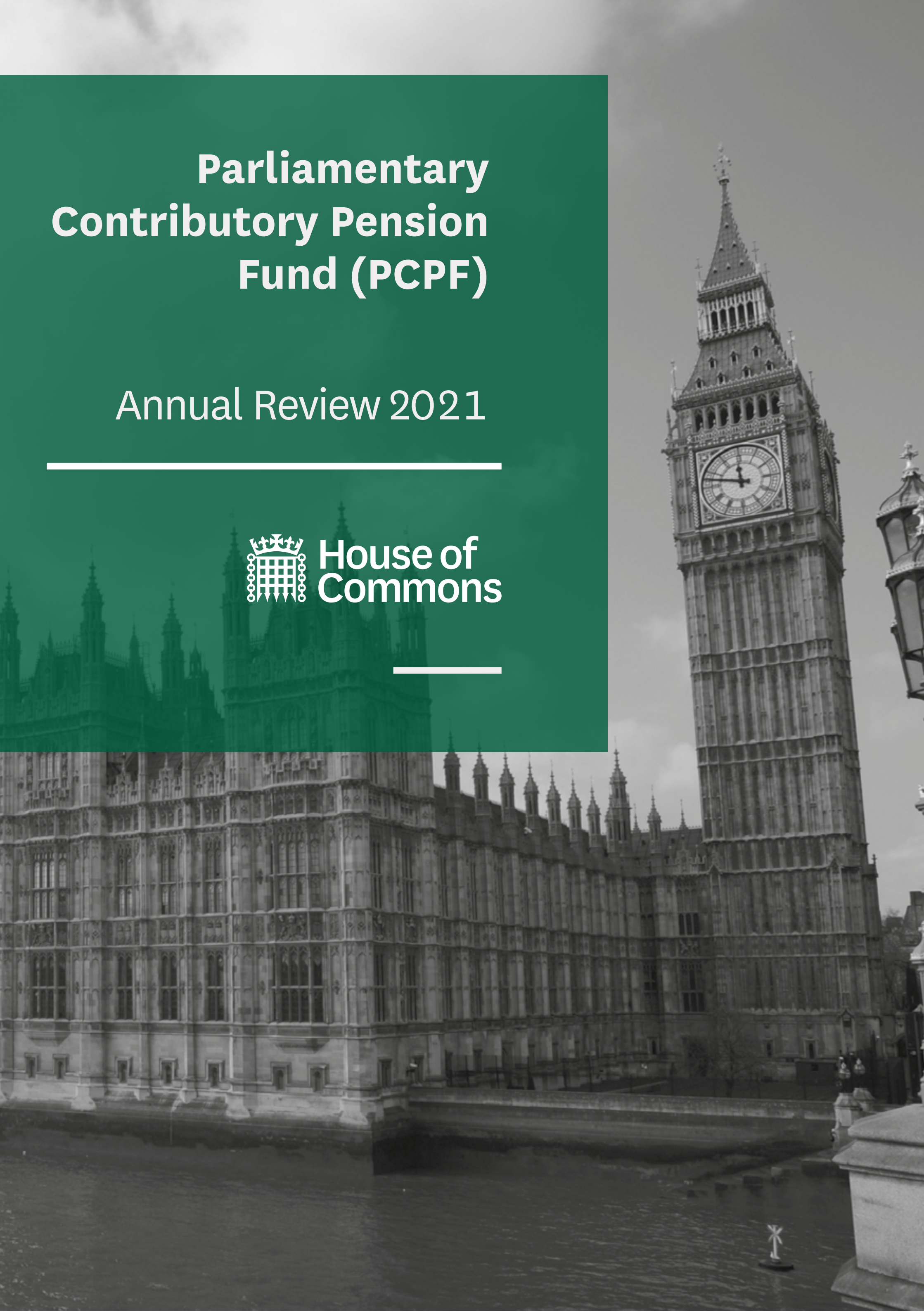
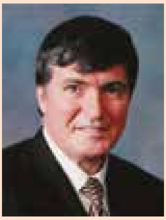
Parliamentary Contributory Pension Fund (PCPF)

Annual Review 2021

House of Commons



Welcome



It is my pleasure once again to welcome you to this year's Annual Review for the Parliamentary Contributory Pension Fund (PCPF), the Trustees' annual report on the pension scheme for the calendar year 2021. As always, in the following pages you will find all the latest news and information about the Scheme, alongside a summary of the accounts for the year ending 31 March 2021.

As a Board, this year we have had to adapt to the ever changing landscape in which we found ourselves working. Through the year, our Trustee meetings have moved from virtual, to hybrid, and now finally back to in person meetings from October, in line with national guidelines and best practice on working through the Covid pandemic. Although as a Fund we have embraced new ways of working with our advisers and staff, we have welcomed a return to face to face Trustee meetings as this is our preferred approach where possible.

As we moved into 2021, our focus, along with much of the country and those across the world, was on recovery. Our aim as Trustees was to ensure that the Fund emerged from the pandemic in a better position, stronger than ever before. In order to achieve this, our two main strategies were to concentrate on Responsible Investment, building on the excellent work we have undertaken over the last few years, and on improving governance within the PCPF, by reviewing and strengthening internal controls and processes.

This year, in light of the increased focus on Responsible Investment issues, including environmental, social and governance matters, we agreed to increase the number of investment-focused meetings held each year from three to four. We believe that this will allow us to continue to make big strides in the Responsible Investment area giving appropriate time and attention to key environmental, social and governance related decisions.

During the year we made the first investment into the BlackRock Global Renewable Infrastructure mandate. Once all committed capital has been invested, this holding will represent 5% of Fund assets. Following the year end we also committed an additional 5% of Fund assets to another renewable energy infrastructure fund, managed by Foresight. More on our responsible investment decisions can be found on page 16.

