PARLIAMENTARY CONTRIBUTORY PENSION FUND

Annual Report and Financial Statements

Year ended 31 March 2024

HC 483

Parliamentary Contributory Pension Fund
Annual Report and Financial Statements
Year ended 31 March 2024

Presented to the House of Commons pursuant to Schedule 6 of the Constitutional Reform and Governance Act 2010

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Statutory Basis for the Fund

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

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

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

MPs' Pension Scheme

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

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

Transitional and partial transitional protection also applied to those appointed as an Office Holder from 8 May 2015. Those who had transitional protection in respect of their MPs service built up additional Office Holder benefits under the Rules in force prior to 2015, while those without transitional protection joined the CARE section as an MP Office Holder.

For the purposes of transitional protection, an Office Holder was defined as the holder of one of the following Qualifying Offices:

- Chair and Deputy Chair of Ways and Means
- Paid Select Committee Chairs
- Member of Chair's Panel

The Final Salary section of the MPs' Pension Scheme closed to future accrual for MPs and relevant Office Holders on 31 March 2023. All active members of MPs' Pension Scheme began accruing benefits in the CARE Section from 1 April 2023. Accrued benefits within the Final Salary section remain linked to a members' future final salary, although no further benefit accrual may occur.

During the accounting year, MPs' salaries (which are also set by IPSA) were £86,584.

During the year, Members paid contributions of 11.09% of salary to build up 1/51st of pensionable earnings (revalued using the Consumer Prices Index (CPI)) within the CARE section.

The Member contribution rate is assessed as part of the cost cap valuation. No changes were made to pension contribution rates for MPs during the accounting year. Work on the 2023 cost cap valuation is expected to commence during the 2024-25 year and this will determine whether any changes need to be made to the Member contribution rate.

PCPF Response to McCloud

The McCloud/Sargeant court cases (later referred to solely as McCloud) declared that the transitional protection within the Judges' and Firefighters' Pension Schemes gave rise to age discrimination. In July 2019 having been denied leave to appeal, the Government accepted that the discriminatory transitional protections would be removed across all public service schemes affected by transitional protections. Although not directly affected by the judgement, similar transitional protections had been included within the Rules of the MPs' Pension Scheme, as already discussed above. Therefore, IPSA decided to make the following changes to the MPs' Pension Scheme in response to McCloud, to ensure that the PCPF remained in line with other public service schemes:

- The closure of the Final Salary section on 31 March 2023;
- All impacted members to be offered a choice of benefits for service between 8 May 2015 and 31 March 2023, through an immediate choice exercise to be administered between 2023 and 2025.
- Fully Protected Members to be offered a choice in line with other impacted members;
- Partially Protected Members to be offered a 'no change' option (i.e., to retain their mix of Final Salary and CARE accrual);
- Defaults where a member does not communicate a choice will be 'no change' based on an individual member's accrued benefits.

The MPs' Pension Scheme Rules had to be amended to implement the McCloud response. The new Scheme Rules were laid on 30 March 2023. The Trustees are committed to working with IPSA to make the required amendments to the PCPF to implement the PCPF's McCloud response.

During the Fund year, all impacted members were provided information about their McCloud choice. Members will be required to make their choice by 31 January 2025 and the majority of member choices will be implemented on 1 February 2025. The Trustees have discretion to implement choices early for members who retire or transfer their benefits out of the PCPF between 5 July 2024 and 31 January 2025 and in the case of dependant pensioner members.

GAD have included an estimated McCloud cost in the liabilities as at 31 March 2024. This allowance covers the full period from 8 May 2015 to 31 March 2023 and is consistent with the allowance made in the liability as at 31 March 2023. No allowance was made in the 2023-24 Current Service Cost as the Remedy Period ceased on 31 March 2023.

Ministers' Pension Scheme

The Ministers' Pension Scheme came into force on 9 May 2015. Unlike the MPs' Pension Scheme, there was no facility for members close to retirement age to stay in the former benefit structure of the scheme. All continuing and newly appointed Ministers entered the new scheme on 9 May 2015 and pay 11.1% of Ministerial salary for a 1.775% accrual on a CARE basis. As a result, the Ministerial Scheme is not affected by McCloud.

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

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

Cost cap valuations

Benefits payable from the CARE section of the MPs' Pension Scheme and Ministers' Pension Scheme are subject to a cost capping mechanism. The cost cap was put in place to protect the Government against future increases in the cost of pension liabilities. If the cap was exceeded, then benefits could be reduced, or member contributions could rise to compensate. Similarly, a floor in each scheme means that if costs decrease below the floor, member benefits could increase, or contributions decrease to compensate. The calculation to determine which, if any, of these circumstances would apply is the cost cap valuation which should be carried out following each pension scheme valuation.

