Parliamentary Contributory Pension Fund Accounts 2016-17

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The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £734 million in 2016.

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The Government Actuary's valuation report as at 1 April 2014 referred to in these Accounts is available for review on https://www.gov.uk/government/publications/actuarial-valuation-of-the-parliamentary-contributory-pension-fund-as-at-1-April-2014

Annual Report

Report of the Trustees

Statutory Basis for the Scheme

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

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

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

MPs' pension scheme

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

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

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

An Office Holder is a holder of the following Qualifying Office's:
Chairman and Deputy Chairman of Ways and Means
Chairman and Deputy Chairman of Committees of the House of Lords
Paid Select Committee Chairman
Member of Chairman's Panel

During the accounting year, MPs' salaries (which are also set by IPSA) were £74,962.

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 will pay contributions of 11.09% of salary to build up 1/51st of pensionable earnings (revalued using the Consumer Prices Index (CPI)).

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

Ministers' pension scheme

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

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

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

Benefits Payable

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

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

Income

Income to the Fund is derived from three main sources:

1 contributions from MPs, Ministers and Office Holders;

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

3 investment income.

In addition, transfers of pension benefits into the Fund amounted to £1,214,000 in 2016-17, (£405,000 in 2015-16).

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.

The next actuarial valuation will be based on membership as at 31 March 2017 with the new contribution rates coming into effect on 1 April 2018. The actuarial liability of the fund is assessed every three years by the Government Actuary with an interim assessment in the years between valuations. The Actuary's report on the liabilities as at 31 March 2017 is shown on pages 42 to 46 of these Accounts.

Membership at 31 March 2017

Active	
Active members at the start of the year	643
New entrants	10
Rejoined	1
	654
Less:	
Death in service	(2)
Retirements	(3)
Deferred	(9)
Opt out	(3)
	(17)
Active membership as at 31 March 2017	**637**
Pensioners	
Pensioners at the start of the year	1,092
Retirements	24
New dependant pensioners	17
Death of a pensioner	(28)
Death of a dependant	(12)
Closed	(3)

Pensioners as at 31 March 2017	**1,090**
Deferred member	
Deferreds at the start of the year	236
Actives becoming deferred	9
	245
Less:	
Retirements	(20)
Deaths	(1)
	(21)
Deferred members as 31 March 2017	**224**

Trustees during the year to 31 March 2017

Brian Donohoe (Chairman) *
Clive Betts MP **
Sir Graham Bright *
Rt Hon Peter Lilley MP **
Andrew Love *
Bridget Micklem (MCS Trustee) ***
David Mowat MP **
Rt Hon the Lord Naseby *
John Sills (IPSA Trustee) ***
RT Hon the Viscount Thurso *

* MNT pensioner ** MNT active *** non member

Following the year end, two Trustee resigned from the Trustee board; Hon Peter Lilley (9 May 2017) and David Mowat (4 April 2017). The Secretariat are undertaking a Member Nomination Exercise to fill both positions.

Since 24 October 2011 the governing legislation has specified that there should be ten Trustees, eight of whom were Member Nominated Trustees (MNTs), plus one appointed by each of IPSA and the MCS.

During the year to 31 March 2017 there were eight Member nominated Trustees and an MCS and IPSA Trustee. All designations are correct as at the date of certification.

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

Method of appointment

Trustees are appointed under the provisions of the 2010 Act.

Resignation and removal of Trustees

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

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

Officers of the Fund

Secretary to the Trustees

Lucy Tindal, Head of Member Services, House of Commons Corporate Services

Secretariat

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

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

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

Following the year end the Sarasin mandate has been terminated with the proceeds being used to fund investment in the M&G Illiquid Opportunities Fund ICOF II.

Annual Report

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

Contact address

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

PCPF Secretariat
Corporate Services
House of Commons
London
SW1A 0AA

Members should direct enquiries about their own pension position to :

PCPF Administration Team
RPMI
PO Box 193
Darlington
DL1 9FP

Customer helpline: 0845 555 3377

Email:PCPF@rpmi.co.uk

Investment details and performance

Over the year to 31 March 2017, the Fund returned 22.1% against its benchmark return of 21.2%. Over this time period, global equity market returns have been strongly positive. The Fund's overseas equity holdings have been the strongest performing part of the portfolio, primarily as positive underlying overseas equity returns were boosted further by currency appreciation against Sterling following the EU referendum result in late June 2016.

UK property experienced a slowdown after the referendum result, and this is reflected in the return from the Fund's property allocation which has been only marginally positive in line with the broader market during the quarter. The Fund's fixed income assets have delivered solid returns, underpinned by the contractual nature of cashflows associated with the underlying debt instruments.

The Trustees have continued to seek opportunities to scale down the Standard Life Property Fund.

The Trustees have reaffirmed their commitment to Environmental Social and Governance (ESG) issues and have published their statement of beliefs and statement of responsible investment as part of 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 has formally been agreed by the Minister for the Civil Service and IPSA and can be viewed on the Fund's website at https://mypcpfpension.co.uk/docs/librariesprovider4/misc.-docs/draft-statement-of-investment-principles.pdf?sfvrsn=4.

To aid their active fund managers in voting and engagement issues, the Trustees have published an Engagement Policy. In addition quarterly voting and engagement reports are published on the PCPF website. The Trustees continue to monitor 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 31.3.17 %**	**Target Allocation %**
MFS International (UK) Ltd	UK equities	8.0	8.0
MFS International (UK) Ltd	Global equities	9.0	8.0
Sarasin & Partners LLP	Global equities	7.9	8.0
BlackRock Advisors (UK)	Multi-asset	46.0	42.0
PIMCO Europe Ltd	UK bonds	11.3	13.7
M&G	European Loans	9.5	10.3
Multi-managers	Property	8.3	10.0
Total		**100.0**	**100.0**

There were no employer related investments during the year (2016: nil).

