Parliamentary Contributory Pension Fund Accounts 2019-20

HC 281

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HC 281

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REPORT OF THE TRUSTEES

Statutory Basis for the Fund

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

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

The benefit structure of the MPs' Pension Scheme is determined by the Independent Parliamentary Standards Authority (IPSA) and the benefit structure of the Ministers' Pension Scheme is determined by the Minister for the Civil Service (MCS). The Constitutional Reform and Governance Act 2010 passed responsibility for the schemes to the above mentioned bodies.

MPs' Pension Scheme

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

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

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

In December 2018 the Court of Appeal upheld a ruling (McCloud/Sargeant) that similar transitional protections within the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK Government requested leave to appeal to the Supreme Court, but this was denied at the end of June 2019. The implications of the ruling are expected to apply to other public service schemes as well. The PCPF was not initially directly affected by the judgement as it would be for IPSA, not the Government, to make a decision about whether to compensate those affected by transitional protection in the PCPF. In September 2019, IPSA confirmed their continued intention to ensure that the PCPF remains in line with the Government's approach to other public service schemes. Following the Fund year end, in July 2020, the Government issued consultations on the suggested remedies they will use to rectify the position within the majority of public service schemes, the consultations closed in October 2020 and the Government issued their response on 5 February 2021. Following a review of the Government consultation response, IPSA issued their own consultation about a potential McCloud remedy within the MPs' Pension Scheme on 11 March 2021. The IPSA consultation closes on 13 May 2021. Later in 2021, IPSA will launch a second consultation on the McCloud remedies for the PCPF. Once IPSA's review is final, the Trustees will work with IPSA to make any required amendments to the PCPF.

In 2018/19 the Government Actuary's Department (GAD) estimated that the impact of McCloud within the PCPF would amount to a past service cost of £30m. Following a change in the expected scope of the McCloud remedy, the potential McCloud costs were reassessed by GAD and the past service cost calculated in 2018-19 and the current service cost for 2019-20 as set out in the 2018-19 accounts have both been revisited and adjusted in the 2019-20 accounts. This includes two adjustments. Firstly, a negative past service cost of £2m is included in the 2019/20 accounts to correct the current service cost for 2019/20 quoted in the 2018/19 accounts. Secondly a negative past service cost of £7m is included in the 2019/20 accounts to reduce the past service cost of £30m included in the 2018/19 accounts.

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

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

During the accounting year, MPs' salaries (which are also set by IPSA) were £79,468.

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

IPSA did not increase pension contribution rates for MPs during the accounting year.

Ministers' Pension Scheme

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

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

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

Benefits Payable

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

MPs' Pension Scheme – final salary section and Ministers' Pension Scheme up to 8 May 2015	**MPs' Pension Scheme – CARE section and Ministers' Pension Scheme from 9 May 2015**
A pension payable at age 65 (once no longer a serving member).	A pension payable at state pension age (once no longer a serving member).
An option to commute part of the annual pensions for a lump sum, based on age related factors.	An option to commute part of the annual pensions for a lump sum, using a factor of 12:1.
A pension before pension age (65), subject to certain restrictions.	A pension before or after pension age, subject to certain restrictions.
An immediate pension on retirement at any age on the grounds of ill health.	An immediate pension on retirement at any age on the grounds of ill health.
An adult dependant's pension of 5/8ths of the member's pension.	An adult dependant's pension of 3/8ths of the member's pension. Additional benefits payable if a member dies whilst undertaking Parliamentary duties.
Children's pensions at the rate of one quarter of the basic or prospective pension of the member if there is one child, 3/16ths if there is more than one child, up to a maximum of two children, or 5/16ths if there is no surviving parent.	Children's pensions for one child, paid at the rate of 80% or 133% of adult dependant's pension depending on whether a there is a surviving adult dependant. If there is more than one child, the amount of pension will be calculated by multiplying 80% of

	the adult dependant's pension by two and then dividing this amount by the number of children. Each child will then receive this percentage.
A lump sum death gratuity on death in service equal to 4 x salary.	A lump sum death gratuity on death in service equal to 2 x salary. Plus, a lump sum equal to the contributions which the member has paid to the scheme, with interest.
Transfer of pension rights (into and out of the scheme) subject to certain restrictions.	Transfer of pension rights (into and out of the scheme) subject to certain restrictions.
Options to purchase added years, and/or contribute to an AVC scheme with an outside provider.	Options to purchase added pension, an effective pension age (to be no lower than age 65), an early retirement reduction waiver and/or contribute to an AVC scheme with an outside provider.

Income

Income to the Fund is derived from three main sources:

1 contributions from MPs, Ministers and Office Holders;
2 an Exchequer contribution paid from the House of Commons Members Estimate; and
3 investment income.

In addition, transfers of pension benefits into the Fund amounted to £113k in 2019/20, (£1,152k in 2018/19).

Exchequer contribution

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

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

In practice, the actuarial liability of the Fund is assessed every three years by the Government Actuary's Department (GAD) with interim assessments undertaken in the years between valuations. A triennial actuarial valuation was last undertaken in 2017. A triennial actuarial valuation, based on the membership as at 1 April 2020, is currently underway, although the current exchequer contribution rate is based on the 2017 valuation. This will be updated following the outcome of the 2020 triennial valuation, from 1 April 2021.

Actuarial update as at 31 March 2020

In addition to the triennial actuarial valuations, every year GAD provide an accounting valuation report to the Trustees which sets out the current service cost and actuarial liability for the Fund year. The Actuary's report on the liabilities as at 31 March 2020 is shown on pages 54 to 57 of these Accounts, and the information below has also been taken from this report.

The Fund's net liability, or deficit, as at 31 March 2020, and the corresponding figures as at 31 March 2019, are set out below:

	31 March 2020	**31 March 2019**
	£m	**£m**
Present value of fund liabilities	(908.3)	(957.0)
Fair value of fund assets	633.3	698.3
Deficit	**(275.0)**	**(258.7)**

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 financial assumptions applying to the 2019-20 accounts. The contribution rate for accruing costs in the year ended 31 March 2020 was determined using the Projected Unit Credit Method and the financial assumptions applying to the 2018-19 accounts.

The financial assumptions used to value the liabilities at 31 March 2020 and a comparison as at 31 March 2019 are summarised below:

Financial assumption	**31 March 2020** (% p.a.)	**31 March 2019** (% p.a.)
Gross discount rate	2.25	2.45
Price inflation (CPI)	2.00	2.35
Earning increases (excluding promotional increases)	3.75	4.35
Real discount rate (net of CPI)	0.25	0.10

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2020 are based on those adopted for the 2017 triennial actuarial valuation of the PCPF.

The value of benefits accrued under the fund prior to 31 March 2020 are summarised below:

	31 March 2020 (Million)	**31 March 2019** (Million)
Total market value of assets	633.3	698.3
Value of liabilities	(908.3)	(957.0)
Surplus/(Deficit)	(275.0)	(258.7)
Funding Level	70%	73%

The cost of the accrued benefits for the year ended 31 March 2020 (the Current Service Cost) is based on a standard contribution rate of 63.6% (including member contributions but excluding expenses) as determined at the start of the year. The table below shows the standard contribution rate used to determine the Current Service Cost for 2019-20 and 2018-19:

	Percentage of pensionable pay	
	2019-20	**2018-19**
Standard contribution rate (excluding expenses)	63.6%	47.9%
Members’ contribution rate (average)	(10.6%)	(10.6%)
Employer’s share of standard contribution rate (excluding expenses)	**53.0%**	**37.3%**

On 11 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a global pandemic, and the 2019/20 Accounts were produced in the midst of this pandemic. It is possible that COVID-19 will impact the future liabilities and assumptions used in the accounts, specifically in relation to mortality, inflation and the discount rate used. As the full impact of COVID-19 is yet unknown, it is not possible to assess how these areas may be impacted in the future.

However, GAD considered the potential implications of how this pandemic could impact on the actuarial calculations required for the accounts. The assumptions for the discount rate and pension increase assumptions reflected market conditions at the accounting date. The long-term salary assumption is set by taking actuarial advice and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The increase in the amount of Government debt being taken on to pay for its response to the COVID-19 pandemic is likely to affect salary growth. After a discussion with the Secretariat, this assumption was updated with expectation of lower salaries in the future.

The current population mortality projections make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates of mortality improvements are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. GAD have stated that their view is that it is too early in the pandemic to determine whether COVID-19 changes the long-term view of life expectancy in the UK and the Trustees have agreed with the assessment that it is therefore not unreasonable to retain the existing mortality assumptions. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's accounts.

The sensitivities to the assumptions are shown in the actuary's accounting valuation report for the position as at 31 March 2020.

The next triennial actuarial valuation is due as at 1 April 2020.

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

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

The Government Actuary's triennial actuarial valuation report as at 1 April 2017 referred to in these Accounts is available for review at:
https://www.mypcpfpension.co.uk/wp-content/uploads/2019/09/2017-valuation-report.pdf.
The Government Actuary's valuation report as at 1 April 2020 is expected to be finalised shortly and will then be published on the PCPF website.

Membership at 31 March 2020

Active

Active members at the start of the year	635
Adjustments	24
New entrants	160
	819
Less:	
Retirements	(39)
Deferred	(96)
Leavers	(7)
Opt out	(2)
	(144)
Active membership as at 31 March 2020	675

Pensioners

Pensioners at the start of the year	1,097
Retirements	56
New dependant pensioners	20
Less:	
Death of a pensioner	(25)
Death of a dependant	(16)
closed	(1)
Pensioners as at 31 March 2020	1,131*

Deferred members

Deferreds at the start of the year	274
Adjustments	(12)
Actives becoming deferred	96
	358
Less:	
Retirements	(17)
	(17)
Deferred members as 31 March 2020	341

*There are 326 (2019: 322) dependants included within the figures above.