The Ministers' Pension Scheme is covered by the same cost capping mechanism that is used for the major public service pension schemes. However, the MPs' Pension Scheme is covered by a "light touch" approach which is set out in the MPs' pension scheme rules.

Initial calculations for the cost cap valuation were undertaken in 2018, following the 2017 PCPF Valuations. However, the Government paused the cost cap mechanism across the public sector due to unexpected initial results and uncertainty caused by McCloud. The cost cap mechanism was un-paused in July 2020 and the Government announced that schemes would need to include the cost of McCloud in the previously paused cost cap valuations. Initially the implications for the PCPF were uncertain, as the cost cap mechanism in the MPs' Pension Scheme Rules differ to the approach in other public sector schemes and excludes costs relating to transitional protections and relates to the cost of accruing future service benefits in the CARE Section only. IPSA confirmed that allowing for McCloud costs does not fit naturally with the cost cap mechanism as it currently exists. As such, IPSA asked GAD to proceed with the 2017 and 2020 cost cap valuations according to the current scheme rules, which excluded the impact of McCloud. IPSA have amended the cost cap mechanism slightly so that the 'corridor' between ceiling and floor is widened to +/- 3%, in line with the government's approach to the cost caps of other public service schemes. GAD presented the draft 2017 and 2020 cost cap valuation results for the MPs' Pension scheme to the Trustees in September 2022 and there was no breach of the cost cap corridor at 3%. This meant that no adjustment to the member contribution rate to the MPs pension scheme was required. Both reports have been finalised. GAD presented the draft results of the 2017 Ministerial Pension Scheme cost cap valuation to the Trustees in July 2023 which also showed that there was no breach of the cost cap mechanism and therefore no adjustment was required to the member contribution rate to the Ministerial pension scheme as a result of the cost cap valuation. This report has also been finalised. The 2020 Ministerial Pension Scheme cost cap valuation will be completed in due course. Once this is finalised work will commence on the 2023 cost cap valuation for the MPs' and Ministerial Pension Scheme.

Financial statements

During the year, contributions received into the Fund increased to £14.6 million compared with £13.8 million for the prior year. Member benefits payments have increased year on year from £28.0 million in 2023 to £30.9 million in 2024.

The net returns on investments comprised; positive change in market value of investments of £68.7 million in the current year (2023: negative £42.3 million), and investment income of £27.3 million (2023: £10.2 million) offset by both management expenses and investment fees of £2.6 million (2023: £2.8 million).

The total taxpayers' surplus as at 31 March 2024 was £79.4 million (2023: Restated surplus of £36.5 million).

Income

Income to the Fund is derived from three main sources:

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

In addition, transfers of pension benefits into the Fund amounted to £930k in 2023-24, (£496k in 2022-23).

Exchequer contribution

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

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

In practice, the actuarial liability of the Fund is assessed every three years by the Government Actuary's Department (GAD) with interim assessments undertaken in the years between valuations. A triennial actuarial valuation as at 1 April 2023 was undertaken during the accounting year. The final report was shared with the PCPF on 9 May 2024. The Trustees reviewed the results at their meeting in May 2024, which showed that the funding level had improved to 122%. GAD recommended that the exchequer contribution rate should be reduced from 12.9% to 10.5% of pay per annum from 1 April 2024 onwards. The next actuarial valuation of the Fund will be carried out as at 1 April 2026.

REPORT OF THE ACTUARY

Actuarial update as at 31 March 2024

During the Fund year a triennial actuarial valuation was completed. In addition to the triennial actuarial valuations, every year GAD provide an accounting valuation report to the Trustees which sets out the current service cost and actuarial liability for the Fund year. The Actuary's report on the liabilities as at 31 March 2024 is shown on pages 58 to 64 of these Accounts, and the information below has also been taken from this report.

The Fund's net liability, or surplus/ (deficit), as at 31 March 2024, and the corresponding figures as at 31 March 2023, are set out below:

	31 March 2024	**31 March 2023***(RESTATED)
	£m	**£m**
Present value of Fund liabilities	(785.2)	(751.6)*
Fair value of Fund assets	862.5	785.9
Surplus / (Deficit)	**77.3**	**34.3**

* Due to misstatements made in previous accounts when calculating the IAS19 liability, GAD have restated the 2022-23 disclosures. The restated liability figures are £751.6 million as at 31 March 2023 and a surplus of £34.3 million. The unadjusted figures were £741.5 million and £44.4 million respectively. The restated figures allows for the revaluation of deferred MPs' pension between the date of leaving the scheme and the date of valuation.

