Parliamentary Contributory Pension Fund Account 2015-16

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

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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. Prior to 24 October 2011 the Fund was set up under the Parliamentary and Other Pensions Act 1987. The main governing Regulations were the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (the 1993 Regulations). Other legislation relating to the Fund included the Parliamentary and Other Pensions Act 1972, which restructured the Fund and established the pension scheme for the holders of certain Ministerial and other offices, and the Pension (Increase) Act 1971, under which pension increases were granted.

With effect from 24 October 2011, following the enactment of Schedule 6 of the Constitutional Reform and Governance Act 2010 (the 2010 Act), the provisions of the 1993 Regulations became an IPSA scheme in relation to the administration and management of the Fund and benefits payable under the Fund for MPs, paid Committee Chairmen, and other paid office holders in Parliament; and The Ministerial Pension Scheme (MCS) in relation to benefits payable under the Fund for certain paid Ministers. Collectively these schemes create the Fund Rules.

Following the enactment of the 2010 Act, the Trustees are responsible for a number of areas, such as how Trustee business is conducted, administration of the Fund, dealing with investment matters, settlement of disputes and being consulted on requirements laid down in the 2010 Act.

Following consultation with the Trustees (and other parties), IPSA announced that following the 2015 General Election they would implement a new MPs' Pension Scheme. IPSA laid a new scheme, which contained the Rules of the MPs' Pension Scheme on 8 December 2014. The Rules state that the new benefit structure would take effect from the day after the first General Election that occurred after the 1 April 2015. This means that the MPs' Pension Scheme came into force on the 8 May 2015.

The MCS had also consulted on the provision of a new scheme for the paid Ministers that fall within their remit and announced that they would also implement a new Ministerial Pension Scheme. The MCS laid a new scheme which contained the Rules of the Ministerial Pension Scheme on 17 December 2014. The Rules state that the new benefit structure would take effect from the day after the Queen appoints a Prime Minister following the first General Election that occurred after 1 April 2015. This means that the Ministerial Pension Scheme came into force on 9 May 2015.

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 MCS.

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.

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 £74,000.

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 will 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 you have 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 £405,000 in 2015-16, (£3,005,000.00 in 2014-15).

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 Government Actuary's Department's valuation of the Fund as at 1 April 2014 was published as a House of Commons paper on 18 March 2015. The report showed a decrease in the deficit from £55.9 million to £7.6 million, this was due to the investment return achieved on the Scheme's assets being higher than the assumptions made, and salary increases being lower than the assumptions made. From 1 April 2014 the Exchequer contribution was 28.7%.

As a result of the reduction in the deficit and the introduction of the CARE benefit structure from May 2015 the Government Actuary recommended that the Exchequer contribution payable from 1 April 2015 should be 12.9% of MP and Office Holder salaries.

The next actuarial valuation is due as at 1 April 2017.

Membership at 31 March 2015

Active	
Active members at the start of the year	646
New entrants	187
Rejoined	3
	836
Less:	
Death in service	(1)
Retirements	(81)
Deferred	(102)
Closed records	(2)
Opt out	(4)
Transfers-out	(3)
	(193)
Active membership as at 31 March 2016	**643**
Pensioners	
Pensioners at the start of the year	1,010
Retirements	105
New dependant pensioners	22
Death of a pensioner	(23)
Death of a dependant	(10)
Closed	(12)
Pensioners as at 31 March 2016	**1,092**
Deferred member	
Deferreds at the start of the year	161
Actives becoming deferred	102
	263
Less:	(23)
Retirements	(1)
Deaths	(3)
Rejoined	(27)
Deferred members as 31 March 2016	**236**

Trustees during the year to 31 March 2016

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 *

There have been no changes to Trustee membership following the accounting year end.

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 2016 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.

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

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

Myfanwy Barrett, Director of Finance, House of Commons until December 2015.

Lucy Tindal, Head of Pensions and Payroll, from December 2015.

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 Pensions Unit, 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 Property Fund	Trustees
	UBS Global Asset Management Triton Property Fund	Trustees
	Schroder Exempt Property Unit Trust	Trustees
	M&G European Loans Fund (from 1 February 2016)	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

There have been no changes to the appointed parties following the end of the accounting year.

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
Pensions Unit
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

During the year the Trustees together with their investment advisors continued with the investment strategy review of the Fund's assets. As part of this process the Trustees considered their overall investment objectives and have had an ongoing review of their asset allocations.

