Parliamentary Contributory Pension Fund (PCPF)

Annual Review for the year 2023

House of Commons

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Chairman's welcome

As 2023 draws to an end, it is my pleasure to welcome you to the Parliamentary Contributory Pension Fund Annual Review. This report is the Trustees' annual report to members of the pension scheme for the calendar year 2023. Alongside the usual summary of accounts for the year ending 31 March 2023, this year's report covers a variety of additional investment and pension scheme news.

Once again, the McCloud project has taken up a significant amount of time at our Trustee meetings, as we have moved from the planning stages towards implementation. The project impacts approximately a quarter of our current membership and it is vital that we do everything in our power to deliver the McCloud response that IPSA have determined. The Rules of the new scheme were laid in March and the vast majority of statements outlining Member choices were issued between July and October. The Secretariat and IPSA officials have spent much of 2023 working closely with HM Treasury to mitigate any unintended tax consequences that may arise as the result of a member's McCloud choice. You can read a more detailed update about the McCloud project on pages 16 and 17.

This year, in order to further improve engagement with serving Members, I have increased my presence on the estate. I joined the Secretariat team on our pensions stall in Portcullis House in March and July. In addition, I held a pension meeting for those impacted by McCloud, which highlighted that we need to do more to engage with members on the complexities of the McCloud response. We have tried to address this with a number of McCloud focused seminars and further communications. The Secretariat had further chances to meet with Members at the House Services Fair in May, a pension stall during Pension Awareness Week in September and through their presence at the Portcullis Hub for three days in December. My intention is to continue the regularity of these stalls in 2024, so if you are a serving Member, please do look out for the next time we are in Portcullis House.

Markets remained challenging in 2023, as many asset classes struggled in relation to uncertainties over inflation and interest rate levels. This meant over the year to 31 March 2023, the Fund's assets returned -4.6%, underperforming the composite asset benchmark return by 3.5%. Read more about our investments and the market backdrop from page 4 onwards. Responsible Investment (RI) remains at the forefront of our decision-making processes when looking at the management of Fund assets.

In September we agreed to restructure the property mandates and plan to invest 5% of the Fund in a property impact investment which will have an environmental or social target to meet, alongside generating financial returns. Further decisions about this mandate will be taken in 2024.

Over 2023, Environmental, Social and Governance (ESG) matters were key in our meetings with, and questioning of, our investment managers. Managers are expected to provide examples of positive engagements they have held with underlying investee companies. Many examples were included in our annual Stewardship report, which is published on our website. We've also highlighted a sample of examples on pages 10 to 12, to further bring our Responsible Investment (RI) activity to life. For more on our RI activities, please see page 9 onwards.

The Trustees are fully committed to managing climate risk via proactive and effective engagement with their appointed managers. We are pleased to report that the Fund continues to perform well from a Climate Risk perspective and the current total carbon intensity across the equity and bond-based investments c.40% lower than the composite benchmark. We reviewed climate related reporting from managers during 2023 and agree that continued engagement is vital to ensure that managers are taking steps to fully integrate climate risk mitigations into their investment processes.

In an already busy year, work on the triennial actuarial valuation of the PCPF, as at 1 April 2023, was undertaken throughout 2023. I'm pleased to say, that initial results shared at the October meeting showed that the PCPF is in a strong position. You can read more about the valuation process on page 15.

I want to extend my heartfelt thanks to all of the Trustees for their hard work over this busy year. I want to extend a special thank you to Bridget Micklem, who resigned from her Civil Service position and therefore the Trustee Board, in July after serving for a dedicated 10 years on the Board as our Minister for the Civil Service appointed Trustee. We now look forward to working with a new Trustee appointed on behalf of the Minister for the Civil Service in due course.

It is also necessary for me to offer a big thank you to another one of our long standing trustees, Andy Love, who resigned in October. Andy has been a loyal and committed Trustee for just short of 20 years and his experience, input and contribution to Trustee meetings will be greatly missed. Andy Love's resignation has initiated our member nominated trustee nomination and selection process. All members will receive communication about the process, in which you can nominate yourself or another member, early in the new year. Please contact the Secretariat for more information.

In addition, I would like to thank Professor Geoffrey Wood for his excellent independent advice over the year and Gurpreet Bassi, our scheme secretary and her team, without whose support we would be lost.

All that remains is for me to wish you all a happy and healthy Christmas and winter break and to wish you all the best for the New Year.