I am proud to announce that one of the biggest successes for the Fund in the Responsible Investment area, was to be accepted as a signatory to the new UK Stewardship Code. The new Code came into effect from 1 January 2020, setting high stewardship standards for asset owners and managers. The PCPF received excellent feedback from the Financial Reporting Council who noted that the PCPF's Stewardship Report for the reporting period 1 January to 31 December 2020 was well written, clear, detailed and effectively addressed most areas of the Code. The Board of Trustees were extremely pleased with the outcome, notably because many pension funds have not been accepted in this first round of applications. Please see pages 13–16 for an update on the Trustees' approach to responsible investment, and page 17 for more information on the UK Stewardship Code.

After a challenging 2020, I am pleased to report strong investment growth over the year to 31 March 2021, in which the Fund returned 26.0%, outperforming our benchmark by 3.4%*. Performance over the 12-month period was heavily influenced by rebounds in equity markets seen from Q2 2020 to Q1 2021, as a result of improving economic outlook. Information on the investments held by the Fund, together with a summary of the investment strategy and details of past performance is set out on pages 11–12.

* Benchmark return 21.9%. Outperformance figure based on geometric excess return. Equivalent arithmetic excess return 4.1%.

The Fund's triennial actuarial valuation, as at 1 April 2020, was completed this year and the full results and report are now available to view on the PCPF website. The purpose of the valuation is to assess the Scheme's general financial health and determine the appropriate Exchequer contribution rate needed to pay PCPF pension benefits. Despite the Valuation being taken in the midst of the pandemic, at a time when most markets were struggling, the PCPF was found to be in a strong financial position. This is in part due to our strategic decision making at a Trustee board level. More information on the Valuation can be found on page 20. An additional cost cap valuation is also now required under the new CARE scheme rules. This will determine the level of member contributions payable by serving Members and is expected to follow soon, as the actuarial valuation is now complete. The exact timetable for the cost cap valuation is currently unknown but more information will be provided as soon as further details are announced.

As you all know, we have had a new administrator, Buck, in place since September 2019. Over the last two years Buck have developed a good understanding of the Fund and its membership, and while issues may occur from time to time, I am pleased with the way the Fund is being administered. The Secretariat continue to work closely with Buck to ensure that all members receive a high quality service, but please do get in touch if you have any feedback on this or any other administration issue you wish to raise.

I would also like to take this opportunity to remind you that last year Buck launched an Online Member Portal for our pension fund members. Many of you have accessed it and I trust you will have found it a helpful resource in accessing your pension information easily and quickly. I would strongly recommend all members who haven't yet registered onto the Portal to do so. If you need a reminder on how to access the Portal, please contact Buck. More information about the Portal can be found on page 19.

During this challenging year, I was pleased to engage with some of our members virtually. As some of you will know, we held a number of pension seminars virtually using Microsoft Teams to explain the impact of the McCloud pension case on affected PCPF members, as well as answer general pension and investment related queries. It was a pleasure to see so many of you at these virtual events, although I was very pleased to resume with an in-person surgery with serving members in July. I sincerely hope we can have many more face to face engagements in a post lockdown world.

As Trustees, one of our duties is to ensure that we have good quality and cost effective advisers in place. Alongside contract management, which is undertaken by the Secretariat, we must regularly retender for our advisers' contracts, following public sector procurement rules. During the year, we undertook a tender exercise, with the support of the House's Procurement team, for the Fund's investment consultant. This was undertaken using the Local Government Pension Scheme Framework for the first time. I am pleased to announce that Hymans Robertson were re-appointed following this exercise, and we look forward to continue working with them over the next few years.

After yet another incredibly busy year, I would like to express my gratitude to my fellow Trustees for their dedicated service to the Fund. I would also like to thank Gurpreet Bassi for her excellent work as Secretary to the Trustees, and to the Secretariat staff for their continued support and assistance throughout 2021. Finally, I would like to extend my thanks to Prof. Geoffrey Woods who assists the Trustees and the Secretary with a fresh pair of eyes on the Financial portfolio and adds a dimension to our decisions which is extremely useful.

I do hope that you will enjoy reading this year's Annual Review and that you find it informative. If you have any feedback to give on this year's Review or any of our other communications, or require additional information about any of the topics covered, the Trustees would be pleased to hear from you via the Pensions Secretariat — whose contact details are on the back page. You may also like to visit the Fund's website at **www.mypcpfpension.co.uk** which provides more information about the Fund and your pension benefits.

With best wishes

Sir Brian H Donohoe
Chair of Trustees

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At a glance

Total Assets:	Investments returned:	Total membership:
£772.6m	**26%**	**2,095**
(up from last year's £638m)	(up from last year's -7.3%)	(down 52 from last year's 2,147)

This information is taken from the draft Trustees' Accounts for the year ended 31 March 2021, which are published by the National Audit Office as a House of Commons paper, with a copy of the full report available on the Scheme's website (**www.mypcpfpension.co.uk**).

Financial highlights

	As at 31/3/2021 (£'000s)	As at 31/3/2020 (£'000s)
Money in		
Contributions from Exchequer	7,196	6,953
Contributions from members	6,294	6,051
Investment income	7,302	9,883
Total income	20,792	22,871
Money out		
Benefits paid	29,600	31,000
Transfers out	2,563	265
Investment management expenses	1,172	1,588
Administration expenses	984	857
Total expenditure	34,319	33,710
Total assets at end of the year	772,600	633,300
Pension liability at end of the year	1,016,200	908,300

This information was taken from the draft Accounts for the year ended 31 March 2021.