Due to a reduction in the Exchequer contribution rate and a higher number of members retiring at the May 2015 General Election, the gap between pensions paid and contribution income received increased over the reporting period. The Trustees have given great focus to gaining investment income to offset this negative cashflow and this was taken into account when making investment decisions.

The Trustees reviewed the overall bond allocation and considered exposure to a specialist credit mandate as there was some potential to improve return given the very low bond yields in the current market conditions. As a result of this and to provide some degree of protection against rising yields and falling bond prices, the Fund made an initial allocation of 7.8% of the fund's assets to a new senior secured loans mandate managed by M&G. This was funded through a sale of the Blackrock index linked gilt holding.

In the last quarter of the financial year the Trustees reviewed the property allocation with a view to increasing the fund's allocation to income generating funds and to simplify the structure of the property portfolio. At their meeting in February 2016 the Trustees agreed to the sale of the non-income distributing mandates (Morgan Stanley and Standard Life). The Morgan Stanley Global REITS holdings were disinvested in March 2016 and the proceeds invested in the M&G European Loans Fund. The Trustees continue to seek further opportunity to simplify the property portfolio.

The Trustees have now completed their investment strategy review and the Statement of Investment Principles has been revised to reflect the changes in the managers and the Fund strategic benchmark allocation.

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

Manager	**Mandate**	**Holding as at 31.3.16 %**	**Target Allocation %**
MFS International (UK) Ltd	UK equities	8.3	8.0
MFS International (UK) Ltd	Global equities	8.4	8.0
Sarasin & Partners LLP	Global equities	8.1	8.0
BlackRock Advisors (UK)	Multi-asset	44.1	42
PIMCO Europe Ltd	UK bonds	12.9	13.7
M&G	European Loans	9.6	10.3
Multi-managers	Property	8.6	10.0
Total		**100.0**	**100.0**

In absolute terms the Fund's investments have achieved a return of -1.1% over the 12 months to 31 March 2016, slightly behind the 12 month benchmark return. The Fund has also underperformed the benchmark over 3 years returning 6.2%, despite strong positive absolute returns over the longer term. The Trustees and their advisors remain committed to taking a long term view of asset manager performance.

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 previous years, the accounts have been prepared, as far as appropriate, in accordance with the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes, revised in May 2007. The SORP did not require pension scheme accounts to reflect the pension scheme liabilities. The actuarial pension liabilities were shown in the triennial actuarial valuation. However, the House of Commons Members Annual Accounts, which are published separately from these accounts, reflected an assessment of the liabilities of the accrued benefits of the Fund.

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 is assessed by the Government Actuary on an International Accounting Standards (IAS19) basis and is shown on pages 42 to 46 of the Accounts.

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 1 December 2016
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 2016 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 2016 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.

Governance Statement

Introduction

This statement covers the operation of the Fund for the year ending 31 March 2016. 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 Pensions Unit 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.

In March 2014, the Trustees approved a Trustee Business Plan for the Fund. The Business Plan sets out the expected projects over the next 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 adopted a conflicts of interest policy to meet the Pensions Regulator's expectation for schemes to manage conflicts of interest and improve their governance framework.

Trustees are currently completing the TPR's Trustee toolkit. 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.

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.

Although the C&AG has updated the Accounts Direction for the PCPF, this does not alter the role and responsibilities of the Trustees. 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 ethical matters and their investment beliefs. As a result a Statement of Investment Beliefs was included in the Fund's Statement of Investment Principles. This has provided a framework for the Trustees' decision making and gives clearer guidance on the structure of the Fund and the selection of investment managers.

The Trustees have also adopted a Statement of Responsible Investment which sets out the Fund's approach to Environmental Social and Governance (ESG) related risks and issues.

The Trustees have reviewed the fund managers' ESG reporting and have been content with the level of reporting provided by the managers.

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 key risks to the Fund is the risk of pension fraud. The Trustees agreed to take part in the 2013 National Fraud Initiative (NFI) Exercise and ultimately the results showed there were in fact no cases of fraud identified. The Trustees agreed they would take part in the NFI exercise every three to five years, although more frequently if it was felt necessary. The next exercise is due to take place in 2016-2017.

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 which was published during the Fund year.

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 and investment managers (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 improve decision making.

Procurement

During 2015-16 no procurement exercises were undertaken.