Trustees during the year to 31 March 2020

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 2020 there were eight Member nominated Trustees and two MCS and IPSA Trustees. All designations are correct as at the date of certification.

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

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

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

Following the fund year end, on 21 May 2020 Ranil Jayawardena MP resigned as a Trustee following his appointment as Minister for International Trade. The Trustees wish to record their thanks to Mr Jayawardena for his service as a Trustee. The Secretariat carried out a Member Nominated Trustee (MNT) exercise to fill the position and Meg Hillier MP was appointed as an MNT in September 2020.

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

Method of appointment

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

Resignation and removal of Trustees

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

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

Officers of the Fund

Secretary to the Trustees

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

Secretariat

The Trustees have appointed Officials from the House of Commons to provide a full secretariat and administrative service to the Trustees. The PCPF Secretariat, based in Finance, Portfolio & Performance, act as Secretariat, along with the Secretary to the Trustees. However, the day-to-day administration of the Fund, including the operation of the pension payroll and accounting was outsourced to RPMI Ltd. Following a tender exercise, from September 2019 Buck Ltd commenced operation of administration of the Fund.

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

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

Annual Report

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

Contact address

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

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

pensionsmp@parliament.uk

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

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

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

Investment details and performance

Over the year to 31 March 2020, the Fund returned -7.3% against a benchmark return of -4.0%. Shorter term performance has been heavily impacted by the sharp fall in equity markets seen in Q1 2020, as a result of the COVID-19 pandemic, with the MSCI ACWI returning -6.2% in sterling terms. Equity markets have rebounded strongly since 31 March 2020, with the MSCI ACWI returning 19.8% over Q2 2020. The annualised 3 and 5 year Fund return was 0.5% and 4.2% respectively. The annualised 3 and 5 year benchmark return was 1.9% and 5.1% respectively.

The Fund's fixed income assets also felt the effect of the COVID-19 pandemic and delivered negative returns in relative and absolute terms as credit markets struggled generally in Q1 2020. The M&G Illiquid Credit Opportunities Fund is approaching the end of the initial 'ramp up' phase and the asset class exposure within the fund is now approaching the intended levels.

The Fund's UK property portfolio slightly lagged its IPD All Balanced Funds benchmark over the year, delivering a return of -0.2% versus a benchmark return of 0.0%. High levels of uncertainty remain over the future of the UK commercial property market; however, the Fund's portfolio is positioned well due to a bias away from retail and towards alternative sectors within the portfolio.

During the year the Trustees made a capital commitment to a renewable power infrastructure fund managed by BlackRock. As at 31 March 2020 the fund was yet to call any capital, but following the Fund year end BlackRock made the first capital call during August 2020 for $2.5m. A second capital call was made by BlackRock in December 2020 for $2.8m.

The Trustees have continued to reaffirm their commitment to integrating Environmental, Social and Governance (ESG) issues throughout their investment process. As an example of this, during the year the Trustees decided to restructure their passively managed equities by converting their BlackRock's regional market-cap equity mandate to a global low carbon approach and allocating 30% of the Fund's equity structure to global (sustainable) multi-factor equity managed by Schroders. The transition was supposed to be affected by 31 March 2020, although this was delayed due to the volatility of equity markets in the wake of the pandemic. The equity transition is expected to be completed towards the end of 2020.

During the Fund year, the Trustees also agreed to allocate up to 5% of Fund assets to an impact investment fund. This impact investment would be explored further following the Fund year end and during 2021.

The Trustees have previously incorporated their statement of beliefs and statement of responsible investment within the Fund's Statement of Investment Principles (SIP). These statements set out the key beliefs of the Trustees in relation to investment matters and their overall approach to ESG issues. The Trustees updated their SIP during the year, to reflect new regulatory requirements and changes to the Fund's investment approach. Following the end of fund year, the SIP was updated again to reflect additional regulatory requirements, introduced by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations. The new SIP was adopted in July 2020 and can be viewed on the Fund's website at www.mypcpfpension.co.uk. The Trustees' Responsible Investment policy and the Trustee's climate risk policy, which was agreed following the end of the fund year, in November 2020, are both also available on the website.

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

Manager	**Mandate**	**Holding as at 31.3.20 %**	**Target Allocation %**
BlackRock Advisors (UK) Ltd	Global equities	41.8	44.0
MFS International (UK) Ltd	Global equities	17.6	16.0
M&G	European Loans	8.7	10.0
M&G	Illiquid credit	4.9	5.0
Multi-managers	Property	11.0	10.0
PIMCO Europe Ltd	UK bonds	8.4	7.5
BlackRock Advisers (UK) Ltd	UK Gilts	4.3	7.5
Transition cash*	Cash	3.3	-
Total		**100.0**	**100.0**

*Held by the Fund's custodian, Northern Trust, and the balance of the Trustees' bank account, held to support benefit payments following the General Election.

There were no employer related investments during the year (2019: nil).

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

The COVID-19 pandemic has increased the volatility of movements in foreign exchange markets. The Fund has only been exposed to these movements through the overseas equity investments. As at end of

March 2020, the net effect of the currency movements has been a fall in Sterling against major currencies, these foreign exchange movements are expected to have had a slight negative effect on the value of the Fund assets.

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

Preparation of annual accounts

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

The Comptroller and Auditor General (C&AG) is responsible under legislation for setting the Accounts Direction for the PCPF, see Appendix A. The notes to the Financial Statements set out the basis for preparation of accounts and accounting policies in notes 2 and 3 on pages 33 to 36.

The liability for the PCPF as at 31 March 2020 is assessed by the Government Actuary on an International Accounting Standards (IAS19) basis and is shown on pages 54 to 57 of the Accounts. Having taken advice from the Actuary the Trustees are content that the Fund has sufficient assets to meet its liabilities as they fall due over the next 12 months. The PCPF is effectively underwritten by the taxpayer with deficits financed by increased contributions agreed between IPSA, the MCS and the actuary. The Trustees are not aware of any plan by IPSA or MCS to wind up the MPs' or Ministers' Pension Schemes. As such, the Trustees are satisfied that the Fund will continue to operate as a going concern and the financial statements have been prepared on that basis.

In March 2020, following the outbreak of COVID-19 the Trustees received assurance from House of Commons Administration that they would continue to pay the Exchequer contribution, which acts as the Fund's employer contribution. There is no expectation by the Trustees that there will be a change in the contributions due from members of the Fund. IPSA have confirmed that they also have sufficient contingencies in place to continue to pay contributions throughout the COVID-19 pandemic. Since the year end member contributions have also continued to be paid by the Ministerial Departments. The Trustees remain satisfied that the Fund will continue to operate as a going concern.

At the outset of the COVID-19 pandemic a number of operational changes were required including transitioning to remote working; moving Trustee meetings online; and agreeing administrative priorities with Buck to ensure that retirements and deaths were prioritised over general administrative queries. The Secretariat also sought legal advice on accepting electronic copies instead of original documents in retirement or death cases for the duration of the pandemic. The governance statement highlights other challenges or risks which arose as a result of the pandemic and how these risks were mitigated.

A Statement of the Trustees' responsibilities with regard to the preparation of the accounts is on page 13.

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 13 May 2021 by:

Sir Brian H Donohoe
Chair of Trustees

ACCOUNTABILITY REPORT

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Fund Rules require the Trustees of the Fund to prepare annual accounts in such a form and in such a manner as the Comptroller and Auditor General may direct. The financial statements for the year ended 31 March 2020 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 2020 of its assets and liabilities.

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

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

- make judgments and estimates on a reasonable basis;

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

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

- confirm that the financial statements as a whole are fair, balanced and understandable and take personal responsibility for the financial statements and the judgements required for determining that it is fair, balanced and understandable.

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

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

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

IMPLEMENTATION STATEMENT

Statement of Compliance with the Parliamentary Contributory Pension Fund (PCPF)'s Stewardship Policy for the fund year ending 31 March 2020.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Fund's Stewardship Policy during the period from 1 April 2019 to 31 March 2020.

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an active owner of the Fund's assets which includes the Trustees' approach to:

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

The Fund's Stewardship Policy is reviewed on an ongoing basis. A stand-alone Responsible Investment Policy was published in July 2019 setting out additional details on the Trustees' voting and engagement expectations. No changes were made to the Stewardship Policy during the fund year.

You can review these policies and the Trustees' Statement of Investment Principles, which was reviewed in June 2020 at https://www.mypcpfpension.co.uk/investments.

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

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

The Trustees also monitor their compliance with the Stewardship Policy on a regular basis and are satisfied that they have complied with the Fund's Stewardship Policy over the last fund year.

Voting activity

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

The Trustees have investment in equity assets through two different mandates. The Trustees' equity investment managers have reported on how votes were cast in each of these mandates as set out in the table overleaf[1]:

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

Strategy/Fund name	MFS (active)	BlackRock (passive)
Proportion of Fund assets	16%	44%
No. of meetings eligible to vote at during the year	48	8,102
No. of resolutions eligible to vote on during the year	622	93,951
% of resolutions voted	100%	94%
Of the resolutions voted on, % of resolutions voted with management	93%	94%
Of the resolutions voted on, % of resolutions voted against management	6%	6%
Of the resolutions voted on, % of resolutions abstained	0	1%

The resolutions which **MFS** voted against management the most on over the fund year were mainly in relation to:

- Board of Directors;
- Executive remuneration; and
- Political contributions and lobbying disclosure.

The resolutions which **BlackRock** voted against management the most on over the fund year were mainly in relation to:

- Board of Directors;
- Executive remuneration; and
- Capital structure.

