



Pension News

Summer 2023

Parliamentary Contributory Pension Fund (PCPF)



House of
Commons

This edition of Pensions News includes:

- An introduction from Sir Brian, Chairman to the PCPF Trustees
- An update on Responsible Investment
- Information on Pension Tax following the Chancellor's budget announcement

...and lots more!

Welcome

Hello and welcome to Pension News, our PCPF newsletter for active members of the Scheme.



As the House rises after another busy period, I wanted to write to you all to provide you with an update on all things PCPF and investment. This time last year we produced our first Summer Newsletter,

focusing on the closure of the AVC (Additional Voluntary Contribution) Scheme and the Final Salary section, Additional Contributions, PCPF Investments in Action, and much more. As such I've taken the opportunity to write to you all again now.

It's been a pleasure to meet with members since our last update in the Annual Review 2022. As recently as a few weeks ago, we've held stalls in Portcullis House atrium, where I had

the opportunity to meet with you, to hear your views, and provide you with updates on the McCloud project and your other PCPF concerns. We'll be holding another stall on 29 November this year, so please do come by to see me and the Secretariat team, who closely support the work of the Trustees and the administration of the Scheme.

You may also have had a chance to speak with the Secretariat team in May of this year, at the House Services Fair. For the first time we held a 'Drop-In Session' where you could speak with a member of the team about your pension arrangements, which



was well attended. We're hoping to hold another drop-in at the next House Services Fair in 2024. However, the team are always happy to meet with members one-on-one and can be contacted to arrange this. During busy periods, the Secretariat team may be stretched with requests for member meetings, so please bear with them, and they will endeavour to set up a meeting as soon as they are able to.

In this Newsletter you can find out more about how the Trustees are stewarding the Fund's investments in a responsible manner. I know our members are interested in where and how the Fund is invested, and I hope this Newsletter will give you a taste of that information. As always, full information on the Fund's investment strategy and policies can be found on the website, at mycpfpension.co.uk/investments

Also on our website, you can gain access to the Member Portal, where members can sign up to access their personal benefit statements,

see earlier correspondence, and much more. See page 10 for a reminder on how to register.

I hope you find this Newsletter both interesting and informative, and if you have any feedback, or anything you'd like to see addressed in a future Newsletter, do please let me know.

I wish you all a pleasant Summer recess and look forward to meeting with you in person when the House returns in the Autumn.

Warm regards,

Sir Brian H Donohoe

Chairman of the PCPF Trustees

Responsible Investment update

The overriding aim of the Trustees is to ensure that the Fund's 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.

As an update on Responsible Investment actions, the Trustees have:

- Received training on Responsible Investment.
- Instructed their equity managers to vote in line with the ISS (Institutional Shareholder Services) Sustainability guidelines.
- Steadily increased actual holdings in the Global Renewable Infrastructure strategy (managed by BlackRock) and the energy transition infrastructure impact investment (managed by Foresight Energy Infrastructure Partners), as fund managers continue to call capital to fund new projects.

Both mandates mentioned above are now more than 50% funded and are expected to have drawn at least 90% of the capital committed by the end of 2024, which will further support the Trustees' net zero targets.

The Trustees' Responsible Investment and Climate Risk policies are reviewed regularly and available on the PCPF website (mypcpfpension.co.uk/investments).



PCPF Investments in action

In this case study, you can read about how the Trustees' Fund Manager, BlackRock, have used the Fund's investment for a project which will be instrumental in helping the UK to reduce reliance on fossil fuels.

The Blackhillock project aims to resolve a critical issue with renewable power, as wind and solar are not able to provide the same stabilising properties as the retiring fossil fuels.

Due to the intermittent nature of the energy produced, a 'grid stabiliser' is necessary to help maintain a constant electrical output, which supports a more reliable power supply. The Blackhillock project aims to achieve this through the use of synchronous condensers.

Synchronous condensers are rotating machines connected into the transmission grid, providing resistance to changes in supply and demand and capacity to deal with disturbances within the system. Through these functions, the Blackhillock project will help maintain a constant electric frequency across the grid, supporting a more reliable power supply through system changes. Once operational, the project will be the largest of its kind in Scotland.

As energy security takes a vital role in Government planning, synchronous condensers are key to providing security of supply and to balancing the grid in times of high generation from renewables,

enabling further renewables buildout and helping the UK achieve the Government's target of decarbonizing the electricity grid by 2035.