Since June 2012 the Trustees have been following the House's Finance and Procurement Rules, working with House's Parliamentary Procurement and Commercial Services (PPCS) to ensure that all tender exercises follow House guidelines and comply with the EU procurement directives, ensuring equal treatment, non-discrimination and transparency. As the Trustees' external contracts are coming to the end of their terms over the next few years, it is anticipated that the Secretariat will arrange tender exercises as appropriate, gradually ensuring that all contracts conform to standard House terms.

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 2015-16 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 1 December 2016
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 2016 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 recorded in the financial statements 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 financial transactions of the Parliamentary Contributory Pension Fund for the year ended 31 March 2016 and of the amount and disposition at that date of its assets and liabilities; 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 KCB
Comptroller and Auditor General

6 December 2016

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

Statement of Comprehensive Net Expenditure for the year to 31 March 2016

	Note	**2015-16**	2014-15
Income		**£000**	£000
Contributions	6	**12,608**	19,654
Individual transfers in		**405**	3,005
Other income		**-**	15
		13,013	22,674
Expenditure			
Benefits payable	7	**(34,915)**	(21,899)
Individual transfers out		**(2,997)**	(1,535)
Management expenses	8	**(2,110)**	(2,950)
		(40,022)	(26,384)
Finance income			
Investment income	9	**7,152**	7,551
Change in market value of investments	10	**(10,263)**	61,883
		(3,111)	69,434
Changes in provision for pension liability	22	**(12,200)**	(32,700)
Net (expenditure income)/income		**(42,320)**	**33,024**
Other comprehensive net income /(expenditure)			
Pension re-measurements			
Actuarial gain/(loss)	22	**50,700**	(119,100)
Individual transfers in	22	**1,400**	30,800
Total comprehensive net income /(expenditure)		**9,780**	(55,276)

The notes on pages 20 to 46 form part of these accounts

Statement of Financial Position as at 31 March 2016

	Note	**2015-16**	2014-15
Non-current assets		**£000**	£000
Financial assets	11	**615,333**	679,579
Additional voluntary contribution assets	14	**2,461**	3,275
Total non-current assets		**617,794**	682,854
Current assets			
Trade and other receivables	15	**1,051**	1,613
Cash	15	**2,942**	4,072
Total current assets		**3,993**	5,685
Total assets		**621,787**	688,539
Current liabilities			
Trade and other payables	16	**(1,449)**	(2,047)
Total current liabilities		**(1,449)**	(2,047)
Non-current assets plus net current assets		**620,338**	686,492
Non-current liabilities			
Financial liabilities	11	**(61,237)**	(97,271)
Provision for pension liability	22	**(777,500)**	(817,400)
Total non-current liabilities		**(838,737)**	(914,671)
Assets less liabilities		**(218,399)**	(228,179)
Tax Payers Equity			
General Fund		**(218,399)**	(228,179)

This is the first year of financial statements prepared under a new Accounts Direction which requires the accounts to be prepared in accordance with IFRS as interpreted by the Government Financial Reporting Manual. The 2014-15 figures have been restated to reflect the impact of the revised Account Direction. Further information, including the impact of this new basis of preparation, can be found in Notes 2 and 20.

The financial statements on pages 16 to 46 were approved by the Trustees on: 1 December 2016

Signed on behalf of the Trustees on:
by:

Brian H Donohoe 1 December 2016
Chairman of Trustees

Statement of Changes in Taxpayers' Equity

	2015-16 **£000**	2014-15 £000
Balance as at 1 April	**(228,179)**	(172,903)
Comprehensive net (expenditure)/income for the year	**(42,320)**	33,024
Change in provision for pension liability	**52,100**	(88,300)
Net change in taxpayers' equity	**9,780**	(55,276)
Balance as at 31 March	**(218,399)**	(228,179)