Significant votes

Significant votes are considered by the Trustees to be votes concerning issues stated within the Responsible Investment Policy as being of particular concern to the Trustees. The Trustees have identified that **climate change** represents a risk which warrants more detailed scrutiny given the potentially widespread and uncertain impact on financial, economic and demographic outcomes. The Trustees also regard **executive remuneration** as a material governance related risk and support the mitigation of this risk predominantly through active engagement by investment managers. The Trustees have asked their managers to provide details on votes in line with these criteria and report on a selection of the votes cast below[2]:

Walt Disney (Q1 2020)

MFS - voted against the Walt Disney proposal to ratify executive remuneration.

> A vote AGAINST this proposal is warranted. Although meaningful improvements were made to address shareholders' concerns, including the elimination of certain compensation increases the CEO would otherwise be contractually entitled to, there remain significant concerns regarding CEO pay magnitude and structure. Specifically, the CEO's base salary is more than double that of company peers at $3 million. The CEO's target and maximum annual incentive pay opportunities remain set at $12 million and $24 million, which is 400 percent and 800 percent of base salary, respectively. This resulted in an annual incentive award for 2019 that exceeded the CEO total pay peer median.

BlackRock - voted for the proposal and in line with the management recommendation.

> BlackRock engaged with The Walt Disney Company regarding its executive compensation plan, political spending and lobbying disclosure. The Board was responsive to shareholder feedback on both matters. As noted in the "Fiscal 2019 Shareholder Engagement" section of the company's 2020

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

proxy statement, "In light of investor feedback, the Compensation Committee discussed with Mr. [Bob] Iger, and he agreed to, adjustments in Mr. Iger's contractual compensation on three separate occasions." The Compensation Committee reduced CEO Mr. Iger's annual compensation and refined the related performance criteria, increasing the rigor of the measures and improving alignment with shareholder interests. We will continue to assess executive compensation at The Walt Disney Company, particularly in light of recent management changes. Where companies are making progress on key corporate governance issues, BlackRock will generally support the board and management in those efforts. BlackRock determined that The Walt Disney Company's current level of disclosure, following the changes discussed above, is in line with the best practices detailed in BlackRock's Investment Stewardship team's commentaries on executive compensation and on corporate political activities.

<u>Oracle Corporation (Q4 2019)</u>

MFS

- Proposal: Advisory Vote to Ratify Named Executive Management, For/Against Officers' Compensation.
  -Voted against the proposals and against management.

- Proposal: Report on Gender Pay Gap.
  -Voted for the proposals and against management.

- Proposal: Require Independent Board Chairman.
  -Voted for the proposals and against management.

<u>BP Plc (Q2 2019)</u>

BlackRock

- Proposal: Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures.
  -Voted for the proposals and with management. BlackRock supported the management recommendation following engagement.

- Proposal: Approve a resolution on Climate Change Targets.
  -Voted against the proposals and with management. BlackRock viewed that there was no demonstrable economic benefit to shareholders.

Engagement activity with investment managers

The Trustees hold meetings with their investment managers as and when questions regarding investment stewardship arise. Over the last fund year, the Trustees have met with BlackRock twice to discuss specific issues regarding voting and engagement activities:

Date	Fund manager	Subject discussed	Action
November 2019	BlackRock	Implementation of voting policy and consistency with Trustees' own policies. Manager's voting record on climate change and executive compensation.	Trustees challenged the approaches taken and questioned how progress/success was measured. Manager provided rationale for key votes. Agreed to invite BlackRock back in 2020/21.
January 2020	BlackRock	Responsible investment follow-up.	Manager provided case studies of voting and engagement activity.

In addition, the Secretariat hold regular review meetings with the investment managers on behalf of the Trustees. The following topics were discussed over the course of the fund year:

Date	Fund manager	Subject discussed
July 2019	MFS	Manager ethos/style, equity market overview, portfolio positioning, performance, and ESG factors.
January 2020	MFS	Introduction to new client relationship manager and market update.
January 2020	PIMCO	Manager ethos/style, bond market overview, portfolio positioning, performance, and ESG. Manager followed up with additional information on ESG integration into investment decision-making.
March 2020	M&G	Manager ethos/style, credit market trends, portfolio positioning, performance, and ESG integration.

Summary of manager engagement activity

The Trustees receive quarterly reporting on their equity managers' engagement activity and annual reporting on non-equity managers' engagement activity. Below is a summary of the key engagement activity for the 12-month period ending 31 March 2020:

Equity managers:

Manager	Number/methods of engagement	Topic engaged on
MFS (active)	MFS undertakes a broad range of engagement activities with companies on behalf of its clients. These engagements can take varying forms, such as formal proxy voting-led engagements, informal investment team engagements, more formal investment team engagements and other collective forms of engagements. Additionally, MFS also participates in various industry working groups and organisations that seek to develop thought leadership on emerging proxy voting issues.	Engagement discussions cover a broad range of topics including but not limited to climate change & the environment, remuneration, diversity, gender pay, board composition and labour practices. The goal when engaging is to exchange views on environmental, social and governance topics that represent material risks or opportunities for companies or issuers and to effect positive change on such issues.
BlackRock (passive)	BlackRock manages a range of passive funds on our behalf. Over the fund year BlackRock carried out a total of 4,118 engagements with 2,434 individual companies in the form of company meetings for these funds.[3] During the reporting period ending 30 June 2020, at a firm level BlackRock's stewardship team held over 3,000 engagements in 54 markets to discuss governance practices and the sustainability of a company's business model.	Most engagement conversations cover multiple topics and are based on BlackRock's vote guidelines and engagement priorities found at: https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-priorities. Topics cover a range of environmental, social, and governance (ESG) issues, such as climate risk management (E), operational sustainability (E), human capital management (S), board composition and effectiveness (G), and remuneration (G).

[3] Source of information: engagement reports run for passive funds held at BlackRock.

Non-equity managers:

Manager	Engagement activity
M&G (private debt)	M&G aims to contribute to a borrower's management of ESG-related risks through engagement – both big picture themes (e.g. raw material sustainable sourcing, single-use plastic) and specific issues. As a credit investor, M&G relies on its market size and reputation (and private-side status which permits a freer dialogue) to ensure long-term ESG objectives are heard. As a private-side lender, M&G has active, iterative relationships with its borrowers, providing a conduit for engagement and lobbying. The power of influence is derived from the frequent interaction and long-term relationships.
Schroders (real estate)	Schroders' occupier engagements include regular tenant meetings, the use of online occupier portals, tenant satisfaction surveys, and annual newsletters. Examples of ESG matters discussed include: a new food waste system at a retail and leisure scheme, and trials for changes to the operational times of a building management system for a multi-tenanted office. Schroders has produced a Sustainability Fit Out Guide for Tenants to highlight why sustainable and healthy fit out is important, and guide them through how to implement, for example energy efficient lighting, indoor air quality, and biophilia. Schroders' community engagement is dependent upon the type of asset and how it and its users relate to the local community. With a shopping centre there may be communications to help determine local attitudes to the centre, amenity, safety and security, access and open space as well as support opportunities for recruitment. For a fully let office building examples may include sponsorship for a street festival and a youth centre.
UBS (real estate)	UBS recognises that standing investments – offices, shopping centres, industrial estates – benefit local communities even though it may not be obvious at first sight. In order to assess the social value of investments, UBS has worked with tenants and its property and facilities management teams onsite to understand and measure things such as local employment levels, traineeships, jobs for young offenders, community events held at the property, and volunteering. UBS aims to prompt conversations with occupiers and suppliers, using these assessments to benchmark value and help connect interested parties at properties with the ultimate aim of further enhancement.
BlackRock (real estate)	BlackRock's real estate portfolios strive to actively engage with tenants to further communicate and progress sustainability performance across assets. The range of activities often include a combination of campaigns, activities and events that address sustainable best practice, such as energy and resource efficiency. BlackRock also explores opportunities to participate in tenant meetings and conduct annual tenant surveys and questionnaires that address ESG factors, such as environmental improvement, energy efficiency and occupier health and well-being, as well as a broader array of questions focused on facilities management, property maintenance, security, housekeeping, and satisfaction with property management services.
PIMCO (fixed income)	PIMCO's team of over 65 credit analysts conduct more than 5,000 meetings and calls with company management teams on an annual basis. In addition to discussing financial matters, such as corporate strategy, leverage, and balance sheet management, the team also focus on strategic issues that relate to ESG risks and sustainable business management practices, like climate change targets and environmental plans, human capital management, and board qualifications and composition. For portfolios like the PIMCO GIS Global Libor Plus Bond Fund, this engagement is focused on material ESG issues that can have significant impacts on the credit profile of the issuer.

Use of a proxy adviser

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

Manager	Proxy Adviser used
MFS (active)	MFS analyses all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS uses a proxy advisory firm (ISS) to perform various proxy voting–related administrative services, such as vote processing and recordkeeping. While MFS also receives research reports and vote recommendations from multiple proxy advisory firms, such reports are just one input in MFS's comprehensive analysis to determine the votes that are in the best long-term economic interest of clients. MFS has due diligence procedures in place to help ensure that the research received from proxy advisory firms is accurate and to reasonably address any potentially material conflicts of interest.
BlackRock (passive)	While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it does not follow any single proxy research firm's voting recommendations. BlackRock uses several other inputs, including a company's own disclosures, and record of past engagements, in its voting and engagement analysis.

Review of manager policies

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

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

GOVERNANCE STATEMENT

This statement covers the operation of the Fund for the year ended 31 March 2020. On behalf of all of the Trustees, I acknowledge our responsibility for ensuring that an effective system of governance is maintained and operated in connection with the Fund.