With best wishes
Sir Brian H Donohoe

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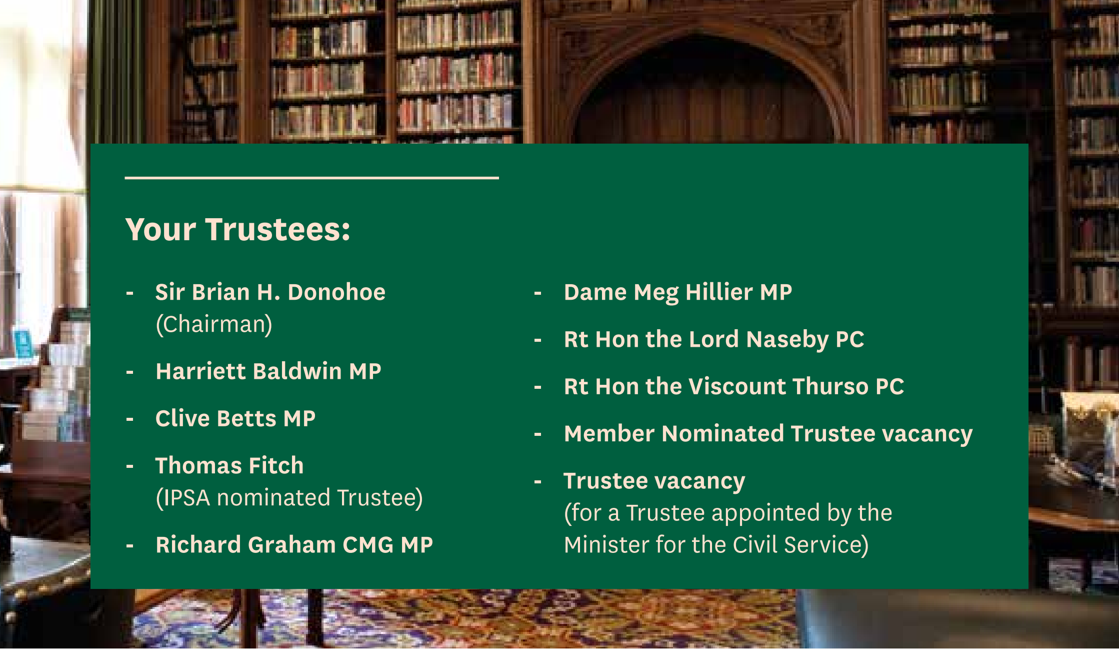

Your Trustees:

- **Sir Brian H. Donohoe** (Chairman)
- **Harriett Baldwin MP**
- **Clive Betts MP**
- **Thomas Fitch** (IPSA nominated Trustee)
- **Richard Graham CMG MP**
- **Dame Meg Hillier MP**
- **Rt Hon the Lord Naseby PC**
- **Rt Hon the Viscount Thurso PC**
- **Member Nominated Trustee vacancy**
- **Trustee vacancy** (for a Trustee appointed by the Minister for the Civil Service)

Financial highlights

This information is taken from the full Trustees' Accounts for the year ended 31 March 2023, which are published by the National Audit Office as a House of Commons paper. A copy of the full report is available on the Scheme's website **myPCPFpension.co.uk**

	As at 31/03/2023 (£,000s)	As at 31/03/2022 (£,000s)
Income (including contributions, transfers in and other income)	14,308	14,530
Expenditure (including service cost, management expenses and other expenditure)	68,276	62,558
Finance Income (including investment income and change in market value of investments)	(32,092)	81,221
Total assets	**789,813**	**839,986**
Total liabilities	**741,500**	**1,040,100**

Investments

Market update (12 months to 30 September 2023)

Volatile gilt yields

At the beginning of the twelve-month period, UK government bond ("gilt") yields were high by recent standards and fluctuating, following the Government's mini-budget announcement in late September 2022, which detailed a significant unfunded fiscal package. Yields remained volatile throughout October before beginning to stabilise.

This gilt yield volatility caused a liquidity strain across all pension schemes using leveraged gilt exposure as part of Liability Driven Investment ("LDI") strategies, causing mass levels of fire selling to raise liquidity at short notice.

The Fund does not invest in this way and does not employ an LDI strategy. Therefore, the Fund did not face any of the liquidity issues experienced by other UK pension schemes.

High inflation

Inflation rates were a central concern throughout the year, with factors including supply chain disruptions, rising energy prices and increased consumer demand contributing to surging rates. In the UK, inflation reached a 30-year high in October 2022, with year-on-year headline CPI inflation rising to 11.1%.

