure, including details of expected bulk transfers into or out of the Fund; and
- following consultation with the actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

Notes to the Financial Statements (continued)

The key assumptions used by the actuary were:

	31-Mar-23	31-Mar-22	31-Mar-21	31-Mar-20	31-Mar-19
Rate of increase in salaries	4.10%	4.65%	4.15%	3.75%	4.35%
Rate of increase in pensions in payment and deferred pensions	2.60%	3.15%	2.40%	2.00%	2.35%
Inflation assumption	2.60%	3.15%	2.40%	2.00%	2.35%
Nominal discount rate	4.65%	2.65%	1.95%	2.25%	2.45%
Discount rate net of price inflation	2.00%	-0.50%	-0.45%	0.25%	0.10%

Mortality rates at age 60	31-Mar-23	31-Mar-22	31-Mar-21	31-Mar-20	31-Mar-19
Current retirements					
Females	30.2	30.1	30.2	30.1	30.9
Males	28.5	28.4	28.7	28.6	29.5
Retirements in 20 years' time					
Females	26.8	26.7	26.7	26.7	27.8
Males	25.2	25.1	25.4	25.3	26.5

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the Fund Trustees acknowledge that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 the Fund Trustees are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability overleaf.

Notes to the Financial Statements (continued)

Membership Data

Tables A and B summarise the principal membership data as at 1 April 2020 and 31 March 2023 used to prepare this statement.

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

1 April 2020			2022-23
Number	**Total salaries in membership data (pa) (£ million)**	**Total accrued pensions (£ million)**	**Total salaries (£ million)**
819	58.3	11.0	57.9

Table B – Deferred members and pensions in payment

	1 April 2020	
Category	**Number**	**Total pension (pa) (£ million)**
Deferreds	530	8.0
Pensioners	1,125	25.1

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 2022-23 accounts. The contribution rate for accruing costs in the year ended 31 March 2023 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2021-22 accounts.

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

Principal financial assumptions

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

Table C – Principal financial assumptions

	31 March 2023 (% p.a.)	31 March 2022 (% p.a.)
Gross discount rate	4.65	2.65
Price inflation (CPI)	2.60	3.15
Earnings increases (excluding promotional increases)	4.10	4.65
Real discount rate (net of CPI)	2.00	(0.50)

Demographic assumptions

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2023 are based on those adopted for the 2020 funding valuation of the PCPF.

The standard mortality tables known as S3NxA are used. Mortality improvements are in accordance with those incorporated in the 2020-based principal population projections for the United Kingdom.

Notes to the Financial Statements (continued)

Demographic assumptions (continued)

The contribution rate used to determine the accruing cost in 2022-23 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2021-22 accounts.

The table below shows the life expectancy of normal health pensioners at age 65 (years):

	As at 31 March 2023			As at 31 March 2022		
	Men	**Female member**	**Widows**	**Men**	**Female members**	**Widows**
Current pensioners	23.6	25.2	24.0	23.5	25.1	23.9
Future pensioners *	25.2	26.8	25.6	25.1	26.7	25.5

* The life expectancy from age 65 of active and deferred members will depend on their current age. This table shows the life expectancy from age 65 for active members currently aged 45.

Liabilities

Table D summarises the assessed value as at 31 March 2023 of benefits accrued under the fund prior to 31 March 2023 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 2023 £ million	**31 March 2022 £ million**
Total market value of assets (excl AVC'S)	785.9	832.6
Value of liabilities	(741.5)	(1,040.1)
Surplus / (deficit)	44.4	(207.5)
Funding Level	106%	80%

Table E – Movement in actuarial liability

	2022-23 £ million	**2021-22 £ million**
Actuarial liability at start of year	1,040.1	1,016.2
Movement in the year due to		
Current service cost	37.1	36.8*
Past service cost	-	1.9
Net transfers in	(0.8)	0.4
Benefits paid	(28.0)	(29.3)
Enhancements (i.e. added pension contributions)	0.2	0.2
Interest on fund liability	27.7	19.9
Changes in assumptions	(402.2)	(7.1)
Experience gains or losses	67.4	1.1
Actuarial liability at end of year	**741.5**	**1,040.1**

* £6.0m has been reclassified from enhancements to current service cost. This represents the proportion of current service cost which was incorrectly classified as enhancement contribution income in the prior year.