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

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

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

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

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

Business Plan 2020-21 to 2022-23 was approved by the Trustees in March 2020. The focus of the new Business Plan is on improving services received by members, undertaking a governance review of Trustee procedures and strengthening focus on investment stewardship and responsible investment.

The Trustees have a conflicts of interest policy in place to meet the Pensions Regulator's expectation for schemes to manage conflicts of interest and improve their governance framework. While the PCPF isn't regulated by the Pensions Regulator, the Trustees meet these requirements voluntarily in order to improve the governance of the PCPF. The Trustees reviewed and updated the Conflict of Interest Policy in January 2020. In 2019-20 no material conflicts of interest were declared by the Trustees.

Arrangements are also in place to assess and address the ongoing training requirements of Trustees, to ensure that they keep up to date with new and current issues affecting the Fund's operations. Regular and relevant Trustee training sessions are arranged at Trustee meetings. During the fund year the Trustees focused their training on responsible investment. An ESG specific training session was held in January 2020. Other areas covered included changes to investment regulations.

The Trustees outsource the day to day administration of the Fund, including the operation of the pension payroll and accounting functions. During the year the administration was outsourced to RPMI Ltd (RPMI) until 22 September 2019. Buck commenced full operation of the administration of the Fund, including pension payroll and accounting functions, from 23 September 2019, although RPMI agreed to continue work on the 2018-19 report and accounts until they were completed. 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 aim to hold seven formal meetings during the year, four ordinary and three investment focussed meetings. During the fund year, only three of the four planned ordinary meetings were held. The meeting scheduled for March 2020 did not take place as the Government announced guidelines for people to limit travel and gathering together, following the Coronavirus outbreak. However, all the agenda items for the missed meeting were circulated to the Trustees for agreement via e-mail. The Trustees decisions were ratified at their next meeting, in May 2020.

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

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

During the year the Trustees have continued to spend a considerable amount of time considering responsible investment, including environmental, social and governance (ESG) matters at their meetings. The training the Trustees received this year also focused on these areas, enabling the Trustees to discuss their responsible investment policy, which was approved during the fund year and their climate risk policy, which the Trustees finalised during 2020-21. During the year, following a strategic asset allocation review the Trustees agreed a 5% allocation to renewable infrastructure and to transition their passively managed equities into low carbon and sustainable equity mandates. Following the end of the fund year, in May 2020, the Trustees discussed the impact of COVID-19 on the Fund's investments and will continue to monitor the situation throughout 2020-21. A workshop was held on 14 October 2020 to analyse decisions made by the Fund over past years and to review 'lessons learnt' following the COVID-19 crisis. Following the workshop, Trustees agreed that the decisions made over the last three years had been added value to the Fund. . The Trustees also updated their SIP following the Fund year end to ensure that it complied with the changes to investment regulations introduced by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations. The Trustees continue to review their managers' activities in relation to ESG issues on an ongoing basis through regular reporting and dialogue, as detailed in their updated SIP, Engagement policy and Implementation Statement.

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

The Trustees monitored the performance of the Fund's administrator, RPMI against contractual service level agreements up to September 2019 when Buck took over the Fund's administration. The Secretariat, on behalf of the Trustees, have held regular meetings with Buck to monitor the onboarding of the administration service, as well as Buck's performance against the service level agreements in place. Going forward the Secretariat will hold regular administration meetings. Representatives from Buck attended Trustee meetings in October 2019 and January 2020 and will continue to attend in person until the service is well established. The Fund's actuarial adviser, The Government Actuary's Department (GAD), also attend Trustee meetings when necessary.

The Secretariat follow House guidance in relation to information assurance issues such as General Data Protection Regulations and cyber security. There were no data issues identified or reported to the Information Commissioner in the year.

Risks

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

Key risks considered by the Trustees during the fund year to 31 March 2020:

Risk	Mitigation and response to this risk
Operational disaster (fire/flood etc)	• Business continuity procedures in place for administrator. • PCPF Trustee Records are held on Parliamentary Network which is Cloud based.
Member data incomplete or inaccurate	• Regular data quality reporting from Administrator.
Failure of management of contracts with third parties	• Formal agreement in place with all third parties with performance indicators. • Ad hoc meetings with Trustees as required. • Review independent audit and internal control reports of third parties. • Quarterly performance reporting in place for Fund managers and Administrator.
New Administrator is unable to manage administration of the fund)	• Secretariat to continue to monitor progress following the transition and continue to work closely with Buck as they bring the service up to the required level. • Secretariat to ensure future casework is dealt with in an accurate and timely manner. • Secretariat to monitor the automation of the remaining Buck processes, which are partially completed with further programming required for calculating.
Failure of assets to pay benefits	• Investment strategy is focussed on moving assets into investment vehicles that meet the requirement for income.

	• Cash flow is closely monitored by the Secretariat and the Administrator regularly and a cash flow report is presented at every Trustee meeting. • The Trustees review income requirements at their investment focussed meetings. • Additional cash held in a custody account with the Custodian and can be used for cashflow purposes if needed.
Failure of assets to provide expected returns due to impact of climate change	• The Trustees recognise this risk in their Statement of Investment principles, Voting and Engagement policy and statement of investment beliefs. • The Trustees regularly monitor their Fund managers engagement with these polices. • The SIP was updated in July 2019, to meet new regulations that require Trustees to take account of ESG issues and climate change factors as a serious financial risk. • The Trustees have implemented a Responsible Investment policy and will prepare a climate change policy during 2019-20. • The Trustees have received training / presentations on climate risk and responsible investment duties.
Failure to maintain funding level of 100%	• Triennial full valuations and annual funding level reports provided by GAD. • Trustees hold three investment focussed meetings per year to review investment strategy and performance.
Pension fraud committed against the fund	• The Trustees have agreed to take part in the National Fraud Initiative (NFI) exercise every three to five years. • The Trustees last took part in the 2016 NFI exercise. The results have showed there were in fact no cases of fraud identified. • The Trustees will look to undertake another NFI exercise by 2021 at the latest.
Failure of assets to provide expected returns due to impact of climate change	• Trustees recognise this risk in their Statement of Investment principles, Voting and Engagement policy and statement of investment beliefs. • Trustees regularly monitor their Fund managers engagement with these polices.
Uncertainty around Brexit outcomes impacts on asset returns	• Trustees employ specialist advisors and monitor investment strategy and markets on a regular basis.
Failure to interpret PCPF rules correctly	• Administrator refers technical cases to Secretariat for additional oversight. • Pension Scheme Lawyers are also appointed to provide detailed technical scheme and legislative knowledge.
Failure to govern according to TPR best practice and wider legislation	• Trustees and Secretariat are regularly trained, and all Trustees complete the TPR Trustee Toolkit.

	• Trustees appoint specialist third party advisers who apprise Trustees and Secretariat of relevant changes to legislation.
Failure to comply with legislative requirements surrounding responsible investment and climate change	• As well as specialist third party advisers who proved detailed technical knowledge about changes to investment and pension legislation, Trustees are also appointing an investment and governance specialist within the Secretariat who will provide additional focussed support, specifically in the responsible investment area.

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

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

Review of effectiveness

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

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

In addition, the value of liabilities on an IAS19 basis has been calculated as at 31 March 2020 for the purpose of these financial statements. It has been determined by calculating the liabilities as at 1 April 2017, based on the data for the 2017 actuarial valuation, and rolling forward that liability to 31 March 2020. The assumptions adopted for the assessment are the responsibility of the Trustees, having regard to both the Government's Financial Reporting Manual (FReM) and advice from the actuary. The report from the Actuary on the pensions liability as at 31 March 2020 is included in these accounts on pages 54 to 57.

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

The organisations that provide the Fund's secretariat, custodianship and administration functions are subject to review by their respective organisations' internal audit units, which operate to relevant professional Internal Audit Standards. On behalf of the Trustees, the Secretariat review independent reports on internal operational controls for the custodian and the administrator where appropriate. While no relevant internal audit work was undertaken during the fund year, the Secretariat reviewed Buck's internal controls for the year ending 31 July 2020.

Financial management

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

Procurement

During the fund year the Trustees appointed Buck as the new administrators of the PCPF. Buck commenced operation of administration of the Fund in September 2019.

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

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

Fund Administration

During the fund year, RPMI undertook the administration, fund accounting, and the calculation and payment of all pension benefits until September 2019 when Buck took over the same functions. During the fund year appointed officials at RPMI and Buck, are delegated to approve pension awards for routine retirement (including normal or actuarially reduced early retirement). The Trustees only approve pension awards in other circumstances, for example on ground of ill health. The Trustees have free access to all documents and records maintained by their administrators, on their behalf.

The Fund administrators refer complex or unusual cases to the Fund Secretariat to review. In some technical cases further review is undertaken by the Fund's actuarial and/or legal advisers to ensure that the benefits have been calculated in accordance with the Fund's rules and legislative requirements. The Secretariat also met with Buck in July and October 2019 and February 2020 to discuss the transition of administration services, general election project and ongoing performance against the contractual service level agreements. The Trustees reviewed the administration reports provided by RPMI at their ordinary Trustee meetings in July, October and January, which was presented by the Secretariat. The first Buck administration report was circulated to the Trustees by email in lieu of their March 2020 meeting. During the fund year Buck presented to the Trustees on the transition of administration services twice during the year in October 2019 and January 2020.

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

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

Custody of Assets

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

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

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

Conclusion

I am satisfied that during 2019-20 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 13 May 2021 by:

Sir Brian H Donohoe
Chair of Trustees

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Parliamentary Contributory Pension Fund (the Fund) for the year ended 31 March 2020 under Schedule 6 of the Constitutional Reform and Governance Act 2010. The financial statements comprise: the Statements of Comprehensive Net (Expenditure), Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the financial statements give a true and fair view of the state of the Fund's affairs as at 31 March 2020 and of its net comprehensive expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the directions issued the Constitutional Reform and Governance Act 2010 and direction issued thereunder.