The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of final salary benefits for active members, and the principal financial assumptions applying to the 2023-24 accounts.

The principal financial assumptions used to value the liabilities at 31 March 2024 and a comparison as at 31 March 2023 are summarised below:

Principal financial assumption	**31 March 2024** (% p.a.)	**31 March 2023** (% p.a.)
Gross discount rate	4.75	4.65
Price inflation (CPI)	2.75	2.60
Earning increases (excluding promotional increases)	4.00	4.10
Real discount rate (net of CPI)	1.95	2.00

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2024 are based on those adopted for the 2023 funding valuation of the PCPF.

The contribution rate for accruing costs in the year ended 31 March 2024 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2022-23 accounts.
The cost of benefits accruing in the year ended 31 March 2024 (the Current Service Cost) is based on a standard contribution rate of 28.8% (including member contributions but excluding expenses) [2023: 64.1%], as determined at the start of the year. The table below shows the standard contribution rate used to determine the Current Service Cost for 2023-24 and 2022-23.

	Percentage of pensionable pay	
	2023-24	**2022-23**
Standard contribution rate (excluding expenses)	28.8%	64.1%
Members’ contribution rate (average)	(11.1%)	(10.7%)
Employer’s share of standard contribution rate (excluding expenses)	**17.7%**	**53.4%**

The Trustees commission GAD to undertake an assessment of the Fund each year in accordance with International Accounting Standard 19 (IAS19) in order to inform the disclosures for inclusion in the accounts. This actuarial update outlines the Current Service Cost and actuarial liability for the relevant accounting period. The assumptions adopted for the assessment are the responsibility of the Trustees although IAS19 provides guidance on how the assumptions should be set. In particular, the methodology for setting the most significant assumption, the discount rate, is prescribed to ensure consistency across all schemes subject to the IAS19 requirements. The discount rate for accounting purposes is required to be based on corporate bond yields at the accounting date. This basis does not allow for how the assets are invested and therefore makes no allowance for the returns these assets are expected to generate in excess of corporate bonds. As a result, the discount rate tends to be significantly lower than the actual return expected on the Fund’s assets. A lower discount rate will produce a higher actuarial liability and higher Current Service Cost. The actuarial liabilities and current service cost produced for accounting purposes are not reflective of the actual cost of providing the Fund benefits, which is assessed through the triennial funding valuation.

The discount rate adopted for the 2023-24 accounts which produced the 17.7% current service cost quoted was 4.65%. No allowance was made in the 2023-24 Current Service Cost as the Remedy Period ceased on 31 March 2023. The actuarial figures outlined in this report, shown above, are for accounting purposes only and cannot be used for any other purpose.

Last year an assumption for long-term salary increases of 1.5% pa in excess of CPI was adopted. This year GAD have reduced the long-term assumption for salary increases to 1.25% pa in excess of CPI. This assumption is set in line with GAD’s long-term view of earnings, which is based on the long-term historical earnings increases relative to inflation and considering possible future trends. The reduction in the assumption reflects the fact that as inflation falls, real earnings inflation is rising back to positive levels, albeit at much lower levels than the previous 1.5% long term assumption.

The Trustees agreed that the baseline mortality assumption used should be set in line with the latest actuarial valuation of the Fund as at 1 April 2023, and is the same assumption as adopted for last year’s accounts. The Trustees also agreed that the current population mortality projections should be based on those underlying the 2020 based population projections prepared by the Office for National Statistics (ONS) which were published on 12 January 2022. The ONS have prepared updated 2021 based interim population projections

(ONS 2021) which were published on 30 January 2024, although they reused the same mortality improvement assumptions as ONS 2020, and so these give very similar life expectancies. The ONS 2021 projections have therefore not been adopted for the 2023-24 disclosures. The mortality improvement assumption is therefore consistent with the assumptions used for the actuarial valuation as at 1 April 2023 and last year's accounts.

The cumulative change in the mortality rates over the first few years of the 2020-based ONS population projections takes account of the Covid-19 pandemic. The reductions made are in line with observed improvement rates, where known, and an average of the views of an independent panel of mortality experts in respect of the aggregate period from 2019 to 2024. Mortality improvements after this date have not been changed as a result of the Covid-19 pandemic. The long-term impact of the pandemic remains uncertain so actual death rates may differ from the allowance made in the mortality projections. Any difference between actual and assumed mortality rates over the next year would emerge as an experience gain or loss in next year's accounts.