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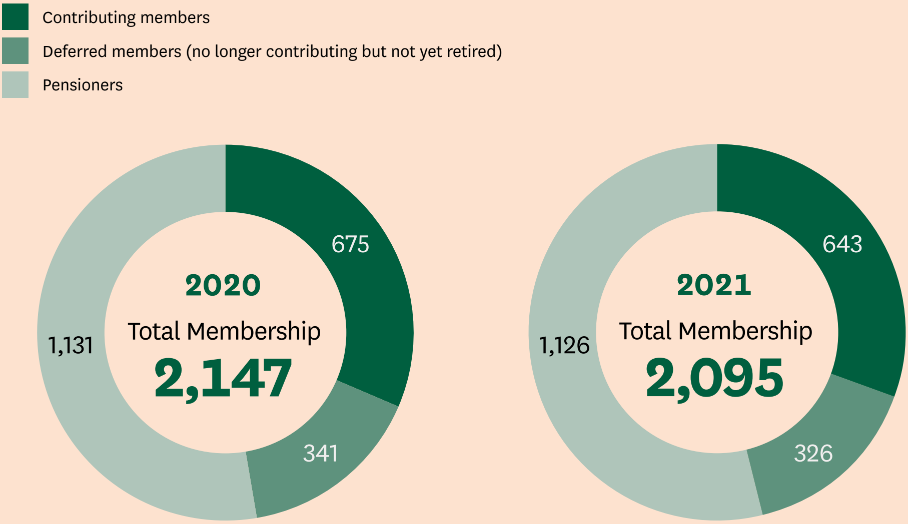
Membership



Investment perspectives

Market update (over 12 months to 30 September 2021)

Global GDP saw strong growth over the period as the major economies re-opened after their initial response to the pandemic, and even with restrictions being re-imposed in certain geographies throughout the period, the hit to activity was less than initially feared. The pace of growth in the major advanced economies is forecast to remain strong over the next few years (consensus forecasts global growth of 5.7% in 2021 and 4.4% in 2022) but short-term forecasts have edged lower in recent months and longer-term forecasts envisage a return to pace little different to that prior to the pandemic.

Given a weak base of comparison and pandemic-induced shortages, global inflation has risen as economies re-opened. UK headline inflation rose to 3.2% year-on-year in August, the equivalent US measure remained above 5% for the third consecutive month and early estimates suggest eurozone headline inflation rose to 3.4% in September. Rising gas and oil prices are driving up headline measures but even core inflation, which excludes those priced as food, is exceeding central bank targets in the major advanced economies. While most forecasters still expect the inflationary spike to prove transitory, inflation forecasts, for this year and the next, continue to see upwards revisions.

Government bond yields rose over the 12-month period to 30 June 2021 in line with the recovery in growth and inflation expectations, with UK 10-year government bonds and the US equivalent treasury yields rising 0.53% and 0.84% p.a., respectively. Over Q3 2021 UK 10-year gilt yields rose 0.3% p.a. UK 10-year implied inflation rose from 3.2% p.a. to 3.5% p.a. over the 12 months to 30 June 2021, and rose from 3.5% p.a. to 3.9% p.a. over Q3 2021 as real yields fell and nominal rates rose.

Sterling rose 7.2% in trade-weighted terms over the 12-month period to 30 June 2021, boosted by the EU and UK reaching a trade deal. The US dollar fell 8% in Q2 2020 as short-term risk aversion eased. In Q3 the trade-weighted dollar rose 1.5% while equivalent measures for the sterling and euro eased 0.9% and 0.4%, respectively.

Global investment-grade credit spreads fell from 1.6% p.a. to 1.0% p.a., and global speculative-grade spreads fell from 6.4% p.a. to 3.5% p.a. Speculative-grade credit markets outperformed their investment-grade counterparts: not only did lower quality credit spreads fall by more but, being shorter dated, they were less impacted by rising underlying yields.

Global equity markets returned 35% over the 12-month period to 30 June 2021, reflecting the improving economic outlook. Cyclical sectors, such as industrials, financials and basic materials generally outperformed and more defensive sectors, such as utilities, telecoms and healthcare underperformed. Technology led the performance rankings as accelerated technological adoption boosted the earnings outlook. Boosted by fiscal stimulus, strong earnings growth and technology outperformance, the US led the regional performance rankings. The UK underperformed overall, weighed on by the impact of sterling strength on the high proportion of overseas earnings in the index. These returns became more muted in Q3 2021 as investors weighed easing economic momentum, continued supply chain disruptions, higher inflation, and the prospect of fading monetary support, with global equity returns broadly flat over the quarter.

Rolling 12-month UK Monthly Property Index metrics have improved as March 2020 values fall out of the comparison. The rolling 12-month total return on the index was 5.8% to end-August, attributable to the buoyant industrial sector, where capital values have risen 21.6%. Office sector capital values have stabilised, although these are down 3.1% over 12 months. Retail sector capital values have increased in each of the last four months to August but are 2.2% lower over 12 months. Total return on the index, including income, was 11.6% in the year to August.

Fund performance

Over the year to 31 March 2021, the Fund's assets returned 26.0%, outperforming the benchmark return by 3.4%*. The Fund's outperformance relative to the benchmark return was driven by the credit mandates (M&G European Loans, M&G Illiquid Credit Opportunities Fund, and the PIMCO Global Libor Plus Fund), whilst absolute performance was driven by the Fund's equity mandates.

More recent performance from the Fund has remained strong, with the Fund delivering a positive return of 5.1% over the three-month period to 30 June 2021, 0.7% ahead of the benchmark return. Again, this performance was driven by strong returns in equities, and modest returns across the M&G credit mandates.