However, the majority of the Fund's assets (including equities, property and infrastructure) are thought of as 'real' in nature and the values of which are expected to broadly keep up with inflation over longer time periods. The Fund is therefore somewhat insulated against the direct impact of high inflation rates.

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High interest rates

Central banks continued to focus their efforts on combatting high inflation over the year. The Bank of England (BoE) raised rates by a total of 3.0% over the twelve months to end-September, bringing the base rate to 5.25% as at 30 September 2023. Similar increases were seen by the Federal Reserve in the US and European Central Bank in Europe.

High interest rates have a greater direct impact on the Fund's assets than high inflation. Indeed, this was observed during the year (particularly in late 2022) through downwards valuation movements across the Fund's equity, property, loan and bond investments.

↑ 3.0%

SEP 2022 SEP 2023

5.25%

Property performance

UK Property, as measured by the MSCI UK Monthly Property Index, returned -15.4% over the year to 31 August 2023. Capital values saw a sharp decline over the year, particularly in the office and retail sectors, which are down close to 23% and 15% respectively year-on-year. Capital values in the industrial sector fell drastically in the first half of the year but recorded six consecutive months of growth in the latter half of the year.

The Fund has a 10% UK property allocation and therefore suffered some of these losses. However, performance stabilised in the third quarter of 2023 and the Fund's performance was ahead of the wider property benchmark over the full period.

SEP 2022 AUG 2023

-15.4%

↓ 23%
15%

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Fund performance

Over the year to 31 March 2023, the Fund's assets returned -4.6%, underperforming the composite asset benchmark return by 3.5%. Negative absolute returns were driven by the Fund's property portfolio which suffered as a result of falling capital values. The equity mandates also dragged down performance and the Fund's allocation to UK gilts recorded a large negative return following the period of gilt market volatility in September and October 2022.

Financial markets have continued to respond to high inflation and tighter financial conditions since the Fund's year-end in March 2023. Equity and bond markets have displayed volatile performance over Q2 and Q3 2023, as markets brace for higher-for-longer interest rates being needed to return inflation to target.

Update on strategy

The Fund's high level investment strategy remained constant over the year, although various structural changes were made. Having undertaken a strategy 'health check' in November 2022, the Trustees agreed to restructure the Fund's protection portfolio. These assets are invested with the objective of preserving capital by providing a stable return in most market conditions whilst also offering a source of liquidity. The Fund's absolute return bond allocation experienced a disappointing performance over 2022 which brought into question its ability to meet the capital preservation objective. The Trustees decided to replace this, and the Fund's allocation to gilts, with a dynamic allocation to high quality maturing buy & maintain credit and cash. This portfolio is intended to provide income to support ongoing cashflow, removing the current requirement to carry out monthly equity disinvestments. In November 2023, having undertaken a manager selection exercise, the Trustees appointed Insight to manage their buy & maintain credit mandate.

The Trustees also carried out a review of the Fund's property portfolio, which is currently invested in core UK property, to reassess the long-term suitability of the portfolio as a whole. The Trustees agreed to redeem its holdings in the BlackRock UK Property fund and the Schroders UK Real Estate fund, and increase the allocation to the UBS Triton fund. These changes were agreed in order to best position the portfolio from a forward looking perspective. The Trustees also agreed to invest 5% of Fund assets in Responsible Investment focused property assets — the specifics of which are still being discussed.

The Trustees have previously agreed to invest 10% of Fund assets in renewable energy infrastructure. These investments continued to ramp up over the year, with further capital called by the underlying investment managers, as suitable projects were sourced.

The M&G Illiquid Credit Opportunities Fund reached the end of its fund life and has started repaying capital to investors. The Trustees replaced this investment with an allocation to a private lending fund managed by Barings which began calling capital in December 2022 and will ramp up over time.