Opinion on regularity

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

Basis of opinions

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

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

•The Fund's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

•The Fund have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Trustees' for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Fund to cease to continue as a going concern

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

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

Other Information

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies **Date 3 June 2021**

Comptroller and Auditor General

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

Statement of Comprehensive Net (Expenditure) for the Year Ended 31 March 2020

	Note	2019-20	2018-19
Income		**£000**	**£000**
Contributions	6	**13,004**	12,872
Individual transfers in		**113**	1,152
		13,117	14,024
Expenditure			
Service cost	7	**(19,600)**	(50,100)
Enhancements	8	**(6,100)**	(5,900)
Benefits paid during the year	9	**31,000**	25,800
Other interest payable		**(23,500)**	(22,600)
		(18,200)	(52,800)
Net (expenditure)		**(5,083)**	(38,776)
Benefits payable	10	**(30,821)**	(25,792)
Individual transfers out		**(265)**	(1,161)
Management expenses	11	**(2,445)**	(2,048)
		(33,531)	(29,001)
Finance income			
Investment income	12	**9,883**	10,640
Change in market value of investments	13	**(53,571)**	31,519
		(43,688)	42,159
Combined net (expenditure)		**(82,302)**	(25,618)
Other comprehensive net (expenditure)			
Pension re-measurements			
- Actuarial gain/(loss)	21	**62,400**	(24,500)
- Other re-measurements	21	**4,500**	7,600
Total comprehensive net (expenditure)		**(15,402)**	(42,518)

The notes on pages 33 to 59 form part of these accounts.

Statement of Financial Position as at 31 March 2020

	Note	2019-20 £000	2018-19 £000
Non-current assets			
Financial assets	14	**618,563**	726,601
Additional voluntary contribution assets	17	**2,055**	2,180
Total non-current assets		**620,618**	728,781
Current assets			
Trade and other receivables	18	**1,127**	1,167
Cash	18	**17,252**	2,894
Total current assets		**18,379**	4,061
Total assets		**638,997**	732,842
Current liabilities			
Trade and other payables	19	**(2,613)**	(855)
Total current liabilities		**(2,613)**	(855)
Non-current assets plus net current assets		**636,384**	731,987
Non-current liabilities			
Financial liabilities	14	**(16)**	(31,517)
Provision for pension liability	21	**(908,300)**	(957,000)
Total non-current liabilities		**(908,316)**	(988,517)
Assets less liabilities		**(271,932)**	(256,530)
Taxpayers deficit			
General Fund		**(271,932)**	(256,530)

The financial statements on pages 29 to 59 were approved by the Trustees on:

Signed on behalf of the Trustees by:

Sir Brian H Donohoe
Chair of Trustees **13 May 2021**

Statement of Cash Flows for the Year Ended 31 March 2020

Cash flows from operating activities	**2019-20 £000**	**2018-19 £000**
Net (expenditure) for the year	(82,302)	(25,618)
Adjustments for non-cash transactions		
Change in market value of investments and gains	53,571	(31,519)
Less: market value of movements on cash equivalents	(1,913)	(2,042)
(Increase)/decrease in receivables		
(Increase)/decrease in accrued investment income receivable	(734)	102
Decrease/(increase) in trade and other receivables	40	(113)
Increase/(decrease) in payables		
Increase/(decrease) in trade and other payables	1,758	(106)
Increase in pension provision	18,200	52,800
Net cash outflow from operating activities	**(11,380)**	**(6,496)**
Cash flows from investing activities		
Purchase of investment assets	(152,172)	(589,434)
Proceeds of disposal of investment assets	178,512	607,533
Net cash inflow from investing activities	**26,340**	**18,099**
Net increase in cash and cash equivalents	**14,960**	**11,603**
Cash and cash equivalents at the beginning of the year	**7,262**	**(4,341)**
Cash and cash equivalents at the end of the year *	**22,222**	**7,262**

* Totals are made up of cash at bank note 18 2020: £17,252k (2019: £2,894k) and cash and cash equivalents note 14 2020: £4,970k (2019: £4,368k) totalling 2020: £22,222k (2019 £7,262k).

The notes on pages 33 to 59 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2020

	2019-20 £000	2018-19 £000
Balance as at 1 April	**(256,530)**	**(214,012)**
Net (expenditure) for the year	(82,302)	(25,618)
Other comprehensive (expenditure)/income	66,900	(16,900)
Net change in taxpayers' equity	(15,402)	(42,518)
Balance as at 31 March	**(271,932)**	**(256,530)**

Notes to the Financial Statements

1. Description of the Fund

The PCPF is a defined benefit scheme providing final salary and career average revalued earnings (CARE) pension and lump sum benefits on retirement, death and leaving service. It is made up of the MPs Pension Scheme and the Ministers Pension Scheme providing benefits for Members of the House of Commons, Ministers and Office Holders. The Fund is managed by Trustees in line with scheme rules and any relevant legislation. The Constitutional Reform and Governance Act 2010 passed responsibility for the MPs' scheme to the Independent Parliamentary Standards Authority (IPSA) and for the Ministers' scheme to the Minister for the Civil Service (MCS).

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

A further description of the fund and relevant legislation can be found in the Report of the Trustees on pages 2-12 and on the Fund's website www.mypcpfpension.co.uk.

2. Basis of Preparation

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

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

The Statement of Accounts summarises the fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020.

3. Accounting Policies

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

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

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

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

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

Notes to the Financial Statements (continued)

d. Management expenses

These are broken down in note 11 and are all accounted for in the period that they relate.

e. Investment income

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

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

Income from 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

Notes to the Financial Statements (continued)

is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

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

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

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

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

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

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

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

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

g. Foreign currencies

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

Notes to the Financial Statements (continued)

i. Long term liability – pension provision

A long term liability is a liability that is not due within one year. The pension liability and interest on the liability for the fund are valued on an IAS 19 basis for inclusion in the accounts. The liability is shown in note 21.

4. Critical Judgements In Applying Accounting Policies

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

Pension fund liability

The pension fund liability is calculated by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 21. This estimate is subject to significant variances based on changes to the underlying assumptions.

McCloud/Sargeant Case

When IPSA reformed the PCPF benefit structure in 2015, a form of transitional protection was offered to those members closest to retirement. In December 2018 the Court of Appeal upheld a ruling (McCloud/Sargeant) that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. The implications of the ruling are expected to apply to other public service schemes as well. The PCPF was not initially directly affected by the judgement for two reasons, firstly the Act used to claim age discrimination at work would not necessarily cover MPs, as they are elected (not employed) individuals. Secondly, it would be for IPSA, not the Government, to make a decision about whether to compensate those affected by transitional protection in the PCPF. However, in September 2019, IPSA confirmed their intention to ensure that future changes to the PCPF would be in line with the Government's approach to other public service schemes. In light of this the actuaries have revised the IAS19 report and the amended figures are included in note 21.

The gross pension liabilities as at 31 March 2019, shown in note 21 included an allowance for the additional liability potentially arising from the McCloud/Sargeant judgment, this was reflected as a past service cost and amounted to £30m. The 2019-20 service cost was adjusted down following on from the HM Treasury consultation document issued in July 2020.

These costs have been assessed as the cost of providing members with benefits in whichever scheme (relevant pre or post 2015 scheme) is of higher value between 8 May 2015 and 31 March 2020.

Following the Fund year end, in July 2020, the Government issued consultations on the suggested remedies they will use to rectify the position within the majority of public service schemes, the consultations closed in October 2020 and the Government issued their response on 5 February 2021. Following a review of the Government consultation response, IPSA issued their own consultation about a potential McCloud remedy within the MPs' Pension Scheme on 11 March 2021. The IPSA consultation closed on 13 May 2021. Later in 2021, IPSA will launch a second consultation on the McCloud remedies for the PCPF. Once IPSA's review is final, the Trustees will work with IPSA to make any required amendments to the PCPF.

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

Notes to the Financial Statements (continued)

Goodwin

Following the Walker v Innospec Supreme Court ruling in 2017, the Government decided that in public service Pension Schemes, surviving male same-sex and female same-sex spouses and civil partners of public service Pension Scheme members should generally receive benefits equivalent to those received by widows of opposite sex marriages. The exception to this was in certain schemes where, in the past, improvements in female members' survivor benefits had involved female members making employee contributions or increasing them. A case brought in the Employment Tribunal against the Secretary of State for Education in spring 2020 highlighted that these changes may lead to direct sexual orientation discrimination with the Teacher' Pension Scheme (England &Wales), where male survivors of female scheme members remained entitled to a lower survivor benefit than a comparable same-sex survivor.

The Government announced on 20 July 2020 that it had concluded that changes are required to address this discrimination, and that the government believes that this difference in treatment will also need to be remedied in other public service Pension Schemes across the UK, where the husband or male civil partner of a female scheme member is in similar circumstances. This has been referred to as the 'Goodwin' case.

The Fund received legal advice in respect of potential inequalities in historic provisions for surviving dependants. This has been considered by GAD in terms of how it could affect the actuarial liabilities calculated as part of the accounts as at 31 March 2020. No allowance has been made for Goodwin in the 2019/20 accounts because there are only a small number of female members and male dependants with pre88 service that are likely to be affected by the Goodwin ruling. GAD have estimated that the additional cost of allowing for Goodwin is likely to be in the region of £0.1m-£0.25m on the accounting basis and is immaterial given the accounting liabilities are over £900m.