Statement of Cash Flows for the Year to 31 March 2016

	2015-16 £000	2014-15 £000
Cash flows from operating activities		
Net expenditure for the year	**(42,320)**	33,024
Adjustments for non-cash transactions		
Change in market value of investments and gains	**10,263**	(61,883)
Less : market value of movements on cash equivalents	**(1,006)**	776
(Increase)/decrease in receivables		
Decrease in accrued investment income receivable	**66**	78
Decrease in trade and other receivables	**562**	186
(Increase)/decrease in payables		
Decrease/(increase) in trade and other payables	**(595)**	284
Increase in pension provision	**12,200**	32,700
Net cash (outflow)/inflow from operating activities	**(20,830)**	5,165
Cash flows from operating activities		
Purchase of investment assets	**(258,944)**	(1,315,840)
Proceeds of disposal of investment assets	**283,116**	1,300,414
Net cash inflow/(outflow) from investing activities	**24,175**	(15,426)
Net increase/(decrease) in cash and cash equivalents	**3,342**	(10,261)
Cash and cash equivalents at the beginning of the period	**(10,597)**	(336)
Cash and cash equivalents at the end of the period	**(7,255)**	(10,597)

The notes on pages 20 to 46 form part of these accounts

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 2-9 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. Note 20 summarises the impact of the change.

The Statement of Accounts summarises the fund's transactions for the 2015-16 financial year and its position at year-end as at 31 March 2016.

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 his decision on the type and amount of benefit to be taken, so date of recognition is the latter of date of retirement or date option 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 received/paid, which is normally when the member liability is accepted or discharged.

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 22.

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 22. 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 financial statements 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 2016 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 £58 million ■ A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £12 million ■ A one year increase in assumed life expectancy would increase the liability by approximately £27 million.

6 Contributions

	2015-16	2014-15
	£000	£000
Members		
Normal	**5,676**	5,588
Added years	**232**	269
Additional voluntary contributions	**120**	205
Employer (Exchequer)		
Normal	**5,968**	9,567
Deficit	**612**	4,025
	12,608	19,654

During 2014-15 the standard Exchequer contribution was 20.1% of pensionable salaries. 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 8.6% of pensionable salaries to amortise the accumulated deficit as required by the 2011 valuation. Following the 2014 valuation, which showed a decrease in the deficit, this contribution has decreased to 1.2% of pensionable salaries from 1 April 2015 to 31 March 2018.

The contribution rates will be reassessed following the 2017 valuation.

7 Benefits payable

	2015-16	2014-15
	£000	£000
Pensions	**21,990**	19,804
Lump sum retirement benefits*	**12,727**	1,783
Lump sum death benefits	**154**	312
Annuities	**44**	–
	34,915	21,899

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

8 Management expenses

	2015-16 £000	2014-15 £000
Trustees – Secretariat	**119**	142
Third party administration and advisor fees	**295**	359
Actuarial fees	**65**	216
Legal fees	**57**	289
External Audit fee	**32**	31
Investment management basic fees	**1,043**	1,282
Investment management performance fees	**253**	408
Custody fees	**72**	83
Investment consultancy	**174**	140
	2,110	2,950

The auditors were not paid any remuneration for non-audit work. As expected third party administration and advisor fees are significantly lower this year post the new scheme implementation.

9 Investment income

	2015-16 £000	2014-15 £000
Fixed interest securities	**2,458**	2,332
Index-linked securities	**5**	2
Equities	**3,109**	3,798
Derivatives	**173**	144
Pooled investment vehicles	**1,377**	1,209
	7,122	7,485
Interest on cash held on deposit	**30**	66
	7,152	7,551

10 Change in market value of investments

	Note	2015-16 £000	2014-15 £000
Defined benefit assets	11	**(10,293)**	61,638
Additional voluntary contribution assets	14	**30**	245
		(10,263)	61,883

11 Investment movements

	Market value 1 April 2015 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in Market value £000	**Market value at 31 March 2016 £000**
Fixed Interest	94,967	173,770	(172,801)	(758)	**95,178**
Index Linked	1,591	2,784	(1,675)	220	**2,920**
Derivatives	(1,109)	5,143	(3,218)	(1,299)	**(483)**
Equities	139,615	32,283	(31,049)	(5,576)	**135,273**
Pooled Investment vehicles	360,345	44,852	(73,417)	(1,874)	**329,906**
	595,409	258,832	(282,160)	(9,287)	**562,794**
Cash and cash equivalents	(14,666)			(1,006)	**(10,197)**
Accrued income	1,565				**1,499**
	582,308			(10,293)	**554,096**