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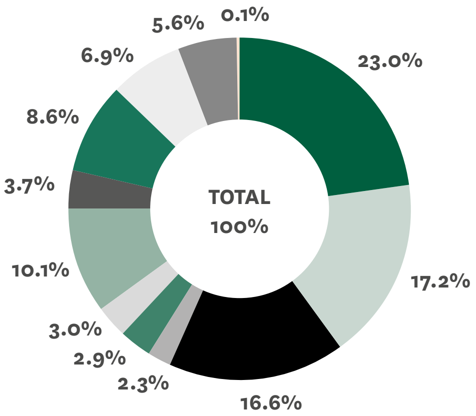
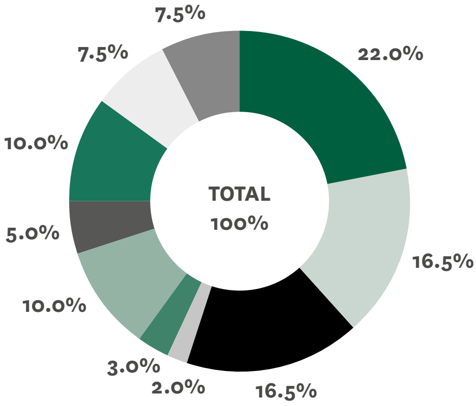
Fund managers

The manager proportions and mandates at the year-end (31 March 2023) are shown in the charts below:

Holding as at 31/03/23



Target allocation



BlackRock Advisors (UK)
Low carbon global equities — passive

MFS International (UK) Ltd
Global equities — active

Schroders Investment Management Ltd
Sustainable global equities — multi factor

BlackRock Advisors (UK)
Renewable power infrastructure

Foresight Group LLP
Energy transition infrastructure

Barings Global Private Loan Fund 4 SCSp
Private loans

M&G
European loans

M&G
Illiquid credit

Multi-managers
Property

PIMCO Europe Ltd
UK bonds

BlackRock Advisors (UK)
UK gilts

Cash*
Cash

*Cash balances held by Fund's custodian, Northern Trust

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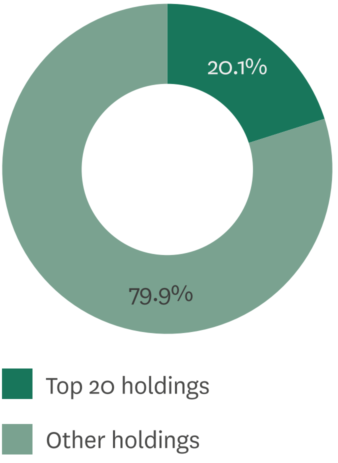
Overall holdings as at 31 March 2023



Top 20 holdings	Holding as at 31/3/2023 20.1%	Change since 31/3/2022 -1.3%
UK Government	5.7%	-0.6%
US Government	2.2%	0.0%
Apple Inc	2.0%	-0.2%
Microsoft Corp	1.4%	-0.2%
Kölvallen Onshore Wind	1.1%	1.1%
Alphabet Inc	0.9%	-0.3%
Visa Inc	0.7%	0.0%
Amazon Inc	0.6%	-0.4%
Nestle SA	0.5%	-0.3%
Schneider Electric SE	0.5%	0.0%
Thermo Fisher Scientific Inc	0.5%	0.0%
Linde PLC	0.5%	0.1%
LVMH Moet Hennessy Louis Vuitton SE	0.5%	0.1%
Meta Platforms Inc	0.5%	0.0%
Medtronic PLC	0.4%	0.0%
Torozos Onshore Wind	0.4%	0.4%
Comcast Corp	0.4%	0.0%
Roche Holding AG	0.4%	0.0%
Accenture PLC	0.4%	0.0%
Diageo PLC	0.4%	0.0%
Other Holdings	**79.9%**	**0.2%**

Source: Northern Trust and investment managers, Hymans Robertson Calculations

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Responsible Investment (RI) update

The Trustees maintain their RI and Climate Risk policies, undertaking regular reviews of both to ensure they remain relevant. Both policies are available on the PCPF website.

RI developments

The Trustees have committed 10% of Fund assets to renewable energy infrastructure mandates managed by BlackRock and Foresight. These mandates are focused on producing the infrastructure required to generate renewable energy, such as solar and wind farms, and also the required supporting infrastructure such as transport networks and battery storage. The Trustees have continued to invest further capital into these mandates during the year.

This year the Trustees have agreed to invest 5% of Fund assets in RI focused property assets. This investment is expected to have an explicit positive environmental and/or social objective alongside the financial objective.

The M&G Illiquid Credit Opportunities Fund which reached the end of its fund life is currently repaying capital to investors. The Trustees replaced this investment with an allocation to a private lending fund managed by Barings.

The Barings fund has a particular focus on RI, and this is integrated throughout the investment process.

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 at Investment 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. The Trustees meet with each manager on at least an annual basis and use these meetings as an opportunity to discuss any concerns.

The Trustees are in the process of carrying out their third annual carbon foot printing exercise in Q4 2023.