The demographic assumptions used were chosen by reference to the specific experience of the Fund membership, and were reviewed as part of the actuarial valuation of the Fund as at 1 April 2023.

The sensitivities to the assumptions are shown in the actuary's accounting valuation report for the position as at 31 March 2024.

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

The Government Actuary's triennial actuarial valuation report as at 1 April 2023 referred to in these Accounts is available for review on the PCPF website https://mypcpfpension.co.uk/wp-content/uploads/2024/06/PCPF-2023-valuation-results-report-FINAL-090524.pdf

INFORMATION FOR MEMBERS

Membership at 31 March 2024

Active

Active members at the start of the year	638
Adjustments*	6
Joiners	14
	658
Less:	
Deferred	(12)
Opt out	(1)
Deaths	(1)
Retirements	(2)
Active membership as at 31 March 2024	**642**

Deferred members

Deferreds at the start of the year	298
Adjustments*	(8)
Actives becoming deferred	13
	303
Less:	
Retirements	(13)
Deferred members as 31 March 2024	**290**

Pensioners

Pensioners at the start of the year	1,118
Adjustments*	5
Retirements	15
New dependant pensioners	11
	1,149
Less:	
Death of a pensioner	(19)
Death of a dependant	(11)
Pensioners as at 31 March 2024	**1,119****

* Adjustments to prior year opening balance are related to late notification of changes in the membership
**There are 321 (2023: 311) dependants included within the figures above.

Trustees during the year to 31 March 2024

Since 24 October 2011, the governing legislation has specified that there should be ten Trustees, eight of whom should be Member Nominated Trustees (MNTs), plus one appointed by each of IPSA and the Minister for the Civil Service (MCS). At the end of the Fund year, there were eight MNTs and one IPSA Trustee. The position for the MCS appointed Trustee remained vacant. All designations are correct as at the date of certification. The MCS Trustee was appointed following the year end, in May 2024.

All MNTs Trustees are current or future beneficiaries of the Fund.

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

Name	Trustee status	Fund membership status	No. meetings attended during the Fund year	
			Ordinary (4 meetings)	Investment (4 meetings)
Sir Brian Donohoe	MNT Chairman	Pensioner member	4	4
Dame Harriett Baldwin MP	MNT	Active member	4	4
Clive Betts MP	MNT	Active member	2	4
Sarah Champion MP*	MNT	Active member	0 (of 0)	0 (of 0)
Thomas Fitch	IPSA Trustee	Non-member	4	3
Richard Graham CMG	MNT	Active member	0	3
Dame Meg Hillier MP	MNT	Active member	3	2
Andrew Love*	MNT	Pensioner member	2 (of 2)	2 (of 2)
Bridget Micklem**	MCS Trustee	Non-member	1 (of 1)	1 (of 1)
Rt Hon the Lord Naseby PC	MNT	Pensioner member	3	3
Rt Hon the Viscount Thurso	MNT	Pensioner member	2	4

*During the Fund year, on 19 October 2023 Andrew Love resigned as a Trustee. The Trustees noted their thanks to Andrew Love for his service over many years. The Secretariat carried out a Member Nominated Trustee (MNT) exercise to fill the position and Sarah Champion MP was appointed as an MNT in March 2024.

**During the Fund year, on 6 July 2023, Bridget Micklem left her Civil Service post and subsequently resigned as the MCS appointed Trustee. The Trustees noted their thanks to Bridget Micklem for her service to the Fund.

The Cabinet Office, on behalf of the Minister for the Civil Service, recommended Kerrie Cureton-Williams to the position, and Kerrie was appointed as the MCS appointed Trustee in May 2024, after the Fund year end.

The Trustees managed conflicts of interest in line with their conflict of interest policy. The policy sets out that all potential or actual conflicts of interest are to be declared at the beginning of each meeting and a record of these declarations and any mitigating action will be minuted. The Trustees do not maintain a separate register of interests, but it is noted that Trustees who are also Members of the House of Commons or House of Lords are required to maintain a register of interests through their membership of those organisations.