Unquoted investments

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

Due to COVID-19, transaction activity quickly dried up at the start of the COVID-19 pandemic. This caused problems for the surveyors assigned to value the assets held by property funds as valuations are arrived at by examining actual transaction data for similar properties. In the absence of transactions, an inability to physically inspect properties and the expected economic impact of the downturn, surveyors had no option but to place material uncertainty clauses in their valuations, in accordance with Royal Institute of Chartered Surveyors' (RICS) guidelines, forcing the majority of open-ended UK property funds to suspend dealing.

In early September 2020, RICS announced that following the latest meeting of its Material Valuation Uncertainty Leaders Forum, Material Uncertainty Clauses had been lifted from the vast majority of UK property. The total value of the Fund's unquoted assets at 31 March 2020 was £236.7m (£189.0m as at 31 March 2019) and the total value of the 3 property funds (UBS, BlackRock and Schroder) that had material valuation uncertainty clauses was £67.4m.

Notes to the Financial Statements (continued)

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

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

The items in the Statement of Financial Position at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows.

Item	Uncertainty	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consulting actuaries are engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • A 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £79m; • A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £9.5m; and • A two year increase in assumed life expectancy would increase the liability by approximately £79m.
McCloud transitional protection	It should be noted that there is considerable uncertainty around the potential additional costs as a result of the McCloud judgment, as the form of remedy is uncertain.	Following on from the HM Treasury consultation issued in July 2020, there is somewhat less uncertainty surrounding these figures, but we cannot rely on the consultation as it does not strictly apply to the PCPF. The figures are still highly sensitive to assumptions around short term earnings growth. No allowance has been included in our calculation of the past service cost to reflect this potential variation, however it is noted that the cost could be significantly higher / lower than the calculated provision.

6. Contributions

	2019-20	2018-19
	£000	£000
Members		
Normal	**5,900**	5,756
Added years	**134**	144
Additional voluntary contributions	**17**	26
Employer (Exchequer)		
Normal	**6,308**	6,301
Deficit	**645**	645
	13,004	12,872

Notes to the Financial Statements (continued)

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

The Exchequer contribution rates will be reassessed following the 2020 valuation. Following the Fund year end the Exchequer contributions have been increased to £603k per month.

7. Service Cost (see also note 21 Table E)

	2019-20	2018-19
	£000	£000
Current service cost	**(28,600)**	(20,100)
Past service cost	**9,000**	(30,000)
	(19,600)	(50,100)

8. Enhancements (see also note 21 Table E)

	2019-20	2018-19
	£000	£000
Member regular contributions	**(5,900)**	(5,700)
Enhancements (i.e. added pension contributions)	**(200)**	(200)
	(6,100)	(5,900)

9. Benefits paid (see also note 21 Table E)

	2019-20	2018-19
	£000	£000
Benefits paid	**31,000**	25,800
	31,000	25,800

10. Benefits Payable

	2019-20	2018-19
	£000	£000
Pensions	**(5,900)**	(23,384)
Lump sum retirement benefits	**(7,014)**	(2,408)
Lump sum death benefits	**(3)**	-
	(30,821)	(25,792)

Notes to the Financial Statements (continued)

11. Management Expenses

	2019-20	2018-19
	£000	£000
Trustees – Secretariat	**(174)**	(140)
Third party administration and advisor fees	**(295)**	(260)
Actuarial fees	**(110)**	(152)
Legal fees	**(211)**	(199)
External Audit fee	**(67)**	(42)
Investment management basic fees	**(1,044)**	(941)
Investment management performance fees	**(298)**	(49)
Custody fees	**(112)**	(120)
Investment consultancy	**(134)**	(145)
	(2,445)	(2,048)

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

12. Investment income

	2019-20	2018-19
	£000	£000
Fixed interest securities	**297**	1,861
Index-linked securities	**7**	12
Equities	**2,541**	2,958
Derivatives	**27**	384
Pooled investment vehicles	**6,893**	5,402
	9,765	10,617
Interest on cash held on deposit	**118**	23
	9,883	10,640

13. Change in market value of investments

	Note	**2019-20**	2018-19
		£000	£000
Defined benefit assets	11	**(53,527)**	31,384
Additional voluntary contribution assets	14	**(44)**	135
		(53,571)	31,519

Notes to the Financial Statements (continued)

14. Investment movements

	Market value at 1 April 2019	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Market Value	**Market value at 31 March 2020**
	£000	£000	£000	£000	**£000**
Fixed interest	67,408	51,823	(122,867)	3,636	**-**
Index-linked	6,647	770	(8,062)	645	**-**
Derivatives	440	3,167	(3,487)	(120)	**-**
Equities	120,567	9,793	(9,167)	(9,554)	**111,639**
Pooled investment vehicles	494,523	86,610	(34,839)	(46,221)	**500,073**
	689,585	152,163	(178,422)	(51,614)	**611,712**
Cash and cash equivalents	4,368			(1,913)*	**4,970**
Accrued income	1,131				**1,865**
	695,084			(53,527)	**618,547**

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

Included within the above purchases and sales figures are indirect transaction costs of 2020: £4,836 (2019: £37,627). 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.

Notes to the Financial Statements (continued)

Investments analysed by Fund Manager

Fund Manager	Market value 2020 £000	% of investments	Market value 2019 £000	% of investments
Pimco Europe Ltd	**190**	**0.0**	73,267	10.5
MFS International (UK) Ltd	**112,676**	**18.2**	121,889	17.5
BlackRock Advisors (UK) Ltd	**266,311**	**43.1**	329,814	47.5
UBS Global Asset Management	**27,271**	**4.4**	27,879	4.0
BlackRock UK Property Fund	**26,089**	**4.2**	27,254	3.9
Standard Life IK Property Fund	**338**	**0.1**	336	0.1
Schroder Exempt Property Unit Trust Fund	**15,586**	**2.5**	16,149	2.3
Northern Trust Cash	**2,620**	**0.4**	3,245	0.5
M & G European Loans Fund	**55,780**	**9.0**	62,331	9.0
M & G ICOF	**30,434**	**4.9**	32,920	4.7
Pimco Global Libor Plus Fund	**53,608**	**8.7**	-	-
BlackRock UK Gilts Fund	**27,644**	**4.5**	-	-
	618,547	**100.0**	695,084	100.0

Due to COVID-19, transaction activity quickly dried up at the start of the COVID-19 pandemic. This caused problems for the surveyors assigned to value the assets held by property funds as valuations are arrived at by examining actual transaction data for similar properties. In the absence of transactions, an inability to physically inspect properties and the expected economic impact of the downturn, surveyors had no option but to place material uncertainty clauses in their valuations, in accordance with Royal Institute of Chartered Surveyors' (RICS) guidelines, forcing the majority of open-ended UK property funds to suspend dealing. In addition, for the properties held under the BlackRock UK property Fund at the year end that were being valued with material uncertainty clauses, the valuations have a higher degree of caution associated with them.

In early September 2020, RICS announced that following the latest meeting of its Material Valuation Uncertainty Leaders Forum, Material Uncertainty Clauses had been lifted from the vast majority of UK property.

Investments

	2019-20	2018-19
Investment assets	**£000**	£000
Fixed interest Securities	**-**	67,408
Index-linked Securities	**-**	6,647
Equities	**111,639**	120,567
Pooled investment vehicles	**500,073**	494,523
Derivative contracts		
Swaps – OTC	**-**	650
Options – OTC	**-**	58
Futures	**-**	699
FX contracts – OTC *	**-**	308
Other investment assets		
Cash and cash equivalents	**4,936**	18,209
Pending sales	**50**	16,401
Accrued income	**1,865**	1,131
Total investment assets	**618,563**	726,601

Notes to the Financial Statements (continued)

Investment liabilities		
Derivative contracts		
Swaps – OTC	**-**	(955)
Options – OTC	**-**	(68)
FX contracts – OTC *	**-**	(66)
Futures – exchange traded	**-**	(186)
Other investment liabilities		
Pending purchases	**-**	(29,201)
Cash margin	**(16)**	(1,041)
Total investment liabilities	**(16)**	(31,517)
Net investment assets	**618,547**	695,084

Analysis of investments

	2019-20	2018-19
Investment assets	**£000**	£000
Fixed interest Securities		
UK public sector quoted	**-**	9,310
UK quoted	**-**	25,941
Overseas public sector quoted	**-**	13,800
Overseas quoted	**-**	18,357
	-	67,408
Index-linked Securities		
Overseas public sector quoted	**-**	6,647
Derivative contracts		
Swaps – OTC	**-**	650
Options – OTC	**-**	58
Futures	**-**	699
FX contracts – OTC *	**-**	308
	-	1,715
Equities		
UK quoted	**10,124**	11,268
Overseas quoted	**101,515**	109,299
	111,639	120,567
Pooled investment vehicles		
UK – equity	**59,000**	70,986
UK – bond	**27,644**	-
UK – property	**67,397**	69,791
Overseas – Hedge funds	**29,859**	32,920
Overseas – equity	**207,269**	258,495
Overseas – bond	**108,904**	62,331
	500,073	494,523
Other investment assets		
Cash and cash equivalents	**4,936**	18,209
Pending sales	**50**	16,401
Accrued income	**1,865**	1,131
	6,851	35,741
Total investment assets	**618,563**	726,601

Notes to the Financial Statements (continued)

Analysis of investments (continued)

Investment liabilities		
Derivative contracts		
Swaps – OTC	**-**	(955)
Options – OTC	**-**	(68)
FX contracts – OTC*	**-**	(66)
Futures – exchange traded	**-**	(186)
	-	(1,275)
Other investment liabilities		
Pending purchases	**-**	(29,201)
Cash margin	**(16)**	(1,041)
	(16)	(30,242)
Total investment liabilities	**(16)**	(31,517)
Net investment assets	**618,547**	695,084

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 Fund had no swap contracts in place at the year-end date.