Following the successful first-round application to become a signatory to the Financial Reporting Council's new UK Stewardship Code in 2021, the Trustees submitted the latest annual compliance statement in May 2023 and have been successfully accepted as signatories to the code in 2023. This is required each year to remain a signatory to the Code. 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.

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Responsible Investment in the spotlight

You will have read on page 9 that the Trustees are focused on responsible investment. Below is a case study from UBS Triton Property Fund, demonstrating how environmental and social considerations are integrated into the Fund's investments.

Case Study (Triton Property Fund LP): Velocity Point, Leeds

Velocity Point is a new urban logistics/industrial business park in Leeds extending across 13 acres currently under construction. The site is well located for last-mile deliveries, providing access to the A643, Junction 2 of the M612 and Leeds City Centre all in less than 10 minutes. Once the project completes in November 2023, it will comprise 9 units totalling 250,000 sq ft, ranging from 3,500 to 108,500 sq ft and has been carefully designed to an EPC Grade A specification. In terms of occupancy, the first two units have now exchanged, with a third unit under offer. Furthermore, the Fund is seeing encouraging levels of occupier interest on the remaining units.

The development has a sharp focus on sustainability, with renewable and environmentally responsible features integral to the scheme. These include LED lighting and daylight-saving controls; high efficiency office heating and cooling systems; energy monitoring management systems; and insulation designed to optimise operational efficiency. Furthermore, we have committed to investing in on-site renewable energy sources, including solar PV panels and rooflights reducing the need for artificial warehouse illumination. We are also installing electric vehicle charging points and bike shelters to encourage a sustainable commute. Finally, considered landscaping and woodland planting enhances the scheme's natural ecology and along with the development's proximity to the Leeds and Liverpool canal will create an attractive environment to work in.

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Voting and engagement

The Trustees believe that successful engagement with investee companies can protect and enhance the long-term value of the Fund's investments. Day-to-day responsibility for managing the Fund's holdings is delegated to the appointed investment managers. However, the Trustees expect their investment managers to monitor investee companies, engage with company management where necessary, and report on voting, governance, and engagement activity. These reports are reviewed by the Trustees on a regular basis.

Copies of the Trustees Voting and Engagement policy, along with the quarterly voting and engagement reports, are also published on the website: **myPCPFpension.co.uk**

A small sample of case studies, across different asset classes, can be found below.

Case Study (Schroders Multi-factor Equity): Amazon

Schroders has engaged with Amazon for seven years to improve the firm's workers' rights. At this year's AGM Schroders supported resolutions requesting a report on worker health and safety differences; additional reporting on freedom of association and for a report on warehouse working conditions.

Workers' rights fall into one of Schroder's six priority engagement themes. Its engagement with Amazon seeks to cover areas such as improving the wages paid to staff and the benefits they are offered; the health and wellbeing of workers; and the working conditions within warehouses.

Since 2015, Schroders have had 23 meetings with Amazon and many of these have focused on worker issues, specifically health and safety and worker voice.
In 2022, it was noted that the company appears to have made some progress in its ESG programme over recent years and this allowed a more open discussion of the issues. The company has published its first safety report and is taking a number of steps to improve safety within the organisation. However, further understanding of how the company extends its safety provisions to contractors (for example, delivery drivers) is still required. As well as this, its safety performance is still below its sector peers and Schroders have asked the company what it is doing to address this.

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Voting and engagement (continued)

Case Study (Barings Private Debt): Transactions that promote positive ESG practices

One advantage of the private debt market is the direct relationship with key stakeholders, including private equity sponsors and issuer management teams. This enables Barings to stay in constant communication with both the sponsor and the portfolio company management teams and allows it to closely monitor any potential ESG-related concerns and a view into the company's controls.

Through this engagement Barings have been able to customise loan documentation to include an ESG margin ratchet. They partner with sponsors and borrowers to provide economic benefits to issuers in an effort to incentivise good ESG behaviours and outcomes. This effectively means that if a company meets a certain number of specified ESG criteria, it can get a reduction in its borrowing costs.

As of 31 December 2022, Barings have closed over 55 transactions (including add-ons) with ratchets that promote positive ESG practices, which include Key Performance Indicators (KPIs) related to ESG targets.

Case Study (BlackRock Property): The Atrium, Uxbridge (Office)

In 2022, the Blackrock team reviewed the Atrium and identified plant inefficiencies and large out of hours energy usage that were significantly higher than the previous year.