Included within the above purchases and sales figures are transaction costs of £74,946 (2015: £74,545). 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 2016 £000	**% of Investments**	Market Value 2015 £000	% of Investments
Morgan Stanley Global Property Fund	**–**	**–**	14,503	2.5
Pimco Europe Ltd	**71,478**	**12.9**	71,789	12.3
MFS International (UK) Ltd	**92,728**	**16.7**	94,808	16.3
BlackRock Advisors (UK) Ltd	**244,691**	**44.2**	308,997	53.1
UBS Global Asset Management Triton Property Fund	**13,770**	**2.5**	13,349	2.3
BlackRock UK Property Fund	**6,792**	**1.2**	6,622	1.1
Standard Life IK Property Fund	**16,485**	**3**	15,038	2.6
Schroder Exempt Property Unit Trust Fund	**9,645**	**1.7**	9,288	1.6
Sarasin and Partners LLP	**45,102**	**8.1**	47,914	8.2
M & G European Loans Fund	**53,405**	**9.7**	–	–
	554,096		582,308	

Investments

	2015-16 £000	2014-15 £000
Investment assets		
Fixed Interest Securities	**95,178**	94,967
Index Linked Securities	**2,920**	1,591
Equities	**135,273**	139,615
Pooled investment vehicles	**329,906**	360,345
Derivative contracts		
Swaps – OTC	**257**	351
Options – OTC	**86**	72
Futures	**7**	6
FX contracts – OTC	**30,589**	57,024
Cash and cash equivalents	**18,554**	12,607
Reverse Repo	**–**	200
Pending sales	**1,064**	11,236
Accrued income	**1,499**	1,565
Total investment assets	**615,333**	679,579
Investment liabilities		
Derivative contracts		
Swaps – OTC	**(528)**	(1,407)
Options – OTC	**(127)**	(164)
FX contracts – OTC	**(30,764)**	(56,981)
Futures – exchange traded	**(3)**	(10)
Pending purchases	**(29,461)**	(38,378)
Cash margin	**(354)**	(331)
Total investment liabilities	**(61,237)**	(97,271)
Net investment assets	**554,096**	582,308

Analysis of investments

	2015-16 **£000**	2014-15 £000
Investment assets		
Fixed Interest Securities		
UK public sector quoted	**50,339**	47,606
UK quoted	**21,903**	21,938
Overseas public sector quoted	**2,390**	6,682
Overseas quoted	**20,546**	18,741
	95,178	94,967
Index Linked Securities		
Overseas public sector quoted	**2,920**	1,591
Derivative contracts		
Swaps – OTC	**257**	351
Options – OTC	**86**	72
Futures	**7**	6
FX contracts – OTC	**30,589**	57,024
	30,939	57,453
Equities		
UK quoted	**49,504**	50,825
Overseas quoted	**85,769**	88,790
	135,273	139,615
Pooled investment vehicles		
UK – equity	**54,086**	57,857
UK – bond	**–**	47,127
UK – property	**46,382**	42,905
Overseas – equity	**190,597**	197,953
Overseas - bond	**38,841**	–
Overseas – other	**–**	14,503
	329,906	360,345
Other investment assets		
Cash and cash equivalents	**18,554**	12,607
Reverse Repo	**–**	200
Pending sales	**1,064**	11,236
Accrued income	**1,499**	1,565
	21,117	25,608
Total investment assets	**615,333**	679,579

	2015-16 £000	2014-15 £000
Investment liabilities		
Derivative contracts		
Swaps – OTC	**(528)**	(1,407)
Options – OTC	**(127)**	(164)
FX contracts – OTC	**(30,764)**	(56,981)
Futures – exchange traded	**(3)**	(10)
	(31,422)	(58,562)
Other investment liabilities		
Pending purchases	**(29,461)**	(38,378)
Cash margin	**(354)**	(331)
Repo	**–**	–
	(29,815)	(38,709)
Total investment liabilities	**(61,237)**	(97,271)
Net investment assets	**554,096**	582,308

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	600	3	–
Credit default	3 to 5	11,400	70	(3)
Credit default	5 to 10	4,400	20	–
Exchange Rate Swap	0 to 3	30,500	–	(240)
Exchange Rate Swap	3 to 5	4,400	–	(137)
Exchange Rate Swap	5 to 10	13,300	97	–
Exchange Rate Swap	Over 10	12,300	43	(148)
Interest Rate Swap	Over 10	1,200	24	–
			257	**(528)**

Collateral deposited by counterparties in respect of swap contracts at the year end date amounted to £331,000.00 (2015: £163,000). 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	726	–	(1)
Interest Rate Future	3 months	6,182	–	(2)
Currency Rate Future	3 months	4,532	7	–
			7	(3)

Included within cash balances is £38k (2015: (£12k)) in respect of initial and variation margins arising on open futures contracts at the year end.