In addition to contributing to the clean energy journey, BlackRock's infrastructure platform and the Fund are keen to promote local investment and the creation of new, well-paid and highly skilled jobs. For this project, the team are proud that the equipment is manufactured domestically, in Rugby, which is emerging as General Electric's centre of excellence for generator design and manufacturing. BlackRock believe at least 30 new jobs have been created by the project, with the potential for this to scale over time.

**BlackRock Global Renewable Power (GRP) III Fund:
Blackhillock synchronous condenser project, Scotland.**



Voting and engagement update

The PCPF Trustees monitor the voting and engagement activities of the Fund's investment managers on a quarterly basis. In February 2023, a detailed review of investment managers' Environmental, Social and Governance (ESG) policies and activities was also undertaken.

This showed that all the Fund's managers performed strongly from a Responsible Investment perspective and scored highly on both their ESG and stewardship considerations.

As asset owners, the Trustees are often permitted a vote on matters that are put to shareholders by the issuing companies. In practice it would not be possible for the Trustees to attend all the shareholder meetings to exercise their voting rights, so instead all the Trustees' appointed equity managers vote on behalf of the Trustees. The Trustees review the voting record of equity managers to ensure that these proxy votes are exercised in line with Trustee guidelines.

In September 2022, the Trustees conducted a review to ensure voting guidelines adopted remain consistent with the Fund's Responsible Investment Policy. Having considered four sets of guidelines, the Trustees concluded that the ISS (Institutional Shareholder Services) Sustainability guidelines are the most robust

and comprehensive in addressing ESG issues. As sustainability-minded investors, the Trustees decided to instruct their equity managers to switch to the ISS Sustainability guidelines where possible, in line with their responsible investment beliefs.

As well as equity managers being required to vote in line with the ISS Sustainability guidelines, all managers are monitored on their engagement with the companies and organisations underlying the assets held on a variety of ESG issues, in particular in relation to their energy transition plans and progress towards net zero.

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

Climate risk

The Trustees continue to monitor exposure to climate-related risks within the equity portfolio on an annual basis and have received training on harder-to-measure assets in July 2022, provided by industry experts and asset managers.

When meeting with their property managers in November 2022, the Trustees asked the managers to discuss stewardship activities such as tenant engagement and sustainable campaigns. In particular, the managers were asked to elaborate on their plans towards meeting new minimum energy efficiency

standards, in line with the Government's pledge for all rented non-domestic buildings in England and Wales to reach Energy Performance Certificate B by 2030.

An updated Climate Risk Report was then discussed at the Trustee meeting in November 2022. This showed that Fund performed well across all metrics versus the market benchmark.

The Trustees remain committed to the current target of meeting net zero by 2050 or earlier and monitor this position at regular intervals.

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 with their 2020 statement of compliance.

To remain a signatory, an updated report is required annually and the latest (the report covering 2022) was submitted to the Financial Reporting Council in May 2023. The report demonstrates 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 Financial Reporting Council. The outcome is expected in the autumn. Last year's report is available to read on the PCPF website now, at mypcpfpension.co.uk/investments

Pensions Tax

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. Following the Chancellor's Budget announcements in March this year, the Lifetime Allowance has been effectively abolished.

However, restrictions remain in the form of the Annual Allowance, although this allowance has increased. Broadly, the Annual Allowance is the total amount of pension you can build up each tax year without having to pay a tax charge.

Details about the Annual Allowance will be sent on a Pensions Saving Statement which is issued automatically by 6 October to anyone

who exceeds the standard Annual Allowance within the PCPF. The limit for the most recent tax year 2022/23 was £40,000, however from next year this will increase to **£60,000**. If you receive a Pensions Saving Statement 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 Annual Allowance, contribute to other pensions, or are just interested in the amount of Annual Allowance used, you may request a Pensions Saving Statement from Buck, the Scheme Administrator.

Scheme Pays

You are responsible for working out whether you have an Annual Allowance charge, and notifying and paying HMRC if you have one. However, the Trustees may be able to help you by using a facility called Scheme Pays. Subject to certain conditions being met, you can choose to have your existing pension benefits reduced by an amount sufficient to meet the Annual Allowance charge (either in full or in part). In return, the Trustees will settle the payment with HMRC on your behalf.

If you have an Annual Allowance charge and would like to know more about Scheme Pays, please contact Buck so that you can receive a Scheme Pays Information Guide.

