



Pension News

Summer 2022

Parliamentary Contributory Pension Fund (PCPF)



House of
Commons

Welcome

Hello and welcome to Pension News, our new PCPF newsletter designed especially for our active members.



Pensions News has been created to bring you relevant information and updates about your pension scheme. Whilst this newsletter gives you a brief update, there is a wealth of additional information on our website,

www.mypcpfpension.co.uk. While you are there don't forget you should register for the online Member Portal. It's a quick and easy way to access all of your pension information in one place. You can update your details, view past benefit statements and track how your pension is building up. Head to page 5 for a reminder of how to register.

We've also included an update on the McCloud response, information on our progress with Responsible Investment and reminders about how to increase your PCPF benefits, protect your loved ones and register for our upcoming pensions tax seminar on 2 November — if you haven't been before, it is not to be missed!

We are always open to receiving feedback, so let us know what you think about this new summer newsletter, or any of the issues raised here, by contacting the PCPF Secretariat **PensionsMP@parliament.uk**. Thank you.

Sir Brian H Donohoe
Chairman of Trustees



Closure of the Final Salary Section

IPSA have announced that they are closing the Final Salary Section of the PCPF on 31 March 2023. From 1 April 2023, all active members who are also members of the pension scheme will begin building up benefits in the CARE section of the PCPF.

CARE is a defined benefit scheme based on **‘Career Average Revalued Earnings’**. This means the pension is calculated in ‘units’ based on a formula which takes account of your pensionable salary for each year of service. One ‘unit’ is calculated each year, these are then index-linked up to the date benefits are paid out.

How to calculate your CARE pension
Salary **£84,144** = **£1,649.88** Annual pension
51 built up in a
scheme year

You don’t need to take any action. If you are currently in the Final Salary section, the change will happen automatically. Unlike in the Final Salary section, the CARE section has one build up rate (1/51st or 1.96%). The current contribution rate is 11.09%.

If you are personally affected by the closure of the Final Salary section, you will receive further communications over the coming months which will provide you with more information about the changes.



AVC closure

In February this year, the Trustees took the difficult decision to close the AVC scheme to future contributions, following the announcement that Zurich, the PCPF’s AVC provider, would no longer provide this service. This decision was taken due to a lack of AVC providers in the market, the disproportionate cost of continuing AVC provision compared to the low take up of the PCPF AVC offering, and the wide availability of external private pension providers for those wishing to build up additional money purchase benefits. As well as external options, there are ways to increase your PCPF benefits within the CARE section and these are set out on page 4.



Making Additional Contributions: Your Options

From 1 April 2023 all Members will be in the CARE section of the PCPF, this means you can increase your CARE pension benefits by purchasing **added pension** or paying for an **effective pension age**.

Added Pension

This increases your CARE pension benefits, by buying an additional amount of pension payable alongside your main scheme benefits from retirement age. You can pay for this by making either monthly contributions or a lump-sum payment. Monthly contributions must start in April, so make an enquiry about starting contributions from April 2023.

Effective Pension Age

In CARE, your retirement age is linked to your state pension age. This is currently between 66 and 68 years. If your retirement age is higher than age 65, you can opt to reduce your CARE pension retirement age by 1, 2 or 3 years, down to a minimum of age 65. To do this, you have to pay an additional effective pension age contribution alongside your normal scheme contribution. For each year you do this, your pension age will be reduced.

Effect pension age contributions must be started in April and cannot be cancelled during the year.

Contact Buck for more information about added pension or effective pension age.

Protecting your loved ones: Nomination reminders

Being a member of the PCPF can help you protect your loved ones.

Following your death, the PCPF will pay a pension to surviving dependants, typically this would be to a spouse or civil partner and any eligible children. If you are not married or in a civil partnership, you can nominate your partner to receive these benefits, contact Buck and request a form to allow you to do this.

The PCPF also pays out lump sum death benefits. For active Members in the CARE section (remember that will be all Members from 1 April 2023) the amount paid out is two times your pensionable salary plus a refund of CARE contributions paid.