Preparation of annual accounts

The Fund Rules, which under the 2010 Act reconstitute the provisions of the 1993 regulations, require that annual accounts 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.

In 2014-15 the House reviewed the accounting arrangements for the PCPF and in particular considered that it would be more appropriate to align its accounting arrangements with other public sector pension schemes, which recognise the scheme liabilities as well as the scheme assets. The House sought the approval of the Members' Estimate Committee and the Trustees of the PCPF, who agreed the proposal. The Comptroller and Auditor General (C&AG) is responsible under legislation for setting the Accounts Direction for the PCPF and, after due consideration, updated the 2015-16 direction to facilitate the proposal put forward by the House.

The liability for the PCPF as at 31 March 2017 is assessed by the Government Actuary on an International Accounting Standards (IAS19) basis and is shown on pages 42 to 46 of the Accounts. The Trustees are content with the liability position of the Fund having taken advice from the Actuary and are satisfied that the Fund will continue in operation given the liability position.

A Statement of the Trustees' responsibilities with regard to the preparation of the accounts is on page 10.

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:
by:

Brian H Donohoe 12 October 2017
Chairman of Trustees

Statement of Trustees' Responsibilities

The Fund Rules require the Trustees of the Fund to prepare annual accounts in such a form and in such a manner as the Comptroller and Auditor General may direct. The financial statements for the year ended 31 March 2017 were prepared on an accruals basis to give a true and fair view of the financial transactions of the Fund during the year then ended, and of the disposition at 31 March 2017 of its assets and liabilities.

In preparing those financial statements, the Trustees were required to:

- observe the accounts direction issued by the Comptroller and Auditor General, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgments and estimates on a reasonable basis;

- state whether applicable accounting standards were followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis, on the presumption that the Fund will continue in operation.

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

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

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

Governance Statement

This statement covers the operation of the Fund for the year ended 31 March 2017. On behalf of all of the Trustees, I acknowledge our responsibility for ensuring that an effective system of governance is maintained and operated in connection with the Fund.

Governance framework of the Parliamentary Contributory Pension Fund (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 the Corporate Services team at the House of Commons provide a full secretariat service to the Trustees which includes administrative advice and support. The Secretariat, who are part of Corporate Services, is led by Lucy Tindal, who is Secretary to the Trustees.

The Trustees have a balance of powers document in place which sets out their responsibilities in relating to the administration and governance of the Fund. The roles and responsibilities the Trustees have delegated to the Secretariat are set out in the Secretariat terms of reference.

The Trustees Business Plan 2014-17 for the Fund set out the expected projects over the three Fund years. During the year the Trustees monitored regular reports, provided by the Secretariat at Trustee meetings, on the progress being made in each area, including Secretariat performance. The Trustees have approved a new Business Plan commencing 1 April 2017 for a period of three years.

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.

Trustees started the TPR's Trustee Toolkit in 2015-16 and this is ongoing. Arrangements are also in place to assess and address the ongoing training requirements of Trustees, to ensure that they keep up to date with new and current issues affecting the Fund's operations. Regular and relevant Trustee training sessions are arranged at Trustee meetings.

The day to day administration of the Fund, including the operation of the pension payroll and accounting has been outsourced by the Trustees to RPMI Ltd (RPMI). The safekeeping of the Fund's assets is undertaken by the Northern Trust Company, in their capacity as custodian to the Fund.

Work of the Trustee Board

The Trustees held seven formal meetings during the year. Three of these meetings were specifically investment focussed. The Trustees have agreed to hold additional investment focussed meetings for the foreseeable future to allow sufficient time being given to investment matters.

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

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

During the year the Trustees have spent considerable time considering environmental, social and governance (ESG) matters. The focus has been on reviewing Fund Managers' voting and engagement activity and formulating a formal Engagement Policy to set out the Trustees' engagement with their Fund managers.

The Trustees have also been monitoring the Fund's cash flow requirements and arrangements and have been assessing their investments with a view to generate both growth and income for the Fund. Work on the actuarial valuation 2017 is currently underway and the Trustees will be looking at their cash flow requirements as a post valuation exercise.

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

Risks

The Secretariat, on behalf of the Trustees, maintain a Risk Register for the Fund to support the active management of risk. This identifies and analyses potential issues that pose a risk to the Fund's objectives in terms of impact and probability. The full Risk Register is taken to the Trustees once a year, but at each meeting they receive a report highlighting any significant risks along with actions planned to reduce the impact or likelihood of these potential risks. Lower level risks are managed by the Secretariat and are escalated to the Trustees for action as necessary under the system of risk management.

One of the risks to the Fund is the risk of pension fraud and the Trustees have agreed to undertake an NFI exercise every three to five years. The Trustees have recently taken part in the 2016 National Fraud Exercise. The results have showed there were in fact no cases of fraud identified. It is likely the Trustees will next participate in this exercise in 2019.

Review of effectiveness

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

In authorising investment managers to make investments on our behalf, the Trustees receive sufficient information to make informed decisions and to understand the risks associated with those investments. Specifically, they take advice from Hymans Robertson LLP and receive regular updates as to the investment managers' performance and movement of the Fund's assets. The Fund's liabilities are measured by the Government Actuary and reported to the Trustees via the Actuarial Valuation every three years. The Trustees undertook a Valuation as at 1 April 2014 and the next valuation is now due as at 1 April 2017. This will be published during the 2017/18 Fund year.