To address the situation, Blackrock engaged with their Property Managers and a Consultant to explore and remedy the asset's operational inefficiencies. The focus group established that an Intelligent Building Operating System should be installed to best understand the building's requirements and demands.

The System has been integrated throughout the building (including chillers, boilers, and extract fans). Performance tests are now run autonomously and the reported performance data is regularly analysed to allow targeted maintenance.

Over the last 6 months, there has been a 22% reduction in energy consumption that has an estimated saving of approximately £27k and an estimated saving that equates to 69 tonnes of carbon emissions. This provided a significant environmental benefit as well as substantial cost saving to tenants, that would not have been picked up as quickly without rigorous environmental monitoring.

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Mansion House Speech update

This year's Mansion House Speech delivered in July focused largely on the UK's pension landscape. Some of the areas of the Government's focus for UK pension funds include:

- Encouraging UK institutional investors (such as pension funds) to invest in UK high-growth companies.
- Ensuring the gilt market is strong and diversified to help encourage investment by pension funds.
- Improving the culture of investment decision making and improving the understanding of pension trustees' fiduciary duty across all pension schemes.
- Aiming to double the existing Local Government Pension Scheme allocations in private equity to 10%.

The Trustees take their fiduciary duties incredibly seriously and this prime consideration remains at the heart of all investment decisions taken. The Trustees continue to work with their investment consultants and legal advisers to balance their fiduciary duties with their commitment to responsible investing and managing the climate risk. The pension industry are still considering how to respond to the objectives outlined in the Chancellor's speech. A number of consultations are currently underway which may lead to changes in regulation. However, at the November Investment Trustee meeting, the Trustees agreed that were broadly in support of the principles outlined in the Chancellor's Speech. When investment opportunities become available in the future, the Trustees would look at them in light of the principles outlined in the Speech.

Pension dashboards

Their purpose

Pensions Dashboards, which have cross-party support, are being developed to enable individuals to see all their pension information in a single online portal. The policy intention behind Dashboards is to increase people's awareness and understanding of their pensions and help them to make more informed decisions about their retirement.

How will they work

Once a Dashboard has verified the identity of a user, it will contact pension providers to ascertain if they hold details of that individual's pension entitlement. To do this the Dashboard will share some information about the individual — it will have obtained the individual's permission to share this information.

Once the search is complete, the individual will be able to see all their pension information on the Dashboard. This will include information about their expected income in retirement.

What is the current timeline

In March 2023, the then Minister for Pensions, Laura Trott MBE MP announced that there would be some delays to implementing the Pensions Dashboards programme and the final connection date had been pushed back to 31 October 2026. A revised staging timeline is expected to be set out shortly, and this will set out when schemes, including the PCPF, need to be ready to connect.

In the run up to the actual connection deadline, the Trustees will work closely with Buck, the Fund's Administrator, and the Fund's advisors to ensure that we are well prepared for our dashboard duties and can meet the connection deadline. This will include making sure that Member data is accurate and up to date. Ultimately the Trustees want to ensure that Members benefit from the Pensions Dashboards programme and specifically that their interaction with this interface with regard to their PCPF pension is positive.

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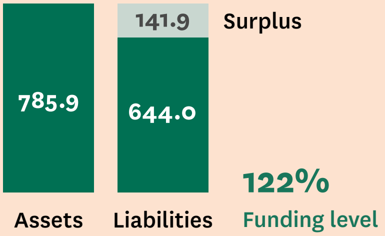
Actuarial valuation 2023

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 2023, is currently underway and initial results were reviewed by the Trustees at their October meeting. Indicative key results of the funding level assessment included in the actuarial valuation are set out below:

Value as at 1 April 2023 (£ million)



As the bar-chart above shows, initial results suggest that 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 and that 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 from 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 lower than in the actuarial valuation and is therefore less likely to lead to overfunding. However, as the bar-chart on the left confirms, the value as at 1 April 2023 shows the Fund to be in a surplus on an actuarial valuation basis.

Following the valuation process, the Government Actuary will recommend the level of Exchequer contribution rate payable from 1 April 2024. This rate will be reviewed again as part of the next actuarial valuation due as at 1 April 2026.

The full results of the actuarial valuation will be able to be viewed on the PCPF website once the process has been completed early next year. The actuarial valuation will be followed by the cost cap valuation which is a requirement under the CARE scheme rules and will determine the level of member contributions payable. This is also now a feature of the other reformed public service pension schemes. More information about the cost cap valuation will be issued to serving and contributing Members in due course.