Swaptions

The swaptions below give the Fund the right to enter into pre agreed interest rate swap or currency rate swap contracts on a single future day. The premium for each swaption has been taken into account when setting the fixed rate for each underlying transaction.

Type of contract	Expiration	Call or put	Notional amount of outstanding contracts £000	Asset value at year end £000	Liability value at year end £000
Interest rate swap	Apr 16	Call	(1,500)	–	(31)
Currency rate swap	Sept 16	Call	1,250	72	(82)
Interest rate swap	Jan 16	Put	(2,900)	14	(14)
				86	(127)

Forward Foreign Exchange (FX)

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

Buy/Sell currency	Asset	Liability	Value at year end
	£000	£000	£000
Assets			
Swiss Franc/ Sterling	29	28	1
Chinese Yen/ US Dollar	991	948	43
Euro/ Sterling	1,089	1,070	19
Sterling/ Japanese Yen	452	451	1
Sterling/ US Dollar	2,537	2,491	46
Japanese Yen/ Sterling	443	431	12
US Dollar/ Sterling	543	540	3
			125
Liability			
Sterling/ Swiss Franc	217	222	(5)
Sterling/ Euro	7,477	7,567	(90)
Sterling/ US Dollar	12,936	12,961	(25)
US Dollar/ Chinese Yen	1,267	1,339	(72)
US Dollar/ Euro	257	264	(7)
US Dollar/ Sterling	854	865	(11)
US Dollar/ Hong Kong Dollar	8	8	–
US Dollar/ Japanese Yen	6	6	–
US Dollar/ South Korean Won	284	302	(18)
US Dollar/ Mexican Peso	36	37	(1)
US Dollar/ Malaysian Ringitt	288	330	(42)
US Dollar/ Singapore Dollar	295	306	(11)
US Dollar/ Thai Baht	292	298	(6)
US Dollar/ Taiwan Dollar	288	300	(12)
			(300)
Total	**30,589**	**30,764**	**(175)**

All FX contracts settle within 10 months of the year end.

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 2016			31 March 2015	
	£000	£000	£000	£000	£000	£000
Financial assets						
Fixed interest securities	95,178			94,967		
Index Linked Securities	2,920			1,591		
Equities	135,273			139,615		
Pooled investment vehicles	329,906			360,345		
Derivative contracts	30,939			57,453		
Cash and cash equivalents		21,496			16,679	
Other investment balances	2,563			13,001		
Trade and other receivables		1,051			1,613	
	596,779	**22,547**		**666,972**	**18,292**	
Financial liabilities						
Derivative contracts	(31,422)			(58,562)		
Other investment balances	(29,815)			(38,709)		
Trade and other payables			(1,449)			(2,047)
	(61,237)		**(1,449)**	**(97,271)**		**(2,047)**
Total	**535,542**	**22,547**	**(1,449)**	**569,701**	**18,292**	**(2,047)**

Net gains and losses on financial instruments

	31 March 2016 £000	31 March 2015 £000
Financial assets		
Fair value through profit and loss	**(8,567)**	62,881
Loans and receivables	**(1,006)**	776
Financial assets		
Fair value through profit and loss	**(720)**	(2,019)
Total	**(10,293)**	61,638

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 2016	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Financial assets at fair value	187,093	395,046	33,194	615,333
Financial liabilities				
Financial liabilities at fair value	(3)	(61,223)	(11)	(61,237)
Net financial assets	187,090	333,823	33,183	554,096

Values at 31 March 2015	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Financial assets at fair value	197,255	437,285	45,039	679,579
Financial liabilities				
Financial liabilities at fair value	(10)	(97,250)	(11)	(97,271)
Net financial assets	197,245	340,035	45,028	582,308

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 2016 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 2016 (£m)
UK equities	17.1	19.7	110.4
Global equities (ex UK)	19.6	48.4	270.6
Property	14.7	8.7	48.4
Corporate bonds/Non-Gilts (medium term)	9.5	1.6	8.8
Fixed gilts (medium term)	6.7	8.1	45.3
Index linked gilts (medium term)	5.1	0.0	0.0
Senior Loans	7.0	9.8	54.8
High Yield Debt	7.5	1.0	5.6
Cash	0.6	2.8	15.6
Total Fund volatility	**13.0**	**100.0**	**559.5**