In addition, the value of liabilities has been calculated as at 31 March 2017. It has been determined by calculating the liabilities as at 1 April 2014, based on the data for the 2014 actuarial valuation, and rolling forward that liability to 31 March 2017. The assumptions adopted for the assessment are the responsibility of the Trustees, having regard to both the Government's Financial Reporting Manual (FReM) and advice from the actuary. The report from the Actuary on the actuarial liability as at 31 March 2017 is included in these accounts on pages 42 to 46.

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

The organisations that provide the Fund's secretariat, custodianship and administration functions are subject to review by their respective organisations' internal audit units, which operate to relevant professional Internal Audit Standards. On behalf of the Trustees, the Secretariat regularly review independent reports on internal operational controls for custodian, investment managers and the administrator (excluding property managers). The audit opinions of the reviewed reports contain no qualifications.

Financial management

The Trustees review all expenditure incurred by the Fund at each meeting. The Trustees receive a report on the Fund budget and costs being incurred by the Fund. This report forms part of the Business Plan which was taken to the Trustees at each meeting and aims to help increase governance around spending behaviour and improves decision making.

Procurement

During 2016-17 no procurement exercises were undertaken.

The Trustees are supported by the Secretariat and the House's Parliamentary Procurement and Commercial Services (PPCS) to ensure that all tender exercises follow public procurement guidelines and comply with the EU procurement directives, ensuring equal treatment, non-discrimination and transparency. The Trustees have a number of external contracts that are coming to the end of their terms over 2017-2019. The Trustees have previously been unable to use the National Framework Agreement (NFA) for tendering as it has not been legally possible to use them. However, it is anticipated that the Trustees will be able to use these frameworks in some instances in future where the frameworks allow public sector pension funds to use them. This will be beneficial for the Trustees as the procurement process will be streamlined in some cases, bring comfort around transparency and market benchmarking as well as providing value for money contracts.

Fund Administration

RPMI undertake the administration, fund accounting, and the calculation and payment of all pension benefits. The Trustees have free access to all documents and records maintained by RPMI, on their behalf.

The Fund Secretariat undertake regular reviews of work undertaken by RPMI, to ensure that the benefits have been calculated in accordance with the Fund's rules and legislative requirements, and that responses to members have been provided within the agreed service levels and are to a high standard.

The Secretariat meets regularly with RPMI (at a minimum three times a year), to discuss performance against the contractual service level agreements. At each non-investment focused Trustee meeting, the Trustees receive a quarterly administration report from RPMI and have an opportunity to discuss any concerns.

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

RPMI undertake a monthly reconciliation of expected member and Exchequer contributions. This enables RPMI to uncover any incorrect contributions from Ministerial Departments and to liaise with IPSA and/or the department to rectify the position as soon as possible. RPMI also monitor the timing of payments received from departments.

Custody of Assets

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

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

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

Conclusion

I am satisfied that during 2016-17 there have been no significant control issues relating to the management of the Fund's assets or the administration of pensions and there have been no implications for the effectiveness of the Fund's internal controls.

Approved on behalf of the Trustees on:
by:

Brian H Donohoe 12 October 2017
Chairman of Trustees

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

I certify that I have audited the financial statements of the Parliamentary Contributory Pension Fund for the year ended 31 March 2017 under Schedule 6 of the Constitutional Reform and Governance Act 2010. The financial statements comprise Statements of Comprehensive Net Expenditure, Financial Position, Changes in Taxpayers' Equity, Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Trustees and Auditor

As explained in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements in accordance with the Constitutional Reform and Governance Act 2010, and directions made thereunder, and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Constitutional Reform and Governance Act 2010. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Parliamentary Contributory Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the Annual Report comprising the Report of the Trustees, the Statement of Trustees' Responsibilities and the Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Parliamentary Contributory Pension Fund's affairs as at 31 March 2017, and of their net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Constitutional Reform and Governance Act 2010 and directions issued thereunder.

Opinion on other matters

In my opinion, the information given in the Annual Report comprising the Report of the Trustees, the Statement of Trustees Responsibilities and the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters for which I report by exception

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

20 October 2017

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

Statement of Comprehensive Net (Expenditure)/Income for the year to 31 March 2017

	Note	**2016-17**	2015-16
Income		**£000**	£000
Contributions	6	**12,654**	12,608
Individual transfers in		**1,214**	405
		13,868	13,013
Expenditure			
Benefits payable	7	**(24,523)**	(34,915)
Individual transfers out		**(1,120)**	(2,997)
Management expenses	8	**(2,034)**	(2,110)
		(27,677)	(40,022)
Finance income			
Investment income	9	**9,702**	7,152
Change in market value of investments	10	**112,955**	(10,263)
		122,657	(3,111)
Finance expenditure			
Interest charged		**(110)**	-
Changes in provision for pension liability	21	**(24,200)**	(12,200)
Net income/(expenditure)		**84,538**	**(42,320)**
Other comprehensive net income /(expenditure)			
Pension re-measurements			
Actuarial gain/(loss)	21	**(153,300)**	50,700
Other re-measurements	21	**13,500**	1,400
Total comprehensive net (expenditure)/ income		**(55,262)**	9,780