Notes to the Financial Statements (continued)

Pension Cost

The cost of benefits accruing in the year ended 31 March 2023 (the Current Service Cost) is based on a standard contribution rate of 64.1% (including member contributions but excluding expenses) (2022: 64.5%), as determined at the start of the year. Table F shows the standard contribution rate used to determine the Current Service Cost for 2022-23 and 2021-22.

Table F - History of experience gains/(losses)

	2023-22	2022-21	2021-20	2020-19	2019-18
Experience gains/(losses) on the Scheme liabilities:					
Amount (£m)	(67.4)	(1.1)	30.9	4.5	7.3
Percentage of the present value of the Scheme liabilities	24.2	0.0	56.6	155.1	117.7
Total Amount recognised in Statement of Changes in Taxpayers Equity					
Amount (£m)	278.0	69.5	54.6	2.9	6.2
Percentage of the present value of the Scheme liabilities	37.5	6.7	5.4	0.3	0.6

Table G – Contribution Rate	**Percentage of Pensionable Pay**	
	2022-23	**2021-22**
Standard contribution rate (excluding expenses)	64.1%	64.5%
Members' contribution rate (average)	(10.7%)	(10.7%)
Employer's share of standard contribution rate (excluding expenses)	53.4%	53.8%

For the avoidance of doubt 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 -0.45% pa for the 2022-23 Current Service Cost (0.25% pa for the 2021-22) compared with 2.75% 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 2022-23 was £57.9 million [2021-22: £57.3 million]. Based on this information, the accruing cost of pensions in 2022-23 (at 64.1% [2021-22: 64.5%] of pay) is assessed to be £37.1 million [2021-22: £37.0 million].

Notes to the Financial Statements (continued)

Table H – Analysis of benefits paid

	31 March 2023 £ million	31 March 2022 £ million
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	(26.3)	(25.7)
Commutations and lump sum benefits on retirement	(1.7)	(2.2)
Lump sum death benefits	-	(1.4)
Total benefits paid	**(28.0)**	**(29.3)**

Table I – Analysis of payments to and on account of leavers

	31 March 2023 £ million	31 March 2022 £ million
Individual transfers out to other schemes	(1.3)	(0.5)
Total payments to and on account of leavers	**(1.3)**	**(0.5)**

Table J – Analysis of actuarial gain or loss

	2022-23 £ million	2021-22 £ million
Changes in assumptions underlying the present value of Scheme liabilities	402.2	7.1
Experience losses arising on the Scheme liabilities	(67.4)	(1.1)
Total actuarial gain	**334.8**	**6.0**

For the purpose of the 2022-23 Accounts, the McCloud cost was included in the start of the year liabilities and in the 2022-23 Current Service Cost. The IPSA have made their own proposals for the McCloud remedy in the PCPF and recently consulted on these with the consultation closed on 18 March 2023. The proposals are similar to the HM Treasury approach for other schemes and differences are not expected to have any material impact on costs. There remains some uncertainty over the McCloud approach until the scheme rules are amended.

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 I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2023 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 J shows the indicative effects on the total liability as at 31 March 2023 of changes in these assumptions (rounded to the nearest ½%).

Notes to the Financial Statements (continued)

Table K – 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 million
(ii)	in excess of pensions:	-½% a year	+8.0%	£82 million
Pensioner mortality				
(iii)	two additional years increase to life expectancy at retirement:		+8.5%	£87 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.

23. 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 eleven PCPF Trustees, five were pensioners within the Fund (2022: five), four were active members of the Fund (2022: four) and the remaining two were not members of the Fund (2022: 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 9.

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 (2022: nil). There were fees paid to the Secretariat of £294k plus VAT (2022: £223k).

24. Employer Related Investments

There were no employer related investments during the year (2022: nil).

25. Standards issued and not yet effective

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17.

IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The Fund does not hold any insurance contracts and as such the Trustees do not consider IFRS 17 relevant to it.

Notes to the Financial Statements (continued)

26. 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's Department (GAD) was the IAS 19 accounting valuation related to the position as at 31 March 2023.

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 £741.5 million. The market value of the assets on the same date was £785.9 million. The IAS 19 surplus at 1 April 2023 was accordingly £44.4 million. This corresponds to a funding level of 106%.

Following the 2020 triennial valuation, the Government Actuary's Department (GAD) recommended that, taking account of the Exchequer share of future service costs (13.1% of pay) and of the reduction to contributions to remove just under half of the surplus (0.2% of pay), that the rate of Exchequer contribution to be paid from 1 April 2021 until 31 March 2024 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 2020 triennial valuation and were as follows;

Principal Financial Assumptions

Gross rate of return	4.65%
Real rate of return, net of earnings increases	0.50%
Real rate of return, net of pension increases	2.00%

Although a major significant difference between the accounting valuation (IAS 19) and for the triennial funding valuation (used for scheme funding purposes) is the discount rate net of pension increases which is used. This was -0.45% pa for the 2022-23 Current Service Cost (0.25% pa for 2021-22) within the IAS 19 report, compared with 2.75% pa used for the funding valuation. 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 fund and the expected returns on those assets whereas the discount rate for accounts is set each year in accordance with IAS19 regulations.

Notes to the Financial Statements (continued)

Principal demographic assumptions

Mortality	1 April 2020
Males (retirements in normal health and dependants)	85% 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)	85% of SAPS (ill-health males amounts) U=2014
Females (ill-health pensioners)	100% 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 2020, which is published as a House of Commons paper and can be found on the Fund's website www.mypcpfpension.co.uk.

27. 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%.

In November 2020, a further judgment in the Lloyds case was delivered which confirmed scheme trustees are required to revisit past Cash Equivalent Transfer Values (CETVs) to ensure GMP equalisation . This may result in additional top-ups where GMP equalisation means that members did not receive their full entitlement. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETV were equalised. The scope of any costs are yet to be determined but GAD expect it will be a relatively small uplift for a relatively small subset of members (ie those who took a CETV and are in scope for a top up). As such we would expect to continue to use GAD's previous estimate for the impact of GMP equalisation.

28. Events after the reporting period

This Annual Report and Accounts was authorised by the Trustees for issue on the date of the Comptroller and Auditor General's audit certificate.

At the end of the accounting year, on 31 March 2023, the Final Salary section of the MPs' Pension Scheme closed to future accrual for MPs and relevant Office Holders. All active members of MPs' Pension Scheme began accruing benefits in the CARE Section from 1 April 2023. Accrued benefits within the Final Salary section remain linked to a members' future final salary, although no further benefit accrual may occur.

At their meeting on 7 September 2023, following advice from their investment consultant, the Trustees agreed to redeem their investments in the BlackRock UK Property Fund and Schroder Exempt Property Unit Trust Fund allocations in full and increase the allocation to UBS Global Asset Management Triton Property Fund allocation to 5% of Fund assets. The divestment and reinvestment instructions were delivered in September 2023 for action as soon as possible.

Notes to the Financial Statements (continued)

The Trustees also agreed to invest the remaining 5% of the portfolio in an impact property fund. It is expected that a provider for this mandate will be selected during 2023-24 or 2024-25 following appropriate training and further advice from the Trustees' investment consultant.

Appendix A

ACCOUNTS DIRECTION

GIVEN BY THE COMPTROLLER & AUDITOR GENERAL UNDER THE PARLIAMENTARY PENSIONS (CONSOLIDATION AND AMENDMENT) REGULATIONS 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 15 April 2016 and is effective for the fund's accounts as prepared by the trustees for the year ended 31 March 2021. 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. 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.

5. 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.

6. 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.

7. The accounts shall be made available for audit no later than nine months following the end of the financial year. This accounts direction shall be included as an annex to the accounts as produced.

GARETH DAVIES

Comptroller and Auditor General

19 October 2021

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