Note: Asset values are as at 31 March 2016. Numbers may not sum due to rounding. Asset values are sourced from Northern Trust and also includes £2.9 million 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 2016 (£m)
Corporate bonds/Non-Gilts (medium term)	12.2	8.8
Fixed gilts (medium term)	5.8	45.3
Index linked gilts (medium term)	18.6	0.0
Senior Loans	0.3	54.8
High Yield Debt	4.4	5.6
Total bond investments	**3.6**	**114.6**

Note: Durations sourced from manager data (PIMCO, M&G) as at 31 March 2016. 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 custodian and investment managers who are appointed to manage the Fund's investments. 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 generally reflect 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.

The Fund believes it has managed its exposure to credit risk, and 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 2016 was £15.6 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 2016 (£m)**
Money market funds: Northern Trust	AAA	4.2
Bank current accounts: Royal Bank of Scotland	BBB+	2.9
Net cash equivalents: Investment managers	n/a	8.5
Total		**15.6**

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.

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 2016 (£m)	% of Bond investments
A1/P1	0.6	0.5%
AAA	32.4	28.3%
AA	2.4	2.1%
A	11.6	10.1%
BAA	11.0	9.6%
BBB	0.1	0.0%
BBB-	0.9	0.8%
BB+	1.4	1.2%
BB	6.0	5.3%
BB-	18.3	16.0%
B+	13.0	11.3%
B	12.7	11.1%
B-	3.4	3.0%
CCC+	0.6	0.5%
CCC	0.2	0.2%
Total	**114.6**	**100.0%**

Note: Asset values are as at 31 March 2016. 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 2015-16 £000**	**% of Net Assets 2015-16**	Market Value 2014-15 £000	% of Net Assets 2014-15
BlackRock Pensions Management Aquila Life Global	**56,853**	**10.2**	61,063	10.4
Aquila Life UK Equity Index	**54,086**	**9.7**	57,857	9.8
M & G European Loan C	**50,024**	**9.0**	49,034	8.3
BlackRock Pensions Management Aquila Life 5 yr	**38,840**	**6.9**	–	–
BlackRock Emerging Markets	**34,665**	**6.2**	34,282	5.8
Aquila Life European Equity Index	**32,274**	**6.0**	35,429	6.0
BlackRock Pensions Management Aquila Life 5 yr	**–**	**–**	47,127	8.0

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:

	2015-16 £000	2014-15 £000
AVC investments as at 1 April	**3,275**	2,970
AVC contributions purchases	**112**	244
AVC sales	**(956)**	(184)
Change in market value	**30**	245
AVC investments as at 31 March	**2,461**	3,275
Market value of AVC investments by provider		
Equitable Life	**1,264**	1,350
Zurich	**1,197**	1,925
	2,461	3,275

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

15 Current assets

	2016 £000	2015 £000
Contributions due to Fund:		
Member normal contributions	**471**	446
Employer normal contributions	**502**	938
Member AVC	**3**	5
Employer deficit contributions	**52**	194
Member added years	**18**	24
	1,046	1,607
Balance at bank	**2,942**	4,072
Provision for overpaid Guaranteed Minimum Pension (GMP) owed by members to the Fund	**5**	6
	3,993	5,685

16 Current liabilities

(amounts due within one year)

	2016 £000	2015 £000
Lump sums and taxation	**(614)**	(774)
Administrative expenses	**(197)**	(241)
Investment management expenses	**(625)**	(1,017)
Unpresented cheques	**(1)**	(–)
Provision for GMP owed to members	**(12)**	(12)
Cash in transit	**(–)**	(3)
	(1,449)	(2,047)

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

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

There were no fees paid to Trustees during the year.

18 Employer Related Investments

There were no employer related investments during the year.

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.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. Sensitivity analysis around the key financial assumptions underpinning the actuarial valuation of the Scheme liabilities that may potentially be affected by this decision can be found in the Report of the Actuary on pages 42 and 46.

20 Transition to new Accounts Direction

In April 2015 the Comptroller and Auditor General issued a new accounts direction for the PCPF which was effective from 1 April 2015. The direction states that 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.

The impact of the revised direction is that;

- The accounts have been prepared on an IFRS basis as interpreted by the Government Financial Reporting Manual (the FReM) as to comply with the new direction.