Please note that even if you utilise Scheme Pays and the Trustees settle the tax charge on your behalf, you must still include the details in your Self-Assessment tax return.



Tax seminars

The PCPF hold regular 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 Lifetime Allowance and Annual Allowance. Information is given on how you may be affected by the allowances and the tax planning options available to you.

If you would be interested in attending such a seminar, please contact the PCPF Secretariat at **PensionsMP@parliament.uk** or **0207 219 6481** to express your interest, and we will tell you the next available seminar date.

Key Information

Annual Benefit Statements

All serving members receive an Annual Benefit Statement which includes information about their benefits within the PCPF, as of 5 April. These statements are usually issued towards the end of July. Please check through the details on your statement carefully and contact Buck if any of the information seems incorrect.

Additional Contributions

■ Added Pension

This increases your CARE (Career Average Revalued Earnings) pension benefits, 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 (from each April and if you are under normal retirement age) or a lump-sum payment (at any time during the year).

■ Effective Pension Age

In CARE, your retirement age is linked to your State Pension age. This is currently between 65 and 68 years. If your retirement age is higher than age 65, you can pay additional contributions to reduce your CARE pension retirement age by 1, 2 or 3 years, down to a minimum of age 65.

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

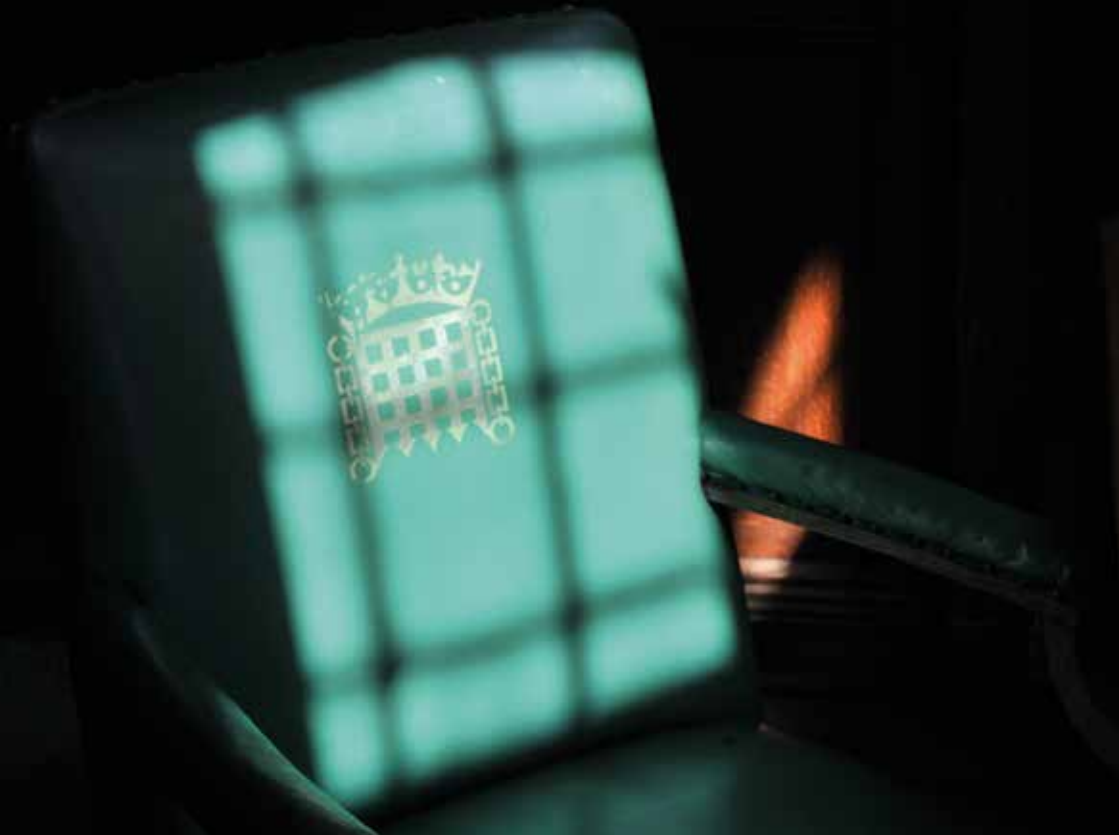
Dependant Benefits

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. The PCPF also pays out lump sum death benefits. For all active members, the amount paid out is **two** times your pensionable salary plus a refund of CARE contributions paid.