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McCloud response

By now, the vast majority of options packs have been issued to our Active, Deferred and Pensioner Members. If you believe you should have received a pack and have not received one, nor a recent update providing you with a timescale for when yours will be issued, please contact the Secretariat team immediately on **0207 219 6481** or **pensionsMP@parliament.uk**

Tax

Over the Summer the Trustees continued to engage with Treasury and HMRC officials, alongside their colleagues at IPSA, to enable our Members to make their McCloud choice, without unintended tax consequences. IPSA consulted on how they propose to ensure PCPF Members are treated fairly in relation to tax matters in October and November. The Government showed their commitment to this issue by including necessary legislative changes within the Finance Bill announced following the Autumn Statement.

We will write to affected members in due course with further details of the arrangements and what this will mean for your McCloud choice.

Advice

Once the legislative position is clearer, we are pleased to offer complimentary one-to-one guidance session with a licensed independent financial adviser, to provide guidance on your McCloud options pack. Members should be aware this won't amount to Financial Advice, and if you wish to seek advice this can be accessed at a secured low rate, with licensed IFAs who have knowledge of the Scheme, through the Guiide portal. We are expecting these sessions to be held from February 2024.

If you would like a one-to-one session and have not already registered your interest, please contact the Secretariat to organise this as soon as possible. Sessions will be offered on a first come, first served basis.

Since July we have held 7 McCloud seminars, again hosted by a licensed IFA, which have been well attended by members, outlining the information you have been provided in your packs and what considerations you may want to take into account when making your decision. We will be hosting further seminars over the coming months, so if you wish to attend a seminar, please register your interest with the Secretariat team, and we will advise you of upcoming dates.

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Timeline*

March 2023
Final Salary Section of the MPs' Pension Scheme closed

June 2023
Digital modeller made available to members (provided by Guiide): **parliament.guiide.co.uk**

July 2023
Active and Deferred Members receive statements
McCloud Financial Education Seminars held for Members

September 2023
Pensioners receive statements
Late Retirement Factors reviewed by Government Actuary, pausing McCloud project

Autumn 2023
HMT pass legislation to enable redress scheme

December 2023
IPSA lay rules to allow redress scheme

December 2023 onwards
Members invited to start making their choice, if ready to do so

January 2024
One-to-one guidance sessions available

April 2024
Implementation anticipated to start for those Members who have made a choice

Summer 2024
Members reminded they have until Jan 2025 to make their choice

31 January 2025
Deadline for choice. Default option applied to anyone who has not made a choice at this point

* Accurate at the time of writing

If you are impacted by McCloud you will receive regular communications and updates from the PCPF over the course of 2024. Please contact the PCPF Secretariat if you believe you are impacted by McCloud but have not received any communications.

As a reminder, anyone who was an MP on 7 May 2015 and has also served as an MP since 8 May 2015, is impacted by McCloud.

Pension scams

Pension providers have a duty to protect their members from pension scams. In an ever-expanding market for investment and savings, it is vital that members are aware of how to recognise pension scams, and remain vigilant against them.

Fortunately, the Fund Administrator, Buck, performs thorough checks whenever our members wish to transfer out of the PCPF, to ensure our members' pensions are protected against scammers. This is in line with the restrictions set out in the Pension Schemes Act of 2021. However, it's still important that our members are aware of what pension scams are, and how to avoid them.

What is a pension scam?

A pension scam is where a scammer has misled an individual about the nature of, or risks attached to, purported investment(s), or their appropriateness to the investor, when attempting to persuade the investor to:

- Release funds from an HMRC-registered pension scheme, resulting in an unexpected tax charge.
- Flexibly access pension savings to invest in inappropriate investments.
- Transfer their pension savings in order to invest in inappropriate investments.

How do the scams work?

- Scammers may try to charge high fees for their services, or divert funds fraudulently from investors.
- A scam scheme may allow access to pension savings earlier than the minimum pension age, or allow members to have access to more cash than would normally be allowed, either directly from the scam scheme, or indirectly via an investment called a loan, rebate, or commission payment.
- Members won't be made aware of the tax consequences of these payments, misleading members by the high costs associated with these scams.

£30m lost to pension scams since 2017

50 years old average age of victims.

42% of pension savers potentially at risk of scam tactics

If in doubt about the legitimacy of the information you have been given, speak to Buck, the Fund Administrator.