- The pension liability and interest on the liability for the fund valued on an IAS 19 basis have been recognised in the PCPF accounts. The liability and interest cost has previously been recognised in the House Of Commons Members Estimate accounts. Additional information can be found on page 42 to 46.

The House of Commons Members estimate have historically recognised the deficit on the Fund as if the House were the employer; valued and disclosed in accordance with IAS19. However since MPs are not technically employed by any entity, the House is not the employer of the Scheme members. This treatment was always analogous and was adopted to ensure full reporting transparency of the liability. From 1 April 2015 the liability has not been recognised in the House of Commons Members accounts.

The financial instruments of an entity are to be disclosed along with the nature and extent of the risks arising from them. These are detailed in notes 11 and 12 .

The Trustees roles and responsibilities are not affected by the revised accounts direction.

The Impact of this transition is as follows:

	1 April 2014	**31 March2015**
	£000	**£000**
Net assets of the Fund as previously reported	523,497	589,221
Effect of transition – pension liability	(696,400)	(817,400)
Assets less liabilities of the Fund as restated	**(172,903)**	**(228,179)**

21 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 will take place in April 2017.

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

22 Actuarial Liability - IAS 19 Basis

This statement is based on assessment of the liabilities as at 1 April 2014 with an approximate uprating to 31 March 2016 to reflect known changes.

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

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

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

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 2015-16 accounts. The contribution rate for accruing costs in the year ended 31 March 2016 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2014-15 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 2016	**31 March 2015**
	(%)	(%)
Gross discount rate	3.55	3.3
Price inflation (CPI)	2.2	2.2
Earnings increases (excluding promotional increases)	4.2	4.2
Real discount rate (net of CPI)	**1.3**	**1.3**

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2016 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 2015-16 was based on the demographic and financial assumptions applicable at the start of the year, those adopted for the 2014-15 accounts.

Liabilities

Table E summarises the assessed value as at 31 March 2016 of benefits accrued under the Fund prior to 31 March 2016 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 2016 £ million	31 March 2015 £ million
Total market value of assets (excl AVC'S)	556.6	585.7
Value of liabilities	777.5	817.4
Surplus/(Deficit)	(220.9)	(231.7)
Funding Level	72%	72%

Actuarial Liability

	31 March 2016 £ million	31 March 2015 £ million
Actuarial liability at start of year	817.4	696.4
Movement in the year due to		
Current service cost (net of member contributions)	17.1	16.5
Member regular contributions	5.7	5.6
Past service cost	–	–
Benefits paid	(34.9)	(21.9)
Net transfers-in	(2.6)	1.5
Enhancements (i.e added pension contributions)	0.2	0.3
Interest on scheme liability	26.7	30.7
	12.2	**32.7**
Changes in assumptions	(50.7)	119.1
Experience gains or losses	(1.4)	(30.8)
	(52.1)	**88.3**
	777.5	**817.4**

Pension Cost

The cost of benefits accruing in the year ended 31 March 2016 (the Current Service Cost) is based on a standard contribution rate of 44.1% (including member contributions but excluding expenses) (2015: 46.5%), as determined at the start of the year. Table F shows the standard contribution rate used to determine the Current Service Cost for 2015-16 and 2014-15.

Table F – Contribution Rate

	Percentage of Pensionable pay	
	2015-16	**2014-15**
Standard contribution rate (excluding expenses)	44.1%	46.5%
Members' contribution rate (average)	10.9%	11.8%
Employer's share of standard contribution rate (excluding expenses)	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 1.1% pa for the 2015-16 Current Service Cost (1.9%) pa for 2014-15 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 2015-16 was £51.6 million (2015: £47.5 million). Based on this information, the accruing cost of pensions in 2015-16 at 44.1% (2015: 46.5%) of pay is assessed to be £22.7 million (2015: £22.1 million). There is no past service cost and so this is the total pension cost for 2015-16.

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 2016 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 2016 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%	£58 million
(ii)	in excess of earnings:	½% a year	-1.5%	£12 million
(iii)	in excess of pensions:	½% a year	-6%	£47 million
Pensioner mortality				
(iv)	additional year increase to life expectancy at retirement:		+3.5%	£27 million
Pensioner mortality				
(iv)	active members retiring in normal health (on Average) 1 year later:		-1.5%	£12 million

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

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