While this lump sum can be paid to your estate, if you have completed a death benefit

nomination form, the money can go directly to your nominee(s) without having to wait for probate. Without a valid nomination on file, the payment is often delayed and this can cause distress and upset to your family at an already difficult time.

Take action if:

- You have never completed a death in service nomination form or don't recall having completed one.
- You have completed a form, but it was a long time ago, and your circumstances have changed.
- You have a partner who you live with, but you are not married or in a civil partnership.

Register for the online Member Portal

The PCPF has an online portal you can use to view personal pension information about your PCPF pension and keep your personal details up to date. If you haven't yet registered to use the portal — please do so.

The portal can be accessed via by visiting the PCPF website (www.mypcpfpension.co.uk) and clicking on 'LOGIN TO MEMBER PORTAL' at

the top of the page. For those that haven't registered, click on the 'First time user' tab. You will need your NI number, date of birth and unique ID to register on the portal. Your unique ID was sent out last year but if you need to request it again then please contact Buck via email at PCPF@buck.com or call the Helpline on **0330 123 0634**.

Your pension savings: Tax allowances

You usually get tax relief on your pension savings, but there are limits to this, and tax will be charged on any excess above these amounts.

The two allowances which need to be taken into consideration are the Lifetime Allowance (LTA) and the Annual Allowance (AA). Broadly, the LTA is a tax free allowance on the value of your total pension benefits and the AA is the total amount of pension you can build up each tax year without having to pay a tax charge.

All active members receive an Annual Benefit Statement (ABS) which includes information about their benefits within the PCPF and shows the percentage of the LTA used, as at 5 April. These statements are usually issued towards the end of July, please check through the details on your benefit statement carefully and contact Buck if any of the information seems incorrect.

Details about the AA will be sent on a Pensions Saving Statement (PSS) which are issued automatically by 6 October to anyone who exceeds the standard AA within the PCPF. If you receive a PSS this usually means you must take action — if you have an adviser or accountant, you may wish to share the statement with them. If you have a tapered AA or are just interested in the amount of AA used by your PCPF benefits, you can request a Pensions Saving Statement from Buck.



Tax seminar in November

The PCPF hold pension tax seminars which are specifically tailored for scheme members and focus on the tax treatment of your pension benefits, particularly in relation to the LTA and AA. Information is given on how you may be affected by the allowances and the tax planning options available to you.

The next tax seminar will be held in person on the Parliamentary Estate on 2nd November 2022 from 2–4pm. If you would like to attend the seminar, then please contact the PCPF Secretariat at **PensionsMP@parliament.uk**. Further details will be sent to those who register closer to the time.

PCPF Response to McCloud

When IPSA reformed the PCPF in 2015, introducing a CARE section alongside the old Final Salary section, affected members were given either ‘unprotected’, ‘partially protected’, or ‘fully protected’ status based on their age.

In response to the McCloud judgement (which was a case brought against similar changes made to other public service pension schemes), IPSA decided that it was unfair to treat members differently on the basis of their age and are now seeking to make changes in response to this unfairness.

IPSA have held two consultations on their response to McCloud, which have both now closed. They are now seeking to move ahead with their proposed resolutions, which includes closing the Final Salary section to all members on 31 March 2023 and introducing a ‘Member Choice Exercise’ for all impacted. IPSA and the Trustees are working closely together on this project and all affected members will receive further communications on this over the coming months with more information. Please ensure that your contact details are up to date with Buck so that you do not miss these.

In 2023 all affected members will be sent a personalised options pack, with information about the Member Choice Exercise. We will be holding education seminars on what the McCloud judgement (dates T.B.C.) may mean for you, so if you wish to attend these, or for any further information, do please contact the Secretariat to register your interest. In addition, all impacted members are being asked to complete a retained benefit form to ensure we have all the information we need in order to issue you personalised options pack next year.