Method of appointment

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

Resignation and removal of Trustees

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

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

Officers of the Fund

Secretary to the Trustees

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

Secretariat

The Trustees have appointed Officials from the House of Commons to provide a full secretariat and administrative service to the Trustees. The PCPF Secretariat are based in the Finance, Portfolio & Performance Team of the House of Commons and act as Secretariat, along with the Secretary to the Trustees. However, the day-to-day administration of the Fund, including the operation of the pension payroll and accounting is outsourced to Gallagher Benefit Services Limited (formerly Buck Consultants Ltd).

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

Service	**Officials**	**Appointed by**
Actuarial Advice	The Government Actuary	Constitutional Reform and Governance Act 2010
External Auditor of Annual Accounts	Comptroller and Auditor General, National Audit Office	Schedule 1 of the Parliamentary Pensions (Consolidation) Regulations 1993
Investment Advice	Hymans Robertson LLP	Trustees

Fund Management	MFS International (UK) Ltd BlackRock Investment Management (UK) Ltd PIMCO Global Advisors (Ireland) Ltd (removed February 2024) UBS Global Asset Management Schroder Pension Management Limited M&G Investments Ltd Foresight Group LLP Baring Asset Management Ltd Insight Investment Management (appointed November 2023)	Trustees Trustees Trustees Trustees Trustees Trustees Trustees Trustees Trustees
Legal Advice	Sacker & Partners LLP	Trustees
Custodian	The Northern Trust Company	Trustees
Third Party Administration and Fund accounting and payroll	Gallagher Benefit Services Limited (formerly Buck Consultants Ltd)	Trustees
AVC providers	Utmost Zurich Insurance plc	Trustees Trustees
Banker	Lloyds Bank plc	Trustees (delegated to Administrator)

Annual Report

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

Contact address

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

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

pensionsmp@parliament.uk

Members should direct enquiries about their own pension position to Gallagher Benefit Services:

Parliamentary Contributory Pension Fund
Gallagher Benefit Services (Bristol)
PO Box 323
Mitcheldean
Gloucestershire
GL14 9BL
Customer helpline: 0330 123 0634
Email: PCPF@buck.com

Investment details and performance

Over the year to 31 March 2024, the Fund returned 10.1% against a target benchmark return of 13.5%. Performance was influenced by government bond yields rising over the year amid expectations that interest rates remain higher for longer. Global investment grade and speculative credit spreads fell. Whilst global equities outperformed due to declining inflation, AI enthusiasm, and an improved economic outlook, UK equities underperformed as they were underweight technology and overweight energy and basic materials.

Over the year, the Fund fully disinvested from BlackRock UK Gilts and the PIMCO Global LIBOR Plus Fund. On 20 February 2024, the Fund invested in the Insight Buy and Maintain (B&M) mandate to support the Fund's cashflow requirements and remove the reliance on disinvestments from equity moving forwards. Since its inception, the shorter dated B&M funds performed positively as credit spreads at shorter and medium maturities tightened.

Prior to its disinvestment, the PIMCO Global Libor Plus fund underperformed its cash based benchmark by 1.1% over the period, primarily due to exposure to US duration which detracted performance as yields rose. Long exposure to the Japanese Yen also reduced performance as the Yen depreciated against the US dollar.

The Fund's investment in the Barings Global Private Loan fund was intended to replace the M&G Illiquid Credit Opportunities Fund IV as it started to wind down and repay capital. As at 31 December 2023, the Foresight Energy Infrastructure Fund, BlackRock Renewable Infrastructure Fund and Barings Global Private Loan Fund had capital contributed amounts of €33.7m, $30.2m, and £31.8m respectively.

The Fund's UK property portfolio, which invests in a blend of the BlackRock UK Property Fund, Schroders UK Real Estate Fund and UBS Triton produced returns of -3.5% over the past 12 months. As at 31 December 2023, the combined UK Property portfolio was 5% underweight in the 'offices', 'standard retail' sectors and 4% and 9% overweight in the 'retail warehouse' and 'alternatives' sectors respectively.

Longer term performance has been strong in absolute terms, with returns of 4.9% p.a. and 6.3% p.a. over 3- and 5-year periods respectively. The total 3-year performance lagged the benchmark performance of 7.0% by 2.0% whilst the 5-year return has slightly lagged the benchmark return over the period of 7.5%.

The Trustees continue to integrate Environmental Social and Governance (ESG) issues throughout all aspects of their investment process and have published their statement of beliefs and statement of responsible investment within the Fund's Statement of Investment Principles (SIP). These statements set out the key beliefs of the Trustees in relation to investment matters and their overall approach to ESG issues. The SIP can be viewed on the Fund's website at www.mypcpfpension.co.uk. The Trustees' Responsible Investment policy and Climate Risk policy are also available on their website.