The notes on pages 21 to 46 form part of these accounts

Statement of Financial Position as at 31 March 2017

	Note	**2016-17**	2015-16
Non-current assets		**£000**	£000
Financial assets	11	**728,924**	615,333
Additional voluntary contribution assets	14	**2,502**	2,461
Total non-current assets		**731,426**	617,794
Current assets			
Trade and other receivables	15	**1,162**	1,051
Cash	15	**1,174**	2,942
Total current assets		**2,336**	3,993
Total assets		**733,762**	621,787
Current liabilities			
Trade and other payables	16	**(1,026)**	(1,449)
Total current liabilities		**(1,026)**	(1,449)
Non-current assets plus net current assets		**732,736**	620,338
Non-current liabilities			
Financial liabilities	11	**(64,897)**	(61,237)
Provision for pension liability	21	**(941,500)**	(777,500)
Total non-current liabilities		**(1,006,397)**	(838,737)
Assets less liabilities		**(273,661)**	(218,399)
Tax Payers Equity			
General Fund		**(273,661)**	(218,399)

The financial statements on pages 21 to 46 were approved by the Trustees on: 12 October 2017

Signed on behalf of the Trustees on:
by:

Brian H Donohoe 12 October 2017
Chairman of Trustees

Statement of Cash Flows for the Year to 31 March 2017

	2016-17 £000	2015-16 £000
Cash flows from operating activities		
Net income/(expenditure) for the year	**84,538**	(42,320)
Adjustments for non-cash transactions		
Change in market value of investments and gains	**(112,955)**	10,263
Less : market value of movements on cash equivalents	**(3,110)**	(1,006)
(Increase)/decrease in receivables		
Decrease in accrued investment income receivable	**210**	66
(Increase)/decrease in trade and other receivables	**(111)**	562
(Increase)/decrease in payables		
(Decrease) in trade and other payables	**(423)**	(595)
Increase in pension provision	**24,200**	12,200
Net cash outflow from operating activities	**(7,651)**	(20,830)
Cash flows from investing activities		
Purchase of investment assets	**(241,825)**	(258,944)
Proceeds of disposal of investment assets	**235,323**	283,116
Net cash (outflow)/inflow from investing activities	**(6,502)**	24,172
Net (decrease)/increase in cash and cash equivalents	**(14,153)**	3,342
Cash and cash equivalents at the beginning of the period	**(7,255)**	(10,597)
Cash and cash equivalents at the end of the period *	**(21,408)**	(7,255)

* |Totals are made up of cash at bank note 15 £1,174,000 (2016: £2,942,000) and cash and cash equivalents note 11 -£22,582,000 (2016: -£10,197) totalling -£21,408,000 (2016: -£7255).

The notes on pages 21 to 46 form part of these accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

	2016-17	2015-16
	£000	£000
Balance as at 1 April	**(218,399)**	(228,179)
Net income/(expenditure) for the year	**84,538**	(42,320)
Change in provision for pension liability	**(139,800)**	52,100
Net change in taxpayers' equity	**(55,262)**	9,780
Balance as at 31 March	**(273,661)**	(218,399)

Notes to the Financial Statements

1 Description of the Fund

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

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

A further description of the fund and relevant legislation can be found in the Report of the Trustees on pages 2 to 9 and the Fund's website mypcpfpension.co.uk.

2 Basis of Preparation

During 2014-15 the House reviewed the accounting arrangements for the PCPF and considered that it would be more appropriate to align the accounting arrangements of the PCPF with other public sector pension schemes. This would also ensure comparability with other public sector accounts and improve transparency.

In April 2015 the Comptroller and Auditor General after consultation with the Trustees of the PCPF and the House of Commons Estimate Committee issued a revised Accounts Direction. The Direction 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 accounts have been prepared in accordance with this Direction.

The Statement of Accounts summarises the fund's transactions for the 2016-17 financial year and its position at year-end as at 31 March 2017.

3 Accounting Policies

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

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

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

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

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

d Management expenses

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

e Investment income

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

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

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

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

f Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 21.

4 Critical Judgements In Applying Accounting Policies

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

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

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

The items in the Statement of Financial Position at 31 March 2017 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 £71million ■ A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £14million ■ A one year increase in assumed life expectancy would increase the liability by approximately £33million.

6 Contributions

	2016-17	2015-16
	£000	£000
Members		
Normal	**5,702**	5,676
Added years	**212**	232
Additional voluntary contributions	**42**	120
Employer (Exchequer)		
Normal	**6,075**	5,968
Deficit	**623**	612
	12,654	12,608

Following the 2014 valuation, the standard contribution rate required from 1 April 2015, decreased to 11.7% of pensionable salaries due to the introduction of a new benefit structure from May 2015.

During the scheme year the Exchequer was required to contribute 1.2% of pensionable salaries to amortise the accumulated deficit as required by the 2014 valuation.

The contribution rates will be reassessed following the 2017 valuation.

7 Benefits payable

	2016-17	2015-16
	£000	£000
Pensions	**22,430**	21,990
Lump sum retirement benefits*	**1,934**	12,727
Lump sum death benefits	**159**	154
Annuities	**–**	44
	24,523	34,915

*Lump sum payments are lower as 2015 was an election year and there was a higher level of retirements from the fund.

8 Management expenses

	2016-17 £000	2015-16 £000
Trustees – Secretariat	**133**	119
Third party administration and advisor fees	**303**	295
Actuarial fees	**80**	65
Legal fees	**51**	57
External Audit fee	**35**	32
Investment management basic fees	**1,208**	1,043
Investment management performance fees	**27**	253
Custody fees	**79**	72
Investment consultancy	**118**	174
	2,034	2,110

The auditors were not paid any remuneration for non-audit work.