Strategy update

Last year the Trustees carried out a review of the Fund's equity structure. As part of the review, the Trustees considered approaches expected to reduce the carbon emissions intensity of the equity portfolio, reflecting the Fund's objectives, beliefs and Responsible Investment policy. The Trustees agreed to transition the Fund's index tracking regional equity portfolio to a sustainable multi-factor and low carbon index approach. This was achieved by investing in the Schroders Sustainable Multi-Factor Equity and BlackRock World Low Carbon funds, with the transition completed during Q2 2021. This change was expected to reduce the carbon emissions intensity from the equity holdings by more than 50% relative to the previous position. The Trustees were able to confirm this through a carbon footprinting exercise carried out by a third party.

Last year the Trustees agreed to invest 5% of Fund assets to an impact investment fund with an explicitly stated objective to achieve a positive environmental or social impact, alongside generating a financial return. After exploring impact investment options, in May 2021 the Trustees agreed to invest in the Foresight Energy Infrastructure fund, which targets renewable energy generation and also places a significant focus on supporting infrastructure and technology. The Trustees made their first investment into the Foresight fund in August 2021, with this being funded from the Fund's listed equity allocation.

* Benchmark return 21.9%. Outperformance figure based on geometric excess return. Equivalent arithmetic excess return 4.1%.

Fund managers

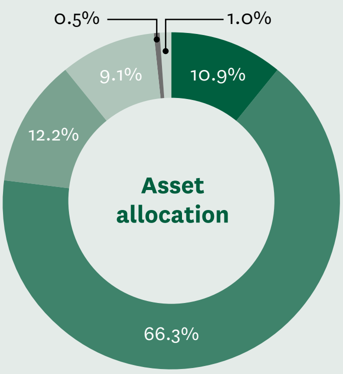
The manager proportions and mandates at the year-end (31 March 2020) are shown in the table below:

Manager	Mandate	Holding as at 31.3.21 %	Target allocation %
BlackRock Advisers (UK) Ltd	Passive	46.1	43.0
MFS International (UK) Ltd	Global equities — active	19.5	16.0
BlackRock Advisers (UK) Ltd	Low carbon tracker	0.7	0.0
BlackRock Advisers (UK) Ltd	Renewable Power Infrastructure	0.5	1.0
M&G	European Loans	8.0	10.0
M&G	Illiquid credit	4.2	5.0
Multi-managers	Property	9.1	10.0
PIMCO Europe Ltd	UK bonds	7.5	7.5
BlackRock Advisers (UK) Ltd	UK Gilts	3.4	7.5
Transition cash*	Cash	1.0	-
Total		100.0	100.0

* Cash balances include balances held by Fund's custodian, Northern Trust, and the balance of the Trustees' bank account. A higher proportion of cash was being held at the year end to continue to support payment of benefits following the Election in December 2019.

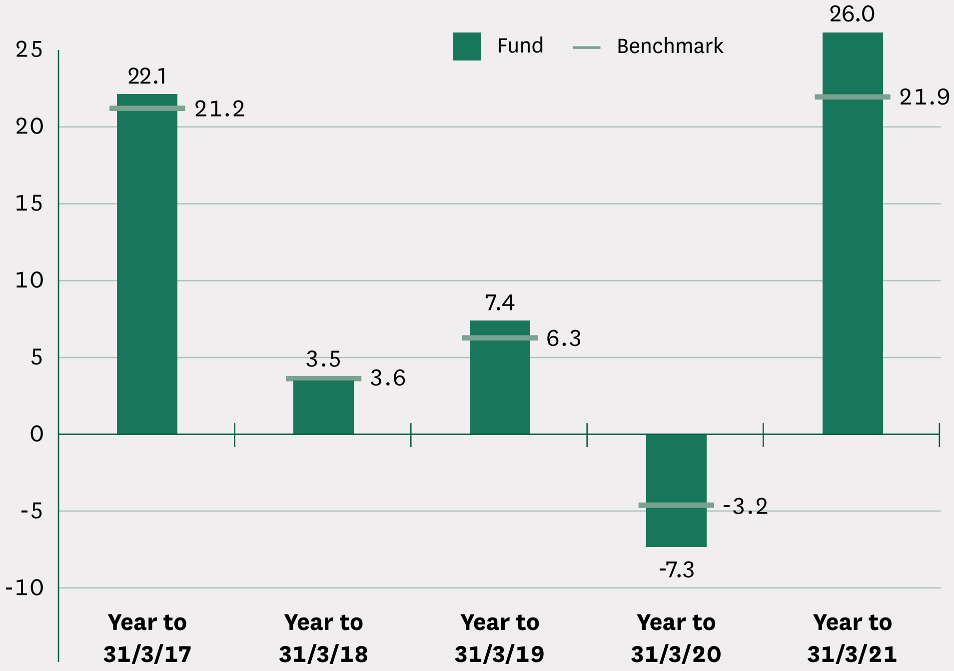
Where were the assets invested on 31 March 2021?

UK bonds	10.9%
Global equities	66.3%
Fixed income	12.2%
Property	9.1%
Infrastructure	0.5%
Cash	1.0%



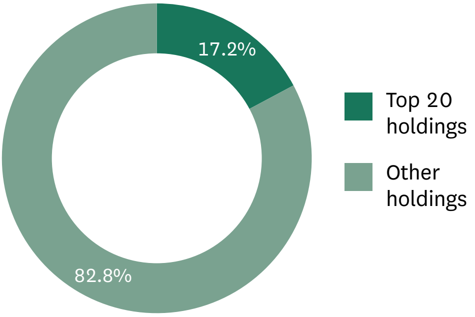
How did the investments perform?

The overall Fund performance during the past five years is shown here, relative to the benchmark set by the Trustees.



Overall holdings as at 31 March 2021

In an effort to maintain transparency and accountability to stakeholders, we disclose our overall top 20 holdings. The Fund's exposure to underlying stocks reflects a combination of the managers' benchmark index (for passive mandate), and for active mandates only, the managers' views on the stocks' return expectation taking into account the stocks' underlying risks.