The Trustees worked hard to ensure the best possible outcome for Scheme members in response to the McCloud judgement. Below are some of the ways in which Trustees have successfully advocated for members with IPSA:

Previous IPSA Position	Updated IPSA position following response from Trustees
Only those moved to the CARE section would be given the choice on whether or not they wished to remain in the CARE section or migrate their benefits to the Final Salary section for the relevant period.	Trustees pushed for, and IPSA have agreed that those who remained in the Final Salary section will also be given the choice on which section they would like their pension benefits to be in. This is advantageous for those with large retained benefits whose PCPF pension may be restricted in the final salary section and therefore it may be advantageous for them to move to CARE.
The choice would be only binary — to either maintain benefits in the CARE scheme, or to move into the FS scheme.	Trustees advocated for IPSA to provide a third option of ‘no change’ for those who have a blend of both Final Salary and CARE benefits for the period. This has been adopted by IPSA.
Members must pay any contributions owed up front.	IPSA have agreed to provide the Trustees discretion in determining the timeframe of the repayment of contributions.
The 2017 cost cap valuation should include McCloud costs, increasing the risk of member contributions increasing.	IPSA have agreed that McCloud costs are not relevant to the (simplified) form of cost cap which exists in the MPs’ scheme and should be excluded. The inclusion would have increased the risk of member contributions increasing.
IPSA wanted to specify that Members should make their choice by April 2023.	IPSA have accepted that this doesn’t provide Members with enough time to make their choice and have provided the Trustees with more discretion over the length of the exercise.

Responsible Investment update

The overriding objective of the Fund is to ensure that its assets are invested in a manner which meets the need to pay benefits to members as they fall due. In this context, Responsible Investment and Environmental, Social and Governance (ESG) issues continue to be a key focus for the Trustees.

In meeting their objective, the Trustees are transparent about their policies (all available on the PCPF website) and review them regularly. The Fund's key investment and stewardship policies are:

- Statement of Investment Principles
- Responsible Investment Policy
- Stewardship (Voting and Engagement) Policy
- Climate Risk Policy



Mermaid Quay, Cardiff

PCPF Investments in action

Schroders Property Fund: Local Community Groups — Mermaid Quay, Cardiff

At Mermaid Quay, our waterfront destination in Cardiff, the objective is to increase awareness of the location and challenges in helping to reduce the plastics problem, as well as connecting with the local community. In 2021, a number of initiatives were launched for the occupiers, local community and general public who visit the estate. A few examples are:

- Welsh Author Book Give Away day in April 2021
- Treasure your River where the team hosted the Keep Wales Tidy, with art created from the rubbish collected in Cardiff displayed.
- On World Refill Day in June 2021, the refill water bottle scheme was relaunched post pandemic.
- The Mermaid Quay management team also joined forces with the local community, walking the 5 mile Cardiff Bay Trail, collecting rubbish left.
- The site team also raises funds for Ty Hafan Charity, Christmas Foodbank Appeal, School donations, etc.

The events have brought the local community closer together as well as increasing awareness of issues such as plastic waste, considering others less fortunate, recycling or donating to local schools and charities.

There's an ongoing discussion to create a floating garden, a development project to include solar panel installation and new equipment provided to our soft services team to begin regular cleaning of waterfront litter, etc.



Climate risk

Members will have received the Update on Responsible Investment issued as part of the Annual Review 2021 in March, where key findings from a recent carbon footprint exercise were included. In summary the equity portfolio transition completed in April 2021 has reduced the Fund's Weighted Average Carbon Intensity (WACI) by c.51% and reduced the total carbon emissions by c.77%.

Having examined the report in more detail in May, the Trustees were content that based on numerous climate risk metrics, their managers are on the whole exposed to lower levels of climate risk than their market benchmarks. Where individual holdings appeared to contribute to the Fund's carbon intensity disproportionately, the Trustees have engaged with their managers to understand the rationale for this. The Trustees have also agreed to monitor exposure to climate related risks within the equity portfolio on an annual basis and have arranged for training on harder to measure assets in July.

As documented in the Fund's Climate Risk Policy, the Trustees previously made the commitment for all PCPF investments to be compatible with net zero emissions by 2050 or earlier. The Trustees re-examined this objective in May. Having considered the range of possible paths and the speed with which to achieve the net-zero goal, **the Trustees reaffirmed the current target of meeting net zero by 2050 or earlier**, with a view to monitoring this position at regular intervals.