Take action if:

- You've 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.

The lump sum death benefit used to be four times your pensionable salary, under the former Final Salary Scheme Rules. As this figure has now reduced, you may wish to consider taking advice on exploring your own options outside of the Scheme, such as additional life cover, if this suits your circumstances.



Get online with the PCPF!

The PCPF has an online portal you can use to view personal information about your PCPF pension and keep your 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 (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. If you do not know your Unique ID, please contact Buck.

Contact Details

Please ensure that the administrators, Buck, have contact details on file for you so that you can be reached with essential information, benefit statements and more! Where possible, please provide a home address and personal email address, so that you can be contacted at any time, and do not have to provide further details when you cease to serve as an MP.

PCPF Response to McCloud

Who is affected?

If you have been a member since before the May 2015 General Election, you are affected by McCloud. If you have not yet heard from us about the McCloud response, please contact the Secretariat team urgently. MPs elected for the first time in May 2015 are not affected.

What is happening?

As you are now aware, the Final Salary section closed to all members on 31 March 2023 and IPSA has introduced a 'Member Choice Exercise' for all affected by McCloud. IPSA and the Trustees are working closely together on this project and most affected members should now have received their full options packs, detailing their personalised choices for each option available to them. If you believe you are affected but have not received your options pack, please contact Buck or the PCPF Secretariat.

What do I do now?

We have already held seminars on what the McCloud judgement may mean for members. If you were unable to attend any of these seminars so far, we have further dates scheduled and are hoping to make a recording of a seminar available to watch online at mypcftpension.co.uk/response-to-mccloud. If you wish to attend these, or for any further information, do please contact the Secretariat.

As a reminder to our members, you will have until 31 January 2025 to make your choice, and any choice you do make will not be implemented before April 2024 at the earliest, as it is anticipated that the arrangements to mitigate any unintended tax

consequences members may be liable for as a result of making their McCloud choice will be available from the 2024/25 tax year. We will write to you in due course with a form asking you to make your decision. In the meantime, please explore the tools we have put together to help members in making this choice:

- Attending a McCloud seminar.
- Utilising the modeller available on parliament.guide.co.uk — please see the letter that came with your Options Pack to find your Unique Login ID.

You may also wish to seek Independent Financial Advice at this time. Whilst we are unable to provide this advice, we have been able to signpost advisors for members via the Guide modeller.

What is the tax impact?

The Trustees have been working hard to ensure the best possible outcome for Scheme members in response to the McCloud judgement. Trustee and IPSA officials are working with HM Treasury to put into place a scheme to mitigate any unintended tax consequences which affected members may experience when enacting their McCloud choice. Officials meet frequently to progress this work, and we will be advising our members with more detail once this is known.

What are Retained Benefits?

Under the Rules of the Final Salary section of the Scheme, which closed on 31 March 2023, but which members may still have some benefits in, there are restrictions to the benefits payable to you, of two thirds of the value of your Final Salary, less any Retained Benefits you have. Retained Benefits are pension benefits you have built up, prior to any periods of time you have served as an MP. If you are likely to be restricted by your Retained Benefits, the McCloud exercise may give you an opportunity to move your benefits for the relevant period into the CARE section of the Scheme, which does not have any such restrictions. For some members, the McCloud exercise will present the last possible opportunity to prevent them from having their pension benefits restricted.

It is vital that Buck have information on your Retained Benefits, so that they may advise you on any possible restrictions that may apply to you. Please contact Buck or the PCPF Secretariat prior to making your McCloud choice for more information on Retained Benefits, as you will be unable to change your McCloud choice after 31 January 2025, if any restrictions come to light later.



Trustees and Contact Information

The PCPF is managed by a board of ten Trustees, eight of whom are member-nominated and are 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.

When a member-nominated Trustee vacancy becomes available, for example when one of the current Trustees resigns, 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 CMG MP
- Dame Meg Hillier MP
- Andrew Love
- Bridget Micklem* (Minister for the Civil Service nominated Trustee)
- Rt Hon the Lord Naseby
- Rt Hon the Viscount Thurso

*Bridget Micklem has resigned from her post at the Civil Service, and as such the Cabinet Office, on behalf of the Minister for the Civil Service, will appoint a new Trustee in due course.

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

Email:

PensionsMP@parliament.uk

Telephone:

020 7219 6481

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

Email:

PCPF@buck.com

Telephone:

0330 123 0634





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