Top 20 holdings	Holding as at 31/3/2021 17.2%	Change since 31/3/2020 -0.2%
UK Government	3.4%	-0.9%
US Government	3.0%	0.1%
Comcast Corp	0.8%	0.1%
Diageo PLC	0.8%	0.1%
Nestle SA	0.7%	-0.2%
Visa Inc	0.7%	0.0%
LVMH Moet Hennessy Louis Vuitton SE	0.6%	0.1%
Thermo Fisher Scientific Inc	0.6%	0.0%
Schneider Electric SE	0.6%	0.1%
Medtronic PLC	0.6%	0.1%
Apple INC	0.6%	0.1%
Roche Holding AG	0.6%	-0.1%
Accenture PLC	0.6%	0.1%
Microsoft	0.5%	0.1%
Walt Disney Co	0.5%	0.1%
Honeywell International Inc	0.5%	0.1%
Linde PLC	0.5%	0.1%
Reckitt Benckiser Group PLC	0.5%	-0.1%
Astrazeneca PLC	0.5%	0.0%
Kansas City Southern	0.5%	0.1%
Other Holdings	**82.8%**	**0.2%**

Source: Northern Trust and investment managers, Hymans Robertson Calculations, includes equity, credit and property credit holdings.

Responsible Investment update

The Fund's Responsible Investment policy

The Trustees' Responsible Investment policy continues to be a primary consideration when forming the Fund's forward-looking business plan. One of the main commitments is that the Trustees' Annual Review will include an update on the Fund's stewardship and governance activities. The table below highlights some of the key commitments from the Responsible Investment policy and the Trustee activity undertaken to bring the policy to life:

Policy Commitment	Opportunities arising from a greater understanding of ESG factors (e.g. renewable infrastructure) will be considered when setting investment structure.
Trustee Activity	The Trustees have now committed 10% of Fund assets to infrastructure funds with an ESG focus: • 5% to the BlackRock Renewable Power Infrastructure Fund. • 5% to Foresight Energy Infrastructure fund, which has a explicitly stated objective to make a positive environmental impact. Further ESG impact investment opportunities will be considered over the next few years.

Policy Commitment	Analysis of the Fund's carbon exposure and intensity will be considered on a regular basis.
Trustee Activity	The Trustees have commissioned Hymans to undertake a carbon footprinting exercise of the Fund's assets during 2021. The key findings of this exercise were discussed at the PCPF responsible investment training workshop held in November 2021. The Trustees intend to examine further details in early 2022.

Policy Commitment	Monitor investment managers' compliance with the United Nation's Principles of Responsible Investment reporting requirements, the UK Stewardship Code, and the Trustees' voting and engagement Policy.
Trustee Activity	An annual report on the Fund's managers' compliance with the United Nation's Principles of Responsible Investment reporting requirements was presented to the Trustees in November. The Trustees noted that two of their asset managers were not listed as signatories to the new UK Stewardship Code, they have been questioned over this and it has been made clear that the Trustees' expectation is that they should become signatories as soon as possible. Managers who do not sign up to the code will have their appointments reviewed. Information on compliance with the Trustees' voting and engagement policy is set out on page 18.

Policy Commitment	Plan for at least one formal training session to be directly focused on Responsible Investment.
Trustee Activity	The Trustees held a Responsible Investment training day in November 2021. Training covered a review of the Institutional Investor's Group on Climate Change's net zero investment framework; ESG integration in fixed income investing and understanding some of the matrics used to measure carbon output of investments.

Policy Commitment	The Responsible Investment Policy will be reviewed regularly.
Trustee Activity	The Trustees undertook a review of the Responsible Investment Policy at their November investment meeting. Some changes were made to bring the Policy in line with the Fund's other reporting requirements.

The Fund's Climate Risk policy

After finalising the Fund's Responsible Investment policy, the Trustees began to consider formalising a Climate Risk policy to provide transparency around the Trustees' approach to monitoring and managing climate related risks. It also forms the basis for the Trustees' governance of climate risk, which is a material financial risk particularly relevant for investors with long-term time horizons such as the Fund.

The Climate Risk policy was finalised in November 2020 and contains additional commitments to those made by the RI policy including:

- Aim for 100% of assets to be compatible with net zero-emissions by 2050 or earlier
- Reduce the carbon intensity of the Fund's equity portfolio by more than 50%
- Endeavour to consider climate-related risks in other asset classes where practicably possible
- Consider opportunities in the development of the Fund's strategy/structure to make investments in assets that are expected to benefit from the transition to a low carbon economy
- Ensure that all active managers integrate the consideration of climate-related risks into their investment process and challenge managers to evidence their approach during regular meetings
- Encourage managers to support engagement with investee companies on climate-related issues, including an increase in the disclosure on climate-related risks by companies to investors
- Should the Trustees be dissatisfied with the engagement approach taken by an investment manager, further action will be taken to understand the rationale for a particular course of action
- Monitor exposure to climate related risks within the equity portfolio on an annual basis.

The full policy is available on the PCPF website: (**mypcpfpension.co.uk**).

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Update on Responsible Investment developments

The Trustees have previously committed 5% of Fund assets to a Global Renewable Infrastructure strategy managed by BlackRock. The first investment into the strategy was made in August 2020. The new strategy specialises in building the infrastructure required to generate renewable energy, such as Solar and Wind farms, and offers investment characteristics compatible with the Fund's investment objectives. The Trustees have continued to invest further capital into this mandate over 2021.