9 Investment income

	2016-17 £000	2015-16 £000
Fixed interest securities	**2,698**	2,458
Index-linked securities	**8**	5
Equities	**3,495**	3,109
Derivatives	**91**	173
Pooled investment vehicles	**3,410**	1,377
	9,702	7,122
Interest on cash held on deposit	**–**	30
	9,702	7,152

10 Change in market value of investments

	Note	**2016-17 £000**	2015-16 £000
Defined benefit assets	11	**112,618**	(10,293)
Additional voluntary contribution assets	14	**337**	30
		112,955	(10,263)

11 Investment movements

	Market value 1 April 2016 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in Market value £000	**Market value at 31 March 2017 £000**
Fixed Interest	95,178	146,443	(151,130)	4,716	**95,207**
Index Linked	2,920	802	(802)	474	**3,394**
Derivatives	(483)	5,785	(5,419)	550	**433**
Equities	135,273	41,330	(45,876)	32,626	**163,353**
Pooled Investment vehicles	329,906	47,412	(31,747)	77,362	**422,933**
	562,794	241,772	(234,974)	115,728	**685,320**
Cash and cash equivalents	(10,197)			(3,110)	**(22,582)**
Accrued income	1,499				**1,289**
	554,096			112,618	**664,027**

Included within the above purchases and sales figures are transaction costs of £95,281 (2016: £74,946). In addition costs are also borne by the Fund in relation to transactions in pooled investment vehicles, however, such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

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

Investments analysed by Fund Manager

	Market Value 2017 £000	**% of Investments**	Market Value 2016 £000	% of Investments
Pimco Europe Ltd	**74,754**	**11.3**	71,478	12.9
MFS International (UK) Ltd	**112,963**	**17.0**	92,728	16.7
BlackRock Advisors (UK) Ltd	**305,527**	**46.0**	244,691	44.2
UBS Global Asset Management Triton Property Fund	**19,730**	**3.0**	13,770	2.5
BlackRock UK Property Fund	**19,966**	**3.0**	6,792	1.2
Standard Life IK Property Fund	**5,678**	**0.8**	16,485	3
Schroder Exempt Property Unit Trust Fund	**9,875**	**1.5**	9,645	1.7
Sarasin and Partners LLP	**52,597**	**7.9**	45,102	8.1
M & G European Loans Fund	**62,937**	**9.5**	53,405	9.7
	664,027		554,096	

Investments

	2016-17	2015-16
	£000	£000
Investment assets		
Fixed Interest Securities	**95,207**	95,178
Index Linked Securities	**3,394**	2,920
Equities	**163,353**	135,273
Pooled investment vehicles	**422,933**	329,906
Derivative contracts		
Swaps – OTC	**428**	257
Options – OTC	**–**	86
Futures	**443**	7
FX contracts – OTC	**29,632**	30,589
Other investment assets		
Cash and cash equivalents	**4,482**	18,554
Pending sales	**7,763**	1,064
Accrued income	**1,289**	1,499
Total investment assets	**728,924**	615,333
Investment liabilities		
Derivative contracts		
Swaps – OTC	**(281)**	(528)
Options – OTC	**–**	(127)
FX contracts – OTC	**(29,737)**	(30,764)
Futures – exchange traded	**(52)**	(3)
Other investment liabilities		
Pending purchases	**(14,731)**	(29,461)
Repo	**(19,043)**	–
Cash margin	**(1,053)**	(354)
Total investment liabilities	**(64,897)**	(61,237)
Net investment assets	**664,027**	554,096

Analysis of investments

	2016-17 £000	2015-16 £000
Investment assets		
Fixed Interest Securities		
UK public sector quoted	**27,906**	50,339
UK quoted	**27,710**	21,903
Overseas public sector quoted	**20,822**	2,390
Overseas quoted	**18,769**	20,546
	95,207	95,178
Index Linked Securities		
Overseas public sector quoted	**3,394**	2,920
Derivative contracts		
Swaps – OTC	**428**	257
Options – OTC	**-**	86
Futures	**443**	7
FX contracts – OTC	**29,632**	30,589
	30,503	30,939
Equities		
UK quoted	**56,873**	49,504
Overseas quoted	**106,480**	85,769
	163,353	135,273
Pooled investment vehicles		
UK – equity	**71,200**	54,086
UK – property	**54,903**	46,382
Overseas – equity	**233,893**	190,597
Overseas - bond	**62,937**	38,841
	422,933	329,906
Other investment assets		
Cash and cash equivalents	**4,482**	18,554
Pending sales	**7,763**	1,064
Accrued income	**1,289**	1,499
	13,534	21,117
Total investment assets	**728,924**	615,333

	2016-17 £000	2015-16 £000
Investment liabilities		
Derivative contracts		
Swaps – OTC	**(281)**	(528)
Options – OTC	**–**	(127))
FX contracts – OTC	**(29,737)**	(30,764)
Futures – exchange traded	**(52)**	(3)
	(30,070)	(31,422)
Other investment liabilities		
Pending purchases	**(14,731)**	(29,461)
Cash margin	**(1,053)**	(354)
Repo	**(19,043)**	–
	(34,827)	(29,815)
Total investment liabilities	**(64,897)**	(61,237)
Net investment assets	**664,027**	554,096

Derivative contracts

Objectives and policies

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

Swaps

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

Type of swap	**Duration Years**	**Nominal amount £000**	**Asset value at year end £000**	**Liability value at year end £000**
Credit default	0 to 3	1,100	2	(3)
Credit default	3 to 5	14,300	199	(18)
Credit default	5 to 10	5,500	11	(13)
Exchange Rate Swap	0 to 3	29,900	23	(16)
Exchange Rate Swap	3 to 5	15,500	88	-
Exchange Rate Swap	Over 10	10,950	105	(231)
			428	**(281)**

Collateral deposited by counterparties in respect of swap contracts at the year end date amounted to £16,000 (2015: £331,000). Collateral received in this way is not reported within the Fund's net assets.