The Trustees publish quarterly voting and engagement reports on the PCPF website. The Trustees continue to monitor and engage with their managers' activities in relation to ESG matters.

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

Manager	Mandate	Holding as at 31.3.24 %	Target Allocation %
BlackRock Advisors (UK)	Global equities	22.2	17.0
BlackRock Advisors (UK)	Renewable infrastructure	3.1	5.0
MFS International (UK) Ltd	Global equities	17.0	16.5
Schroders	Multi Factor equity	17.2	16.5
Foresight	Energy infrastructure	3.3	5.0
Barings	Global Private Loan	3.7	5.0
Insight	Buy and Maintain	10.8	15.0
M&G	European Loans	9.6	10.0
M&G	Illiquid credit	3.2	0.0
Multi-managers	Property	8.8	10.0

Transition cash*	Cash	1.1	0.0
Total		**100.0**	**100.0**

*Held by the Fund's custodian, Northern Trust

There were no employer related investments during the year (2023: nil).

Following the Fund year-end, £20m was disinvested from the BlackRock global equity fund to bring this allocation closer in line with target. The Insight Buy & Maintain credit allocation has a large allocation to short dated maturing bonds to aid the Fund with the increased cashflow associated with the 2024 General Election and will be rebalanced once this period of increased cashflow has passed, to bring the allocation back in line with target. The M&G Illiquid Credit allocation is currently running off and the allocation will reduce to zero over time. All other allocations were within the rebalancing ranges set out in the Statement of Investment Principles at 31 March 2024.

Preparation of annual accounts

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

The Comptroller and Auditor General (C&AG) is responsible under legislation for setting the Accounts Direction for the PCPF, see Appendix A. The notes to the Financial Statements set out the basis for preparation of accounts and accounting policies in notes 2 and 3 on pages 41 to 43.

The liability for the PCPF as at 31 March 2024 is assessed by the Government Actuary's Department (GAD) on an International Accounting Standards (IAS19) basis and is shown on pages 58 to 64 of the Accounts. Having taken advice from the Actuary the Trustees are content that the Fund has sufficient assets to meet its liabilities as they fall due over the next 12 months. The PCPF is effectively underwritten by the taxpayer with deficits financed by increased contributions agreed between the Trustees, IPSA, the MCS and the Actuary. The Trustees are not aware of any plan by IPSA or MCS to wind up the MPs' or Ministers' Pension Schemes and as such, the Trustees are satisfied that the Fund will continue to operate as a going concern and the financial statements have been prepared on that basis.

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

Disclosure of Information

So far as the Trustees are aware, there is no relevant audit information of which the Comptroller and Auditor General (the C&AG) is unaware, and we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the C&AG is aware of that information.

Approved on behalf of the Trustees on 5 December 2024 by:

Sir Brian H Donohoe
Chairman of Trustees

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (Schedule 1, Paragraph 16), the Comptroller and Auditor General has directed the Fund to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Fund and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

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

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;

- prepare the financial statements on a going concern basis; and

- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Trustees of the Fund are appointed under the provisions of the Constitutional Reform and Governance Act 2010. The responsibilities of the Trustees, including responsibility for the propriety and regularity of the public finances for which the Trustees are answerable, for keeping proper records and for safeguarding the Fund's assets, are set out in Managing Public Money published by the HM Treasury.

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

IMPLEMENTATION STATEMENT

Statement of Compliance with the Parliamentary Contributory Pension Fund (PCPF)'s Stewardship Policy for the Fund year ending 31 Mar 2024.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Fund's Stewardship Policy during the period from 1 April 2023 to 31 March 2024.

Stewardship policy

The Trustees' Responsible Investment Policy sets out how the Trustees will behave as an active owner of the Fund's assets which includes the Trustees' approach to:

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

The Responsible Investment Policy is reviewed on an ongoing basis and was last updated in January 2024, along with the Trustees' Statement of Investment Principles.

You can review these policies at https://www.mypcpfpension.co.uk/investments.

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

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

The Trustees also monitor their managers' compliance with the Responsible Investment Policy on a regular basis and are satisfied that they have complied with the Fund's stewardship policy over the last Fund year.

Voting activity

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

During the Fund year, the Trustees have investment in equity assets through three different mandates: MFS Global Equity (active), BlackRock Low Carbon Equity (index-tracking), and Schroders Multi-factor Sustainable Equity (index-tracking).