During the Trustees' review of the Fund's equity structure, it was agreed to transition the existing index tracking regional equity portfolio to a sustainable multi-factor and low carbon approach. The transition was completed in Q2 2021. The change is expected to reduce the carbon emissions intensity from the equity holdings by more than 50% relative to the previous position, which was a commitment made in their Climate Risk Policy. The Trustees have instructed a carbon footprinting exercise at Fund level, carried out by a third party. The result was discussed at the PCPF responsible investment workshop held in November 2021. The findings suggest that changes made to the equity portfolio implemented over the last 12 months have reduced the Fund's Weighted Average Carbon Intensity (WACI) by c.51% and reduced the total carbon emissions by c.77%. The Fund now scores significantly below the benchmark in the majority of the metrics considered in this review.

The Trustees also agreed to invest 5% of Fund assets in an infrastructure strategy with an explicitly stated objective to achieve a positive environmental or social impact, alongside generating a financial return. Following a manager selection process, Foresight Group were selected to manage a renewable infrastructure mandate, with the first investment being made in August 2021. It is expected that further impact investment opportunities will be considered over the next few years.

The Trustees continue to monitor the voting and engagement activities of the Fund's equity managers on a quarterly basis, with the review a standing item of investment-focused Trustee meetings. When the Trustees identify concerns, relative to the Fund's policy, they will challenge the relevant manager and seek justification, for example on individual votes. More information on this is available on page 18.

During the year, the PCPF were successful in becoming signatories to the Financial Reporting Council's new UK Stewardship Code, which is recognised globally as a best-practice benchmark in investment stewardship. More information on this can be found on page 17.

UK Stewardship Code

The Financial Reporting Council released their new UK Stewardship Code which came into effect from 1 January 2020. The revised Code seeks to raise standards for asset owners and managers, extending to establishing clear stewardship objectives, integration of stewardship in investment strategies, and adhering to clearer and more elaborate reporting requirements. The new Code has an enhanced focus on activities and outcomes of stewardship, seeking explanations from investors on how stewardship has been exercised across asset classes and recognition of environmental, social and governance (ESG) factors as material issues for consideration. In order to become signatories to this new Code, applicants were required to submit an annual report on stewardship activities and outcomes and demonstrate how they had applied the 12 Principles during the period from 1 January 2020 to 31 December 2020.

All reports were assessed by the Financial Reporting Council and organisations that met the reporting expectations were listed as signatories on the Financial Reporting Council website. The Trustees were successful in submitting an application for the Fund to become a signatory to the revised Code and were accepted in the first wave of signatories by the Financial Reporting Council in September 2021.

The Trustees were extremely pleased with this outcome as the PCPF was among the two thirds of applicants who had been selected to remain signatories to the new Code. The Trustees were also delighted with the feedback that they received from the Financial Reporting Council on the PCPF's Stewardship report. The feedback noted that the PCPF's report was well written, clear, detailed and effectively addressed most areas of the Code.

If you would like to read the report, it has been published on the PCPF website and can also be found on the Financial Reporting Council website. Now that the PCPF have been listed as signatories to the new Code, the Trustees must report annually to the Financial Reporting Council. The Trustees are confident with the Fund's stewardship approach and aim to build on this success when submitting future reports.

Voting and engagement

While the Trustees have delegated voting and engagement activity in respect of the underlying assets to the Fund's investment managers, this is continually monitored through regular dialogue with the investment managers and through quarterly reporting which is provided by their investment adviser, currently Hymans Robertson. The review of voting and engagement is a standing item at investment-focused Trustee meetings and it includes monitoring the investment managers' compliance with the UK Stewardship Code; reviewing managers' voting activities; and monitoring managers' adherence to the Fund's policy.

The Trustees believe that their investment managers are accountable to them for all engagement activity and should be able to demonstrate, when challenged, the reason for any engagement activity, the objectives of the engagement activity, the approach taken to achieve the objectives, the timeframe over which the engagement is expected to take place, and the consequences should engagement be unsuccessful.

When the Trustees identify concerns, relative to the Fund's policy, they challenge the relevant manager and seek justification, for example on individual votes. The Trustees have recently challenged a manager on their voting practices, after noting that they were not voting as the Trustees would have expected. The manager was asked to attend a Trustees meeting to be questioned over their practices. The manager was able to explain to the Trustees that for them engagement was more important than the way they voted. The manager committed to improving transparency over their voting practices. The Trustees continued to monitor the manager closely over the year, noting significant improvements in the transparency of their engagement and more detailed justifications when voting was contrary to industry best practice.

A specific success was with their (and other stakeholders) engagement leading to Royal Dutch Shell amending their climate commitments so as to pursue more aggressive carbon reduction. This was achieved primarily through engagement rather than voting practices alone.

More details about the voting and engagement of fund managers is now included in the implementation statement of the annual report and accounts. The 2020/21 accounts have been finalised and will be published on the website in early 2022. The Trustees' Stewardship Report is also on the website and contains more information about the Trustees' beliefs and practices on voting and engagement. Finally, the Trustees share information on the Fund's website regarding the voting statistics for appointed equity managers on a quarterly basis. These reports can be found on the following webpage: **www.mypcpfpension.co.uk/investments**

Online Member Portal

As you know, we launched a new Online Member Portal last year. This was developed to help you as a Fund member to view personal information about your PCPF pension, whether you are retired, a serving member or have left Parliament but not yet taken your benefits. If you are a dependant pensioner, you cannot currently access the Portal, but we are hoping to introduce this facility in the future.

A number of you have already accessed the Portal, and hopefully you have found it to be an excellent resource, but there are still many others who haven't registered yet. We would encourage those that haven't yet registered to do so.

The Portal can be accessed by visiting the PCPF website (**www.mypcpfpension.co.uk**) and clicking on the green 'LOGIN TO MEMBER PORTAL' button at the top of the page. For those that haven't registered, a unique ID will be required to access the Portal. This was sent to members last year but if you need to request it again then please contact Buck.