Futures

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

Type of future	Expiration	Economic exposure at year end £000	Asset value at year end £000	Liability value at year end £000
Assets				
Interest Rate Future	3 months	-	352	(16)
Interest Rate Future	9 months	-	3	-
Interest Rate Future	12 months	-	16	-
Interest Rate Future	21 months	-	3	-
Currency Rate Future	3 months	-	69	(36)
			443	(52)

Included within cash balances is £305k (2016: (£38k)) in respect of initial and variation margins arising on open futures contracts at the year end.

Forward Foreign Exchange (FX)

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

Buy/Sell currency	Nominal Amount £000	Asset £000	Liability £000
Assets			
Sterling/Swiss Franc	449	449	446
Chinese Yen/ US Dollar	750	767	760
Sterling/ Euro	75	75	75
Euro/Sterling	434	437	434
Sterling/ US Dollar	692	692	678
Mexican Peso/ US Dollar	623	686	623
Russian Rubel/ US Dollar	373	388	372
US Dollar/ Brazilian Real	729	728	721
US Dollar/ Sterling	222	223	222
Liability			
Brazilian Real/ US Dollar	1,094	1,080	1,093
Euro/ Sterling	416	409	416
Hong Kong Dollars	883	861	861
Sterling/ Euro	5,597	5,597	5,607
Sterling/ US Dollar	13,121	13,120	13,205
US Dollar/ Chinese Yen	1,389	1,376	1,435
US Dollar/ Sterling	874	864	874
US Dollar/ South Korean Won	380	376	388
US Dollar/ Singapore Dollar	379	373	377
US Dollar/ Taiwan Dollar	1,159	1,131	1,150
Total	**29,639**	**29,632**	**29,737**

All FX contracts settle within 9 months of the year end.

Repo

A repo is a form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors and buys them back at an agreed date.

Nature of asset	Underlying Investment	Counterparty	Maturity Date	Notional Value	£000's
Repo	UK Gilt	RBS	20 April 2017	19,043k	19,043

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 (excluding cash) by category and Statement of Financial Position heading. No financial assets were reclassified during the accounting period.

	Fair value though profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value though profit and loss	Loans and receivables	Financial liabilities at amortised cost
		31 March 2017			31 March 2016	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Financial assets						
Fixed interest securities	95,207			95,178		
Index Linked Securities	3,394			2,920		
Equities	163,353			135,273		
Pooled investment vehicles	422,933			329,906		
Derivative contracts	30,503			30,939		
Additional voluntary contributions	2,502	5,656		2,461	21,496	
Cash and cash equivalents						
Other investment balances	9,052			2,563		
Trade and other receivables		**1,162**			**1,051**	
		726,944	**6,818**	**599,240**	**22,547**	
Financial liabilities						
Derivative contracts	(30,070)			(31,422)		
Other investment balances	(34,827)			(29,815)		
Trade and other payables			(1,026)			(1,449)
	(64,897)		**(1,026)**	**(61,237)**		**(1,449)**
Total	**662,047**	**6,818**	**(1,026)**	**538,003**	**22,547**	**(1,449)**

Net gains and losses on financial instruments

	31 March 2017 £000	31 March 2016 £000
Financial assets		
Fair value through profit and loss	**115,993**	(8,567)
Loans and receivables	**(3,110)**	(1,006)
Financial assets		
Fair value through profit and loss	**(265)**	(720)
Total	**112,618**	(10,293)

Valuation of financial instruments carried at fair value

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

Values at 31 March 2017	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Financial assets at fair value	209,539	463,890	55,495	728,924
Financial liabilities				
Financial liabilities at fair value	(19,096)	(45,788)	(13)	(64,897)
Net financial assets	190,443	418,102	55,482	664,027

Values at 31 March 2016	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Financial assets at fair value	173,451	395,046	46,836	615,333
Financial liabilities				
Financial liabilities at fair value	(3)	(61,223)	(11)	(61,237)
Net financial assets	173,448	333,823	46,825	554,096

12 Nature and extent of risks arising from financial instruments

Risk and risk management

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

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 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 2017 is 10%. This assumes no diversification with other assets and, in particular, that interest rates remain constant.

Market risk – Other price risk

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

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

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

Table 1: Parliamentary Contributory Pension Fund – Other price risk

Asset class	1 year expected volatility (%)	% of Fund	Asset values as at 31 March 2017 (£m)
UK equities	15.8	19.6	130.5
Global equities (ex UK)	18.4	51.1	340.0
Property	14.2	8.5	54.9
Corporate bonds/Non-Gilts (medium term)	10.1	3.3	22.0
Fixed gilts (medium term)	9.5	5.7	38.0
Senior Loans	5.6	10.6	70.4
High Yield Debt	7.0	0.5	3.1
Cash	0.0	0.8	6.4
Total Fund volatility	**11.8**	**100.0**	**665.3**

Note: Asset values are as at 31 March 2017. Numbers may not sum due to rounding. Asset values are sourced from Northern Trust and also includes £1.2m in the PCPF Trustee Bank account.

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

Market risk - Interest rate risk

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

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

Table 2: Parliamentary Contributory Pension Fund – Interest Rate Risk

Asset class	Duration (years)	Asset values as at 31 March 2017 (£m)
Corporate bonds/Non-Gilts (medium term)	5.3	22.0
Fixed gilts (medium term)	5.4	38.0
Senior Loans	0.5	70.4
High Yield Debt	5.3	3.1
Total bond investments	**2.8**	**133.6**

Note: Durations sourced from manager data (PIMCO, M&G) as at 31 March 2017. Numbers may not sum due to rounding.