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 Fund had no open futures contracts at the year-end date.

Forward Foreign Exchange (FX)

The Fund had no open FX contracts at the year-end.

Options

The Fund had no option contracts in place at the year-end date.

Notes to the Financial Statements (continued)

Classification of Financial Instruments

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

	Fair value though profit and loss	Amortised Cost	Financial liabilities at amortised cost	Fair value though profit and loss	Amortised Cost	Financial liabilities at amortised cost
	31 March 2020			31 March 2019		
	£000	£000	£000	£000	£000	£000
Financial assets						
Fixed interest securities	-	-	-	67,408	-	-
Index Linked Securities	-	-	-	6,647	-	-
Equities	111,639	-	-	120,567	-	-
Pooled investment vehicles	500,073	-	-	494,523	-	-
Derivative contracts	-	-	-	1,715	-	-
Additional voluntary contributions	2,055	-	-	2,180	-	-
Cash and cash equivalents	-	22,188	-	-	21,103	-
Other investment balances	1,915	-	-	17,532	-	-
Trade and other receivables	-	1,127	-	-	1,167	-
	615,682	**23,315**	**-**	**710,572**	**22,270**	**-**
Financial liabilities						
Derivative contracts	-	-	-	(1,275)	-	-
Other investment balances	(16)	-	-	(30,242)	-	-
Trade and other payables	-	-	(2,613)	-	-	(855)
	(16)	**-**	**(2,613)**	**(31,517)**	**-**	**(855)**
Total	**615,666**	**23,315**	**(2,613)**	**679,055**	**22,270**	**(855)**

Notes to the Financial Statements (continued)

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

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

Values at 31 March 2020	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Equities				
UK quoted	10,124	-	-	10,124
Overseas quoted	101,515	-	-	101,515
Pooled investment vehicles				
Equity	-	266,269	-	266,269
Bonds	-	136,548	-	136,548
Property	-	-	67,397	67,397
Hedge funds	-	-	29,859	29,859
Other investment balances	6,781	70	-	6,851
Total financial assets	**118,420**	**402,887**	**97,256**	**618,563**
Financial liabilities				
Other investment balances	-	(3)	(13)	(16)
Total financial liabilities	**-**	**(3)**	**(13)**	**(16)**
Net financial assets	**118,420**	**402,884**	**97,243**	**618,547**

Notes to the Financial Statements (continued)

Values at 31 March 2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Fixed Interest Securities	-	67,408	-	67,408
Index Linked Securities	-	6,647	-	6,647
Equities				
UK quoted	11,268	-	-	11,268
Overseas quoted	109,299	-	-	109,299
Pooled investment vehicles				
Equity	-	329,481	-	329,481
Bonds	-	62,331	-	62,331
Property	-	-	69,791	69,791
Hedge funds	-	-	32,920	32,920
Derivatives				
Swaps	-	650	-	650
Futures	699	-	-	699
FX contracts	-	308	-	308
Options	5	53	-	58
Other investment balances	7,387	27,996	358	35,741
Total financial assets	**128,658**	**494,874**	**103,069**	**726,601**
Financial liabilities				
Derivatives				
Swaps	-	(955)	-	(955)
Futures	(186)	-	-	(186)
FX contracts	-	(66)	-	(66)
Options	(12)	(56)	-	(68)
Other investment balances	-	(30,229)	(13)	(30,242)
Total financial liabilities	**(198)**	**(31,306)**	**(13)**	**(31,517)**
Net financial assets	**128,460**	**463,568**	**103,056**	**695,084**

The following table presents the changes in level 3 items for the periods ended 31 March 2020 and 31 March 2019:

	Property	**Hedge**	**Other**	**total**
Opening 2019	**68,231**	**33,444**	**(17)**	**101,658**
CIMV	1,560	(524)	226	**1,262**
Additions	-	-	4,400	**4,400**
Disposals	-	-	(4,264)	**(4,264)**
Closing 2019	**69,791**	**32,920**	**345**	**103,056**
CIMV	(2,394)	(3,061)	-	**(5,455)**
Additions	-	-	2,283	**2,283**
Disposals	-	-	(2,641)	**(2,641)**
Closing 2020	**67,397**	**29,859**	**(13)**	**97,243**

Notes to the Financial Statements (continued)

15. 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 2020 is 10%. This assumes no diversification with other assets and, in particular, that interest rates remain constant. This is the same as the measure of currency risk as at 31 March 2019.

Market risk – Other price risk

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

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

Notes to the Financial Statements (continued)

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

Table 1: Parliamentary Contributory Pension Fund – Other price risk

Asset class	1 year expected volatility (%)	% of Fund	Asset values as at 31 March 2020 (£m)
UK equities	27.5	11.2	71.4
Global equities (ex UK)	28.0	43.1	274.1
Emerging market equities	25.4	5.2	33.1
Property	14.2	11.1	70.3
Corporate bonds / Non-Gilts (medium term)	9.8	3.3	21.3
Fixed gilts (medium term)	7.6	3.4	21.5
Senior Loans	7.2	12.5	79.1
High Yield Debt	8.7	3.9	25.1
Cash / short duration derivative instruments	0.3	6.3	40.1
Total Fund volatility	**15.5**	**100.0**	**636.0**

Note: Asset values are as at 31 March 2020. Asset values are sourced from Northern Trust and also includes the balance of the Trustees' bank account totalling £17.3m as at 31 March 2020.

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

Market risk - Interest rate risk

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

Notes to the Financial Statements (continued)

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

Table 2: Parliamentary Contributory Pension Fund – Interest Rate Risk

Asset class	Duration (years)	Asset values as at 31 March 2020 (£m)
Corporate bonds / Non-Gilts (medium term)	-0.7	21.3
Fixed Gilts (medium term)	15.2	21.5
Senior Loans	2.2	79.1
High Yield Debt	0.2	25.1
Cash / short duration derivative instruments	0.5	11.9
Total bond investments	**3.1**	**158.9**

Note: Underlying data sourced from investment managers (PIMCO, M&G and BlackRock) as at 31 March 2020. Numbers may not sum due to rounding.

Credit risk

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

The Fund is exposed to direct credit risk in relation to the Fund's bank account, custodian and investment managers who are appointed to manage the Fund's investments. The Fund has had no experience of default or uncollectable deposits in recent years from its cash holdings. The Fund's cash holdings (including cash balances with investment managers) as at 31 March 2020 was £31.2m, as shown in the table below.

Table 3: Parliamentary Contributory Pension Fund – cash holdings

Summary	Rating (S&P)	Asset values as at 31 March 2020 (£m)
Money market funds: Northern Trust	A1+	3.4
Bank current accounts: Lloyds Bank	A2	17.3
Net cash equivalents: Investment managers	n/a	10.5
Total		**31.2**

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

Notes to the Financial Statements (continued)

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

Table 4: Parliamentary Contributory Pension Fund – Indirect Credit Risk

Credit rating of bond investments	Asset values as at 31 March 2020 (£m)	% of Bond investments
A1+	3.2	1.9%
AAA	29.6	17.8%
AA	30.8	18.5%
A	5.7	3.4%
BAA	9.4	5.6%
BBB	0.8	0.5%
BBB-	0.2	0.1%
BB+	1.3	0.8%
BB	14.2	8.5%
BB-	6.7	4.1%
B+	7.3	4.4%
B	33.8	20.3%
B-	6.5	3.9%
CCC+ and below	4.5	2.7%
Cash or cash equivalents	10.6	6.4%
Not rated	1.8	1.1%
Total	**166.4**	**100.0%**

Note: Asset values are as at 31 March 2020. Asset values are sourced from Northern Trust. Credit ratings are sourced from PIMCO, M&G and BlackRock.

Liquidity risk

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

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.

Notes to the Financial Statements (continued)

The Fund invests in an illiquid credit fund managed by M&G, with capital committed for a period of 3 years. After that point, the fund will operate a redemption process on a quarterly basis, subject to 180 days' notice. The illiquid credit fund does, however, distribute income supporting the Fund's cashflow obligations. The Fund's allocation to illiquid credit is currently 5% of assets. The Fund has no further holdings in illiquid assets such as private equity, infrastructure or directly held property yet, however a commitment of 5% of Fund assets has been made to an infrastructure fund managed by BlackRock. This fund is expected to begin calling capital in the second half of 2020. The Fund also invests in certain assets that provide income which is used to support the Fund's cash flow obligations.

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

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

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

16. 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 2020.

Pooled Investment Vehicles	Market Value 2019-20 £000	% of Net Assets 2019-20	Market Value 2018-19 £000	% of Net Assets 2018-19
BlackRock Pensions Management Aquila Life Global	76,035	12.3	96,045	13.8
Aquila Life UK Equity Index	59,000	9.6	70,986	10.2
M & G European Loan C	55,780	9.0	62,331	9.0
Pimco Global Libor Plus	53,608	8.7	-	-
Aquila Life US Equity Index	44,485	7.2	62,443	9.0
Aquila Life European Equity Index	34,989	5.7	39,666	5.7
BlackRock Emerging Markets	32,932	5.3	39,147	5.6

17. Additional Voluntary Contributions (AVCs)

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

Notes to the Financial Statements (continued)

	2019-20	2018-19
	£000	£000
AVC investments as at 1 April	**2,180**	2,371
AVC contributions purchases	**9**	26
AVC sales	**(90)**	(352)
Change in market value	**(44)**	135
AVC investments as at 31 March	**2,055**	2,180
Market value of AVC investments by provider		
Utmost (formerly Equitable Life)	**1,035**	1,036
Zurich	**1,020**	1,144
	2,055	2,180

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

18. Current assets

	2020	2019
	£000	£000
Contributions due to Fund:		
Member normal contributions	**536**	470
Employer normal contributions	**579**	680
Member AVC	**-**	2
Member added years	**9**	12
	1,124	1,164
Provision for overpaid Guaranteed Minimum Pension (GMP) owed by members to the Fund	**3**	3
Balance at bank	**17,252**	2,894
	18,379	4,061

19. Current liabilities

(amounts due within one year)	**2020**	2019
	£000	£000
Lump sums and taxation	**(1,876)**	(443)
Administrative expenses	**(212)**	(128)
Investment management expenses	**(513)**	(272)
Provision for GMP owed to members	**(12)**	(12)
	(2,613)	(855)

20. Capital commitments

The Fund has outstanding investment capital commitments in relation to a renewable power infrastructure fund managed by BlackRock. Commitments contracted for the year end but not recognised as liabilities amount to £34.7m ($43.0m) as at 31 March 2020.