We want to take this opportunity to remind you about the different ways the Portal can be used:

- **View and manage your Pension Portal Profile.** Here you can select your communication preferences. Please note that by default, we'll send you electronic communications using the email address you register when you log in to the Portal.
- **View and change your details.** View your personal information and keep your contact details up to date.
- **View member documentation.** If you are a serving member, you can access your annual benefit statements.
- **View your deferred pension.** If you have left, you can see the pension details calculated at the date you left the Fund.
- **View your pension payslip.** If you are a pensioner, you can view your payslips and end of year tax information.

We are also continuing to think about how to improve the Portal, so if you have any ideas for information you would like to see made available, please do let Buck or the Pensions Secretariat know.

Actuarial valuation 2020

An actuarial valuation is an assessment of a pension scheme's general financial health and is required at least every three years. The purpose of the valuation for the PCPF is to determine the appropriate Exchequer contribution rate needed to pay PCPF pension benefits. To do this the actuary calculates the liabilities of the Fund (the cost of paying current and future pension benefits) and compares them to the assets (the contributions and investment earnings in the Fund).

The Fund's triennial actuarial valuation, as at 1 April 2020, was completed this year. The key results of the funding level assessment included in the actuarial valuation are set out below:

	Value at 1 April 2020 (£ million)
Liabilities	£608.2
Assets	£634.3
Surplus	£26.1
Funding level	104.3%

As the table above shows, the Government Actuary has determined that the PCPF is fully funded (the funding level is more than 100%). This means that the PCPF currently has enough assets to meet the benefits that members have built up. This is despite the valuation being carried out at the start of the pandemic, which initially had a significant negative impact on investment markets and the level of the Fund's assets. It is therefore a good indicator that the PCPF is in a strong financial position.

Each year, GAD also prepare an accounting valuation which is included in the annual report and accounts for that year. This is different to the triennial actuarial valuation as the assumptions used for the accounting valuation are fixed by accounting standards and do not allow for how the PCPF assets are invested. The funding position as a result of the accounting valuation tends to be much lower than in the actuarial valuation, and is therefore less likely to lead to overfunding.

Following the Valuation process, the Government Actuary concluded that the Exchequer contribution rate payable from 1 April 2021 should continue at 12.9% p.a. of pensionable pay. This rate will be reviewed again as part of the next actuarial valuation due as at 1 April 2023.

The full results of the actuarial valuation can be viewed on the PCPF website:
www.mypcpfpension.co.uk/accounts-and-valuation

McCloud Judgement

In 2015, reforms were made to the PCPF by the Independent Parliamentary Standards Authority (IPSA), who introduced a new 'Career Average Revalued Earnings' (CARE) section to the MPs' Pension Scheme. As part of the changes, transitional protection was introduced to protect the rights of all members within ten years of normal retirement age, with tapering protections applied for those between 10 and 13.5 years from pension age. Transitional protection allowed members to stay in the previous Final Salary section until retirement (or for some time, depending on their age). While all members with more than 13.5 years to retirement in 2013, and any newly appointed MPs, were moved to the new CARE section.

Similar changes had been made across public service schemes, and these were challenged by members of the firefighters' and judges' schemes (in the McCloud case) and it was ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful age discrimination. The Government agreed to remove this discrimination from all public sector schemes they oversee, and issued a range of consultations on proposals to remedy the McCloud situation.

The McCloud judgement didn't impact the PCPF directly, as the PCPF has a separate legal structure to other public service schemes. This means that it is for IPSA to determine whether changes are needed in relation to the MPs' Scheme in light of the McCloud judgement and, if so, what the changes should be.

Following a review of the Government consultation responses, IPSA issued their own consultation about a potential McCloud remedy within the

MPs' Pension Scheme and confirmed their intention to launch a second consultation on the McCloud remedies for the PCPF in 2022. Once IPSA's review is final, the Trustees will work with IPSA to make any required amendments to the PCPF.

During the year, the Trustees wrote to all those who were serving members of the Fund during the period to which those transitional arrangements relate, and have held a number of surgeries to discuss the ramifications for those members directly affected by these changes. It is now expected that, following changes to the Fund rules in 2022, all affected members will be offered the chance to remedy their benefits either later in 2022 or in 2023. Further surgeries and communications will be issued to these members as more information is known. If you have any questions, please get in touch with the PCPF Secretariat (details on the back page).

What happens next?

Decisions about policy

- IPSA decision this year on whether to proceed to second consultation.
- If so, aim to have new Fund Rules in place in 2022.

Impacted individuals will be asked to choose

- Timing to be confirmed, likely 2022–2023.

Individuals' choices or default option implemented

- Timing to be confirmed, likely 2022–2024.

Cyber security, data protection and being scam aware

Cyber security and data protection

The UK Government's Cyber Security Breaches Survey 2021 showed that cyber security breaches continue to be a serious threat to all types of businesses and charities and that the risk level is potentially higher than ever due to COVID-19. Reports of personal data breaches in the wider pensions sector are also not uncommon.

As the threats to data security continue to evolve and increase, the PCPF Trustee Board, Buck as the administrators and the PCPF Secretariat continue to prioritise managing all related risks.

This year, we reviewed the PCPF data protection policy and privacy notice as well as Buck's security and privacy policies to ensure that procedures remain robust and in line with industry best practice.

We are also confident that Buck are well prepared to guard against security attacks. Buck's Information Security Management program includes a set of comprehensive and layered controls, policies and procedures that address all aspects of IT Security and Privacy and is compliant with global information security control standards. For the tenth consecutive year, Buck successfully completed and passed the ISO 27001 audit, which reviews information security processes, confirms adherence and seeks evidence of continual improvement.