The Trustees conducted a proxy voting review in 2022 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 (environmental, social, and governance) issues. The Trustees decided to instruct their equity managers to switch to the ISS Sustainability guidelines where possible, in line with their responsible investment beliefs.

The Trustees' equity investment managers have reported on how votes were cast in each of these mandates as set out in the table below[1]:

Strategy/Fund name	MFS	BlackRock	Schroders
Proportion of Fund assets	16.5%	21%	16.5%
No. of meetings eligible to vote at during the year	85	927	416
No. of resolutions eligible to vote on during the year	1,501	13,623	6,015
% of resolutions voted	100%	97.67%	92.07%
Of the resolutions voted on, % of resolutions voted with management	90.07%	96.20%	85.63%
Of the resolutions voted on, % of resolutions voted against management	9.93%	3.80%	14.37%
Of the resolutions voted on, % of resolutions abstained	0.20%[2]	0.39%	0.49%
% of meetings with at least one vote against management	46.43%	22.87%	68.56%

As requested, **MFS** votes in line with ISS Sustainability Proxy Voting Policies effective 1 December 2022. Prior to the change, the manager voted in line with ISS Standard Proxy Voting policies.

At the firm level MFS voted against or abstained on approximately 8.5% of executive pay proposals globally in 2023. The rationale ranged from disconnects between company performance and executive pay to general lack of disclosure by companies as it relates to the performance metrics and targets that underpin the company's short-term or long-term incentive plans. The lack of disclosure makes it difficult for shareholders to determine if a reasonable alignment exists between executive pay and company performance. MFS also voted against management's recommendation of 6.8% of director nominees globally. The primary concerns were 1) boards' failure to remove shareholder-unfriendly provisions; 2) insufficient director or board independence; 3) insufficient board gender diversity; and 4) overboarding or excessive board service.[3]

In 2022 **BlackRock** expanded the voting choice options available to clients invested in certain index strategies. The PCPF took the opportunity to instruct BlackRock to vote in line with the ISS Sustainability guidelines for the investments in the Low Carbon Fund. This was implemented as of 30 September 2022. As outlined in the firm's 2022-23 Global Voting Spotlight, year-over-year, the reasons for not supporting director elections – and management proposals generally – are consistently governance-related: board composition and effectiveness, including director independence and overcommitment, and executive compensation.

On a monthly basis, **Schroders** produces a global voting report which details shareholder proposals for companies during the period and how the votes were cast, including votes against management and abstentions, along with the rationale behind these decisions. Schroders also publishes a public voting history with the rationale for votes against management, or for management when the matter is contentious. It is Schroders' default process to follow up any votes against management with an email outlining the reasons for voting against them.

At the mandate level, the resolutions which Schroders voted against management the most on during the Fund year were regarding compensation, director election, and audit related.

Significant votes

1 Voting statistics based on annual reporting run by investment managers. Small rounding differences may exist.
2 MFS: Abstain votes are counted as votes against management when management has issued a recommendation on a proposal. If management has not issued a recommendation, all votes (including abstentions) are counted as being with management. As such, the three rows (with/against/abstained) may not add up to 100%.
3 See 2023 MFS Annual Sustainability Report.

Significant votes are considered by the Trustees as votes concerning issues stated within the Responsible Investment Policy as being of particular concern to the Trustees. The Trustees have identified that **climate change** represents a risk which warrants more detailed scrutiny given the potentially widespread and uncertain impact on financial, economic, and demographic outcomes. The Trustees also regard **executive remuneration** as a material governance related risk and support the mitigation of this risk predominantly through active engagement by investment managers. The Trustees have asked their managers to provide details on votes in line with these criteria and report on a selection of the votes cast below[4]:

Carlsberg A/S (Q1 2024)

- Proposal: Re-elect Henrik Poulsen as New Director

BlackRock: - Voted to abstain from the proposal recommended by the management.

Rationale: The nominee Henrik Poulsen serves as Chairman of the board and bears responsibility for a poorly structured board.

MFS: - Voted to abstain from the proposal recommended by the management.

Rationale: A vote ABSTAIN incumbent nominating committee chair Henrik Poulsen is warranted for lack of diversity on the board.

Schroders: - Stock not held in portfolio.

The Procter & Gamble Company (Q4 2023)

- Proposal: Advisory Vote to Ratify Named Executive Officers' Compensation

BlackRock: - Voted for the proposal and with management.

Rationale: Although certain annual incentives lack disclosure of targets and actual results, bonus payouts are commensurate with financial performance. In addition, half of the long-term equity awards are performance-conditioned, and performance stock units (PSUs) are measured over a multi-year performance period with forward-looking goals disclosed.