The Trustees confirm that there were no other outstanding capital commitments or contingent liabilities at 31 March 2020.

Notes to the Financial Statements (continued)

21. Actuarial Liability - IAS 19 Basis

The statement is based on an assessment of the liabilities as at 1 April 2017, with an approximate uprating to 31 March 2020 to reflect known changes.

Membership Data

Tables A and B summarise the principal membership data as at 1 April 2017 and 31 March 2020 used to prepare this statement.

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

1 April 2017			for the year to 31 March 2020
Number	**Total salaries in membership data (pa) (£ million)**	**Total accrued pensions (£ million)**	**Total salaries (£ million)**
792	52.8	12.5	53.9

Table B – Deferred members and pensions in payment

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

Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of final salary benefits for active members, and the principal financial assumptions applying to the 2019-20 accounts. The contribution rate for accruing costs in the year ended 31 March 2020 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2018-19 accounts.

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

Principal financial assumptions

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

Table C – Principal financial assumptions

	31 March 2020 (% p.a.)	31 March 2019 (% p.a.)
Gross discount rate	2.25	2.45
Price inflation (CPI)	2.00	2.35
Earnings increases (excluding promotional increases)	3.75	4.35
Real discount rate (net of CPI)	0.25	0.10

Notes to the Financial Statements (continued)

Demographic assumptions

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2020 are based on those adopted for the 2017 funding valuation of the PCPF.

The standard mortality tables known as S2NxA are used. Mortality improvements are in accordance with those incorporated in the 2018-based principal population projections for the United Kingdom.

The contribution rate used to determine the accruing cost in 2019-20 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2018-19 accounts.

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

	As at 31 March 2020			As at 31 March 2019		
	Men	**Female member**	**Widows**	**Men**	**Female members**	**Widows**
Current pensioners	23.7	25.1	23.9	24.5	25.9	24.6
Future pensioners *	25.3	26.7	25.5	26.5	27.8	26.5

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

Liabilities

Table D summarises the assessed value as at 31 March 2020 of benefits accrued under the fund prior to 31 March 2020 based on the data, methodology and assumptions described in paragraphs D to J. The corresponding figures for the previous year end are also included in the table.

Table D – Statement of Financial Position

	31 March 2020 £ million	**31 March 2019 £ million**
Total market value of assets (excl AVC'S)	633.3	698.3
Value of liabilities	(908.3)	(957.0)
Deficit	(275.0)	(258.7)
Funding Level	70%	73%

Table E – Movement in actuarial liability

	31 March 2020 £ million	**31 March 2019 £ million**
Actuarial liability at the start of the year	957.0	887.3
Movement in the year due to		
Current service cost (net of member contributions)	28.6	20.1
Member regular contributions	5.9	5.7
Past service cost	(9.0)	30.0
Benefits paid	(31.0)	(25.8)
Net transfers-in	-	-
Enhancements (i.e. added pension contributions)	0.2	0.2
Interest on fund liability	23.5	22.6
Changes in assumptions	(62.4)	24.5
Experience gains or losses	(4.5)	(7.6)
Actuarial liability at end of year	**908.3**	**957.0**

Notes to the Financial Statements (continued)

Pension Cost

The cost of benefits accruing in the year ended 31 March 2020 (the Current Service Cost) is based on a standard contribution rate of 63.6% (including member contributions but excluding expenses) (2019: 47.9%), as determined at the start of the year. Table F shows the standard contribution rate used to determine the Current Service Cost for 2019-20 and 2018-19.

McCloud/Sergeant Case (Past Service Cost)

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

An additional £30.0 million of potential liability arising from the McCloud judgment was included in the disclosure items as a Past Service Cost in the 2018-19 Resource Accounts. The liability as at 31 March 2019, including this Past Service Cost, was used as the starting point for the 2019-20 Resource Accounts to roll forward to 31 March 2020.

For the purpose of the 2019-20 Resource Accounts, the McCloud cost was adjusted down following on from HM Treasury consultation document issued in July 2020. Although the consultation document does not strictly apply to PCPF, it is expected that a similar approach proposed by consultation will be followed.

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

Table F – Contribution Rate	**Percentage of Pensionable Pay**	
	2019-20	**2018-19**
Standard contribution rate (excluding expenses)	63.6%	47.9%
Members' contribution rate (average)	10.6%	10.6%
Employer's share of standard contribution rate (excluding expenses)	53.0%	37.3%

The employer's share of the standard contribution rate determined for the purposes of the accounts is not the same as the actual rate of contributions payable by the Exchequer, currently 12.9%, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The most significant difference between the actuarial assessments for accounts and for scheme funding purposes is the discount rate net of pension increases, which was 0.25% pa for the 2019-20 Current Service Cost (0.10% pa for 2018-19) compared with 2.5% pa for scheme funding. The higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is determined considering the assets held by the scheme and the expected returns on those assets. The discount rate for accounts is set each year in accordance with IAS19.

The pensionable payroll for the financial year 2019-20 was £53.9 million (2018-19: £53.9 million). Based on this information, the accruing cost of pensions in 2019-20 (at 63.6% (2018-19: 47.9%) of pay) is assessed to be £34.5 million (2018-19: £25.8 million).

Notes to the Financial Statements (continued)

Sensitivity of results

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty the information below indicates the approximate effects on the actuarial liability as at 31 March 2020 of changes to the significant actuarial assumptions.

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

Table G shows the indicative effects on the total liability as at 31 March 2020 of changes in these assumptions (rounded to the nearest ½%).

Table G – Sensitivity to main assumptions

Change in assumption*			Approximate effect on total liability	
Rate of return				
(i)	in excess of earnings:	-½% a year	+1.0%	£9.1 million
(ii)	in excess of pensions:	-½% a year	+8.5%	£77.2 million
Pensioner mortality				
(iii)	two additional years increase to life expectancy at retirement:		+8.5%	£77.2 million

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

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

22. Related Party Transactions

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

During the fund year, of the ten PCPF Trustees, five were pensioners within the Fund (2019: six), three were active members of the Fund (2019: two) and the remaining two were not members of the Fund (2019: two). The Trustees who are pensioners or members of the Fund receive benefits on the same basis as other members of the Fund. The Trustees are listed on page 7.

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 (2019: nil). There were fees paid to the Secretariat of £174k plus VAT (2019: £140k).

23. Employer Related Investments

There were no employer related investments during the year (2019: nil).

Notes to the Financial Statements (continued)

24. Standards issued and now effective

IFRS 16 Leases

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

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

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

25. Funding Arrangements

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

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

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

The most recent report provided by the Government Actuary was the IAS 19 accounting valuation related to the position as at 31 March 2020.

Based on the method and assumptions adopted for this valuation, the value of liabilities accrued up to the valuation date (including an allowance for future expenses) was assessed as £908.3 million. The market value of the assets on the same date was £633.3 million. The IAS 19 deficit at 1 April 2020 was accordingly £275.0 million. This corresponds to a funding level of 70%.

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

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

Principal Financial Assumptions

Gross rate of return	2.25%
Real rate of return, net of earnings increases	-1.50%
Real rate of return, net of pension increases	0.25%

Notes to the Financial Statements (continued)

Although a major significant difference between the accounting valuation (IAS 19) and for the triennial funding valuation (used for scheme funding purposes) is the discount rate net of pension increases which is used. This was 0.25% pa for the 2019-20 Current Service Cost (0.10% pa for 2018-19) within the IAS 19 report, compared with 2.5% pa used for the funding valuation. The higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is determined considering the assets held by the fund and the expected returns on those assets whereas the discount rate for accounts is set each year in accordance with IAS19 regulations.

Principal demographic assumptions

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

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

26. GMP Indexation and Equalisation

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

In November 2020, a further judgment in the Lloyds case was delivered which confirmed schemes also needed to equalise historical transfer-outs. Our high-level calculations suggest that this is unlikely to have a material impact on the Scheme due to the low general impact of GMP equalisation and level of transfer outs historically seen. As such, we would expect last year's estimate for the impact of GMP equalisation to continue to be used.

27. 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. Following the year end, a HM Treasury consultation was issued in July 2020, as a result of which the McCloud cost was adjusted down in the 2019/20 accounts. The impact of the McCloud case is discussed in detail in Note 21.
Also, since the year-end, due to the global impact of the Coronavirus (Covid-19) pandemic, the value of investment assets have been impacted. The value of the liabilities (across all categories) may also be affected, although the effect of this is currently unknown. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at the year end date. It is not possible, at this time, to quantify the change in market value or liabilities in a meaningful way, due to ongoing volatility as the situation is fluid and unpredictable.

Appendix A

ACCOUNTS DIRECTION

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

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

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

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

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

5. The trustees shall:

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

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

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

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

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

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