As a Fund member, there are also things you can do to help keep your digital information secure:

- Always prepare strong unique passwords for each login
- Always keep your password to yourself
- Never click on popups, or any links sent from unfamiliar sources

Be scam aware

The importance of being scam aware cannot be stressed enough. Scammers will try to persuade pension savers to transfer their entire pension savings, or to release funds from it. This often comes in the form of an unexpected call or email from companies and individuals promising to help you 'unlock' your pension savings early. You may be promised 'free' pension reviews, access to 'guaranteed higher returns', legal loopholes, overseas transfers, time-limited offers and unusual or complex investment structures.

But, if you try to take your pension early, you are much more likely to lose some, if not all, of your pension, and you may also face a hefty tax bill for unauthorised payments. Buck, the PCPF administrators, also have checks in place to ensure that the receiving scheme is bona fide before a transfer goes ahead, but members should be extra cautious when thinking about such a move.

Please remember that it is illegal for you to receive an unsolicited call about transferring your pension benefits, so if someone does call, you know it is not legitimate. Please also be very wary of pension review offers that you may see elsewhere, such as on social media platforms.

If you'd like to find out more about being scam aware, or Buck's cyber security controls, please speak to Buck using the PCPF helpline: **0330 123 0634**.

Your Pension Tax Limits

You get tax relief on your pension savings, but there are limits and tax will be charged on any excess.

The Trustees also offer tax seminars to all serving Members. These are usually held in April and October. If you are interested in attending a tax seminar, please contact the PCPF Secretariat, who can advise you of the dates of upcoming events.

Annual Allowance

This is the amount of tax-free savings you can pay into your pension in a tax year. This allowance is based on the total amount of defined benefits you have built up (plus any defined contribution savings you make, if you have any).

The Annual Allowance is currently £40,000. However, this reduces to a minimum of £4,000 for higher earners (those with a threshold income of more than £200,000) under the Tapered Annual Allowance) for information about how to work out your threshold income please contact Buck or speak to your accountant or tax adviser.

What happens if I exceed the Annual Allowance?

If you exceed the Annual Allowance within the PCPF, and do not have enough unused Annual Allowance from the last three years, then an Annual Allowance tax charge is due. You can ask for the PCPF to pay the tax charge to the HMRC on your behalf. Your pension benefits would then be reduced by an appropriate and cost neutral amount in exchange.

As the Trustees have elected to offer voluntary scheme pays, you can still request the PCPF pay your tax charge whatever the amount, and in exchange your benefits will be reduced.

Lifetime Allowance

You can save as much as you like into your pension. But there is a limit to the amount you can draw out of all your pensions without attracting an excess tax charge. This is called the Lifetime Allowance (LTA) and it is currently set at £1,073,100 for 2021/22 and will remain frozen until April 2026.

You usually find out if you are affected by the LTA when you retire, because it is based on the value of your benefits once they are put into payment (excluding the State Pension).

What happens if I exceed the Lifetime Allowance?

If you exceed the LTA when taking your PCPF benefits you may need to pay an LTA tax charge on the excess. HMRC set out that the tax charge is 55% if the excess is taken as a lump sum, or 25% if taken as a pension.

For more information about Pension Tax, please contact Buck — contact details are on the back page.

Please remember

Your tax arrangements are your personal responsibility and neither Buck or the Secretariat are able to provide advice on tax matters.

House of Commons Members' Fund (HCMF)

What is the Members' Fund?

The Members' Fund is a benevolent fund that assists former Members of Parliament and their dependants who are in financial need. It was established in 1939, when there were no pension arrangements for Members, to provide former members with benefits in lieu of a pension. The current purpose of the Fund is to continue to make annual grant payments to existing claimants and to provide one-off payments to former MPs and/or their spouses, children and any other financial dependants who are experiencing financial hardship.

How is it managed?

It is managed by a board of Trustees, who are either serving Members appointed by the House, or former members.

The HCMF Trustees consider all applications for benefits and grant suitable awards after they have looked at all the circumstances of the applicant, particularly their financial circumstances. All matters related to the Fund are handled on the basis of utmost confidentiality.

Who may benefit from one-off payments?

Any former member or any persons who appear to the Fund's Trustees to be, or to have been, a financial dependant of a former member. Pensioner and deferred (those who have left service but not yet taken their pension) members of the PCPF are also entitled to apply for a payment from the Fund, and each application will be carefully considered on its own merits by the Trustees as described above.

How do I apply for assistance?

If you would like to apply for financial assistance from the Members' Fund, please contact the HCMF Secretariat using the contact details below. You will be sent an application form requesting further information about your financial situation and reasons for applying and you will be required to provide documentary evidence of your finances. The Trustees will then consider your case at a meeting and you will be notified of their decision in due course.

Enquiries and further information

Telephone: **020 7219 3420**

Email: **hcmf@parliament.uk**

House of Commons

Your contacts

The PCPF is currently administered by Buck who also look after the accounting and payroll functions.

If you have any questions or require any information about your pension entitlement, please contact Buck quoting your unique pension reference number (if not known, please quote your National Insurance number):

Buck Administration Team
PO Box 319
Mitcheldean
Bristol
GL14 9BF

Customer helpline:
0330 123 0634

Email:
PCPF@buck.com

Website:
www.mypcpfpension.co.uk

If you have any general queries or would like to arrange a phone call or meeting to discuss your pension, please contact the PCPF Secretariat:

Email:
pensionsmp@parliament.uk

Phone:
020 7219 2743

Comments, compliments and complaints

If you have any feedback about the service that you have received, whether it is positive or negative, you can provide this by contacting Buck. In relation to any complaints, please be assured that these are handled with the utmost of importance by Buck, who manage the Trustees' complaint process, from initial contact right through to its conclusion. All complaints are reported to the PCPF Secretariat and the Trustees, including actions taken to address members' concerns.

Considering retirement?

If you are no longer a serving Member and wish to retire early (from age 55) or are due to reach normal retirement age in the next six months, please contact Buck to request that they provide you with an up to date retirement estimate.

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