The Trustees discussed potential risk of stranded assets due to the transition towards net zero and agreed to monitor this through their investment adviser. They also expressed the desire to continue to use voting and engagement as a tool to encourage a better rate of progress towards net zero.



Sustainable investments and opportunities

- The Trustees have committed 5% of Fund assets to a Global Renewable Infrastructure strategy managed by BlackRock and a further 5% to an impact investment managed by Foresight Energy Infrastructure Partners.
- These investments have been growing steadily as fund managers continue to call capital to fund pipeline projects.
- In May the Trustees discussed various investment options to replace a private debt mandate that was maturing. In addition to private debt candidates, the Trustees also considered alternative asset classes with an emphasis on responsible investing, such as timberland and farmland.



Communication on topics of interest

The Trustees receive ad-hoc correspondence from scheme beneficiaries expressing views on various aspects of the Fund. The Trustees value transparency when communicating with members and may address their responses to all active members where applicable.

During 2021 there has been a significant increase in correspondence received from members regarding investment stewardship, particularly in relation to climate change risk. More recently the Trustees have received queries relating to PCPF exposure to Russian assets. The Trustees consider continued investment in Russian assets to be not in line with their commitments as responsible investors, particularly given heightened risk of stranded assets. The Trustees have instructed their managers to divest from Russian assets where possible, subject to market conditions. The PCPF will continue to monitor compliance with this instruction, and members will be updated via the PCPF website or written communication in due course.

The Trustees recognise that with an increased focus on responsible investment matters, there is potentially greater scope for individual member's views regarding certain aspects of the Fund's investments to conflict with Trustees' fiduciary duty to safeguard the interests of the Fund's beneficiaries. Many of our members who are familiar with Trustee duties will be aware that the Trustees must take decisions on the basis of financial and not political or ethical factors. The Trustees value engagement with their membership and are always happy to hear the views of their members. However, the Trustees are bound to make investment decisions solely on the basis of financial considerations and not member's views.



Regulatory reporting

In September 2021, the PCPF was successful in becoming a signatory to the new UK Stewardship Code in the first wave of applications.

In September 2021, the PCPF was successful in becoming a signatory to the new UK Stewardship Code in the first wave of applications. To remain a signatory, an updated report was submitted to the Financial Reporting Council (FRC) in April 2022. The report goes to great lengths to demonstrate the Fund's approach

to stewardship, with metrics and examples from investment managers across all asset classes, including examples of managers' engagement with investee companies leading to positive changes. The updated stewardship report will be published on the PCPF website when approved by the FRC. The outcome is expected in the autumn.

Voting and engagement update

The PCPF Trustees monitor the voting and engagement activities of the Fund's investment managers on a quarterly basis.

A detailed review of investment managers' adherence with the main industry governance standards and their voting and engagement policies was carried out in November 2021.

More details about the voting and engagement of investment managers is included in the implementation statement of the annual report and accounts (which are published on the PCPF website). The Trustees also publish the voting statistics for appointed equity managers on a quarterly basis on the PCPF website.



Trustees / Contact info

The PCPF is managed by a board of ten Trustees, eight of whom are member nominated and are all either current or former Members of the House. The remaining two Trustees are each nominated by either IPSA or the Minister for the Civil Service (MCS).

When a member nominated trustee vacancy becomes available, all members of the PCPF are notified of the position, and of the process for nomination and selection.

The current Trustees are:

Sir Brian H. Donohoe (Chairman)

Harriett Baldwin MP

Clive Betts MP

Thomas Fitch (IPSA nominated Trustee)

Richard Graham MP

Meg Hillier MP

Andrew Love

Bridget Micklem (MCS nominated Trustee)

Rt Hon the Lord Naseby

Rt Hon the Viscount Thurso

Correspondence with the Trustees should be sent through the PCPF Secretariat:

Email:

PensionsMP@parliament.uk

Telephone:

020 7219 2743

For information about your personal pension position contact Buck, the PCPF's third party administrator:

Email:

PCPF@buck.com

Telephone:

0330 123 0634