Credit risk

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

The Fund is exposed to direct credit risk in relation to the Fund's bank account, custodian and investment managers who are appointed to manage the Fund's investments. The Fund has had no experience of default or uncollectable deposits in recent years from its cash holdings. The Fund's cash holdings (including cash balances with investment managers) as at 31 March 2017 was £6.4 million, as shown in the table below.

Table 3: Parliamentary Contributory Pension Fund – cash holdings

Summary	**Rating (S&P)**	**Asset values as at 31 March 2017 (£m)**
Money market funds: Northern Trust	AAA	1.0
Bank current accounts: Royal Bank of Scotland	BBB+	1.2
Net cash equivalents: Investment managers	n/a	4.2
Total		**6.4**

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

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

Table 4: Parliamentary Contributory Pension Fund – Indirect Credit Risk

Credit rating of bond investments	**Asset values as at 31 March 2017 (£m)**	**% of Bond investments**
A1/P1	1.4	1.1%
AAA	23.3	17.5%
AA	26.8	20.1%
A	3.5	2.6%
BAA	14.1	10.6%
BBB	0.0	0.0%
BBB-	1.1	0.8%
BB+	3.0	2.3%
BB	5.4	4.1%
BB-	15.9	11.9%
B+	10.7	8.0%
B	22.4	16.8%
B-	4.8	3.6%
CCC+	0.5	0.3%
CCC	0.2	0.2%
CC	0.3	0.2%

C	0.0	0.0%
Total	**133.6**	**100.0%**

Note: Asset values are as at 31 March 2017. Numbers may not sum due to rounding. Asset values are sourced from Northern Trust. Credit ratings are sourced from PIMCO and M&G.

Liquidity risk

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

The majority of the Fund's direct and underlying investments are made up of listed securities which are considered readily realisable as they are listed on major security exchanges. The Fund has no holdings in private equity, infrastructure or directly held property which can be considered 'illiquid'. 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 advisors, to ensure the Fund's investment arrangements are appropriate for the Fund's liquidity requirements. The Secretariat has also put in place arrangements with the Fund's investment managers and custodian to allow for regular distributions of cash to support the Fund's cash flow obligations.

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

13 Concentration of investment

The Fund held the following investments which had a value exceeding 5% of the total value of assets less liabilities (excluding the long-term liability) as at 31 March 2016.

Pooled Investment Vehicles	**Market Value 2016-17 £000**	**% of Net Assets 2016-17**	Market Value 2015-16 £000	% of Net Assets 2015-16
BlackRock Pensions Management Aquila Life Global	**71,895**	**10.8**	56,853	10.2
Aquila Life UK Equity Index	**71,200**	**10.7**	54,086	9.7
M & G European Loan C	**62,937**	**9.4**	50,024	9.0
Aquila Life US Equity Index	**57,892**	**8.7**	–	–
BlackRock Emerging Markets	**41,365**	**6.2**	34,665	6.2
Aquila Life European Equity Index	**41,309**	**6.2**	32,274	6.0
BlackRock Pensions Management Aquila Life 5 yr	**–**	**–**	38,840	6.9

14 Additional Voluntary Contributions (AVCs)

The Trustees are responsible for administering an AVC Scheme whereby active members may make contributions to secure additional benefits to those provided by the Fund. These contributions are invested separately from the Fund, with outside providers (Equitable Life 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 still retain their funds with them. Scheme members who have AVCs invested with Equitable 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:

	2016-17 £000	2015-16 £000
AVC investments as at 1 April	**2,461**	3,275
AVC contributions purchases	**53**	112
AVC sales	**(349)**	(956)
Change in market value	**337**	30
AVC investments as at 31 March	**2,502**	2,461
Market value of AVC investments by provider		
Equitable Life	**1,272**	1,264
Zurich	**1,230**	1,197
	2,502	2,461

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

15 Current assets

	2017 £000	2016 £000
Contributions due to Fund:		
Member normal contributions	**466**	471
Employer normal contributions	**506**	502
Member AVC	**3**	3
Employer deficit contributions	**52**	52
Member added years	**17**	18
	1,044	1,046
Provision for overpaid Guaranteed Minimum Pension (GMP) owed by members to the Fund	**5**	5
Prepayment	**113**	–
Balance at bank	**1,174**	2,942
	2,336	3,993

16 Current liabilities

(amounts due within one year)

	2017 £000	2016 £000
Lump sums and taxation	**(406)**	(614)
Administrative expenses	**(161)**	(197)
Investment management expenses	**(447)**	(625)
Unpresented cheques	**–**	(1)
Provision for GMP owed to members	**(12)**	(12)
	(1,026)	(1,449)

17 Related Party Transactions

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

During the fund year of the ten PCPF Trustees, five were pensioners within the Fund (2016: five), three were active members of the Fund (2016: three) and the remaining two were not members of the Fund (2016: 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 5.

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 (2016: nil).

18 Employer Related Investments

There were no employer related investments during the year (2016: nil).

19 Events after the reporting period date

Events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Audit General.

20 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 by the Government Actuary related to the position as at 1 April 2014 and the next valuation as at April 2017 is currently in progress.

Based on the method and assumptions adopted for this assessment, the value of liabilities accrued up to the valuation date (including an allowance for future expenses) is assessed as £528.1 million. The market value of the assets on the same date is £520.5 million. The deficit at 1 April 2014 is accordingly £7.6 million. This corresponds to a funding level of 98.6%.