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Future planning

For many of our Members, ensuring their dependents will be well looked after following their death, is of vital importance. Thinking about your end of life can be difficult, but being well informed about the pension benefits your dependants may be entitled to receive following your death can help to ease the financial burden they may face.

All active Members of the PCPF are also covered by CARE death in service cover. This amounts to two times pensionable salary, plus a refund of CARE contributions paid by the Member.

Following the death of a Member, a pension is automatically payable to:

- a surviving Spouse, Civil Partner or nominated Partner.
- any Relevant Children (usually only to those under age 23).

You do not need to do anything in advance, but the Fund Administrators will need to see: the death certificate and marriage/civil partnership certificate, as well as proof of your dependant's age before they can put the pension into payment.

If you live with a Partner, but are not married or in a Civil Partnership, you **must** complete a Partner Nomination Form to ensure they are entitled to receive the same benefits that would be payable to a Spouse or Civil Partner. The Fund Administrator will still require sight of the death certificate and proof of your Partner's age before the pension was put into payment.

If you have already retired, your pension is guaranteed to be paid for five years. If you were to die before the end of that period, your Partner would receive the remainder of those payments as a lump sum payment.

If you want to know exactly what would be payable in your personal circumstances, please contact Buck, the Fund Administrator, informing them of the ages of your Partner and any children, and they will confirm what would be payable following your death.

Glossary

Asset classes: Asset classes are groups of investments that share similar characteristics. The most common type of asset classes in the UK include cash, equities, property, bonds and gilts.

Actuarial valuation: Assessment of the financial position of the Fund. It estimates the value of the assets and liabilities and sets the exchequer contribution.

Annual Allowance: The total amount of pension you can build up each tax year without having to pay a tax charge. The standard limit for 2022/23 was £40,000. This will increase to £60,000 for 2023/24.

Bonds: An asset class that involves loaning money to an entity (corporate or governmental) for a defined period of time at a fixed interest rate.

Career Average Revalued Earnings (CARE) Section: Pension benefits are calculated with reference to your pensionable pay throughout your career (as opposed to your salary only at the end of your career).

Consumer Price Index (CPI): The Consumer Price Index measures the change in the cost of living by assessing the changes in prices of a cross-section of goods and services over time. In April, public service pensions are currently increased by reference to the previous September's rate of CPI.

Dependant: An individual who is eligible to receive retirement benefits, i.e. pension and/or lump sum, following the death of a pension scheme member. This could be the member's spouse or civil partner; a nominated partner; or any relevant children.

Equities: An asset class in which one owns shares in companies.

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Final Salary Section: Pension benefits are calculated with reference to your salary at the point you leave the scheme or retire.

Fund assets: The value of the Fund's investments.

Gilts: An asset class — UK government bonds.

Liabilities: The total amount of pension benefits that have been built up, or are building up, that are expected to be paid to members on their retirement.

Liability Driven Investments: An investment strategy that matches investment assets with future liabilities. The PCPF does not use this strategy.

Lifetime Allowance (LTA): The total amount of pension you can build up over your lifetime without having to pay a tax charge. From March 2023, the LTA charge was reduced to zero, and the LTA is due to be abolished completed from April 2024.

Nominated Partner: Fund Members may nominate a Partner (using the relevant form) to receive a pension from the PCPF if they meet certain conditions.

Relevant Children: Following the death of a member, their children may be eligible to receive a pension. Pensions are paid to those under 18 years old, or under 23 years and in vocational training or full time education. Older children who are permanently dependant on the member due to mental or physical condition, may also be eligible for a pension.

Retained benefits: Pension benefits built prior to becoming an MP.

Surplus: Funding over and above what is needed to pay all future pensions.

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Trustees / Contact information

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.

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

E: pensionsMP@parliament.uk

T: 020 7219 6481

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

E: PCPF@Buck.com

T: 0330 123 0634

Considering retirement?

If you are considering retirement, Buck, the Fund Administrator, can provide you with an estimate of what your benefits might be at a date you request. Please contact Buck and ask them to provide you with a quotation. Please note that estimated figures provided are only in relation to your current benefits and are based on current salary and expected service at the date requested, McCloud pension figures cannot be provided until the member options exercise has been undertaken.

Further information

If you would like to understand more about the management of the Fund, or if you have a question regarding your PCPF pension arrangements, the Secretariat team are happy to meet with members to discuss any queries or concerns they may have. If you wish to set up a meeting, please contact the Secretariat on:

E: pensionsMP@parliament.uk **T:** 020 7219 6481

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