As a result of this assessment, it was recommended that the rate of Exchequer contribution to be paid from 1 April 2015 until 31 March 2018 should be 12.9% of pensionable salaries in respect of MPs' and officeholders' benefits. This includes a share of the future service cost and an additional amount to amortise the deficit. 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 valuation was carried out using the projected unit method, the principal assumptions used were as follows;

Principle Financial Assumptions

Gross rate of return	5.8%
Real rate of return, net of earnings increases	1.5%
Real rate of return, net of pension increases	3.5%

Principal demographic assumptions

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

21 Actuarial Liability - IAS 19 Basis

This statement is based on assessment of the liabilities as at 1 April 2014 with an approximate updating to 31 March 2017 to reflect known changes.

Tables A to C summarise the principle membership data as at 1 April 2014, 31 March 2015, 31 March 2016 and 31 March 2017.

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

	1 April 2014		2014/15	2015-16	2016-17
Number	Total salaries in membership data (pa) (£ million)	Total accrued pensions (£ million)	Total salaries (£ million)	Total salaries (£ million)	Total salaries (£ million)
800	**47.5**	**13.6**	**47.5**	**51.6**	**51.9**

Table B – Deferred members

	1 April 2014
Number	Total deferred pension (pa) (£ million)
188	**4.4**

Table C – Pensions in payment

	1 April 2014
Number	Total pension (pa) (£ million)
988	**19.9**

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 2016-17 accounts. The contribution rate for accruing costs in the year ended 31 March 2017 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2015-16 accounts.

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

Table D – Principle financial assumptions

	31 March 2017	31 March 2016
	(%)	(%)
Gross discount rate	2.65	3.55
Price inflation (CPI)	2.35	2.2
Earnings increases (excluding promotional increases)	4.35	4.2
Real discount rate (net of CPI)	**0.3**	**1.3**

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2017 are based on those adopted for the 2014 funding valuation of the PCPF.

The standard mortality tables known as S1NxA are used. Mortality improvements are in accordance with those incorporated in the 2014 based principle projections for the United Kingdom.

The contribution rate used to determine the accruing cost in 2016-17 was based on the demographic and financial assumptions applicable at the start of the year, those adopted for the 2015-16 accounts.

Liabilities

Table E summarises the assessed value as at 31 March 2017 of benefits accrued under the Fund prior to 31 March 2017 based on the data, methodology and assumptions described above. The corresponding figures for the previous year end are also included in the table.

Table E – Statement of Financial Position

	31 March 2017	31 March 2016	31 March 2015
	£ million	£ million	
Total market value of assets (excl AVC'S)	665.3	556.6	585.7
Value of liabilities	941.5	777.5	817.4
Surplus/(Deficit)	(276.2)	(220.9)	(231.7)
Funding Level	71%	72%	72%

Actuarial Liability

	31 March 2017 £ million	31 March 2016 £ million
Actuarial liability at start of year	777.5	817.4
Movement in the year due to		
Current service cost (net of member contributions)	15.2	17.1
Member regular contributions	5.7	5.7
Benefits paid	(24.5)	(34.9)
Net transfers-in	0.1	(2.6)
Enhancements (i.e added pension contributions)	0.2	0.2
Interest on scheme liability	27.5	26.7
	24.2	**12.2**
Changes in assumptions	153.3	(50.7)
Experience gains or losses	(13.5)	(1.4)
	139.8	**(52.1)**
	941.5	**777.5**

Pension Cost

The cost of benefits accruing in the year ended 31 March 2017 (the Current Service Cost) is based on a standard contribution rate of 40.3% (including member contributions but excluding expenses) (2016: 44.1%), as determined at the start of the year. Table F shows the standard contribution rate used to determine the Current Service Cost for 2016-17 and 2015-16.

Table F – Contribution Rate

		Percentage of Pensionable pay	
	2016-17	2015-16	2014-15
Standard contribution rate (excluding expenses)	40.3%	44.1%	46.5%
Members' contribution rate (average)	11.0%	10.9%	11.8%
Employer's share of standard contribution rate (excluding expenses)	29.3%	33.2%	34.7%

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 Fund. 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 1.3% pa for the 2016-17 Current Service Cost (1.1% pa for 2015-16) compared with 3.5% pa for scheme funding. The higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is determined considering the assets held by the Fund 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 2016-17 was £51.9 million (2016: £51.6 million). Based on this information, the accruing cost of pensions in 2016-17 at 40.3% (2016: 44.1%) of pay is assessed to be £20.9 million (2016: £22.7 million). There is no past service cost and so this is the total pension cost for 2016-17.

Sensitivity of results

The results of an actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty the information below indicates the approximate effects on the actuarial liability as at 31 March 2017 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 increase (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.

As a result of the scheme reform, there is significant uncertainty on when members are expected to retire. The assumed rates of election turnover will have a significant impact on the scheme liabilities and therefore an indication has been included with the approximate effect (on the total past service liability) of members retiring on average one year later than assumed in the main liability calculations.

The table below shows the indicative effects on the total liability as at 31 March 2017 of changes in these assumptions (rounded to the nearest ½%)

Sensitivity to main assumptions

Change in assumption +		Approximate effect	on total liability
Rate of return			
(i) discount rate:	½% a year	-7.5%	£71 million
(ii) in excess of earnings:	½% a year	-1.5%	£14 million
(iii) in excess of pensions:	½% a year	-6%	£56 million
Pensioner mortality			
(iv) additional year increase to life expectancy at retirement:		+3.5%	£33 million
Pensioner mortality			
(iv) active members retiring in normal health (on Average) 1 year later:		-1.5%	£14 million

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

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