MFS: - Stock not held in portfolio.

Schroders: - Voted against the proposal and against management.

Rationale: The threshold target of the relative TSR (total shareholder return) metric is set below median performance.

Microsoft Corporation (Q4 2023)

- Proposal: Report on Climate Risk in Retirement Plan Options

BlackRock: - Voted for the proposal and against management.

Rationale: A vote for this resolution is warranted. While the company offers an option to employees that want to invest more responsibly, it is unclear how well employees understand the retirement plans available to them.

MFS: - Stock not held in portfolio.

Schroders: - Voted for the proposal and against management.

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

Rationale: We welcome the company providing additional disclosure around how it is protecting its employee plan beneficiaries from climate risk particularly in its default retirement options. We believe that how we have voted is in the best financial interest of our clients' investments.

Severn Trent Plc (Q3 2023)

- Proposal: Advisory Vote to Ratify Named Executive Officers' Compensation

BlackRock: - Voted for the proposal and with management.

Rationale: A vote for the remuneration report is warranted as no material concerns have been identified.

MFS: - Stock not held in portfolio.

Schroders: - Voted against the proposal and against management.

Engagement activity with investment managers

The Trustees held one Manager Day in May 2023 and another in September 2023, where they met with all their investment managers in person. The Secretariat, supported by Hymans Robertson, the Trustees' investment adviser, also hold regular review meetings with the investment managers on behalf of the Trustees.

Below is a summary of topics discussed during meetings held in the Fund year, besides common topics such as market overview, portfolio strategy and positioning, fund performance, and ESG integration.

Date	Fund manager	Subject discussed
April 2023	Barings (private debt)	• Despite challenges in the wider markets, private debt as an asset class has grown as liquidity dries up in the public markets. Yields have also gone up as interest rates rise. • Barings discussed adjustments made to the portfolio due to shifts in the market environment. For instance, the manager ensured that most of the companies held in the portfolio are able to pass on price changes in an inflationary environment. • Barings explained its ESG due diligence framework for private debt. The manager is developing IT tools to report ESG data in a standardised way, expected to be rolled out in Q4. • The Secretariat asked what influence Barings has on the investee companies regarding ESG factors. Barings explained that as the fund specialises in mid-sized issuers, the companies are often less familiar with ESG best practice and ESG data can be harder to measure. Barings believes this is why it is important to educate these issuers.
May 2023	BlackRock LGPS team	• BlackRock provided an update on the team and introduced Katie Jupp as the new dedicated relationship manager. • The Secretariat shared PCPF's investment and stewardship priorities for 2023. • The Secretariat outlined the Trustees' expectations regarding the upcoming Manager Day.
May 2023	Property managers (UBS and BlackRock)	• Both property managers were asked to explain their plans to ensure Energy Performance Certificate (EPC) rating compliance before the deadline. • UBS discussed the status quo of its asset mix's EPC rating. EVORA has been appointed to estimate the capex requirement. UBS expected the cost to be manageable in the long run given the size of the fund. The manager also highlighted an EPC pathway project that was built on a demolished site.

		• BlackRock did not disclose the status quo of its mix of assets' EPC rating. However the manager did acknowledge that some assets (e.g. offices) are much harder to re-position than others (e.g. industrials) and could incur large capex. BlackRock will allocate capital accordingly, focusing on core assets.
May 2023	M&G (credit)	M&G was asked how the market turbulence around Credit Suisse has affected the fund. The manager responded that the fund has very limited exposure therefore any impact has been minimal.
September 2023	MFS (equities)	• Performance on target. Investment style remains unchanged, with valuation being a major factor. • MFS discussed stock selection in the tech sector, which has underperformed the benchmark. MFS is comfortable not chasing near term returns on big tech stocks. The manager sees data centres and specialist consulting firms as good play on the AI theme. • MFS also discussed ESG examples, including plastic packaging, net zero target, and engagement with high emitters such as Canadian rail companies.
September 2023	Schroders (Multi-factor Equity)	• Team update - Ashely Lester, founding Head of Systematic Investments, has left the firm but succession planning is in place. • Incremental changes have been made to the strategy over the year, as new ideas fed into the model after a lot of research, testing, and review. The latest changes were around carbon intensity and research and development. • The Trustees asked Schroders how AI was used in the investment process. The manager explained that the use of AI was limited to data collection rather than research at this stage. • Schroders gave an example of divesting due to ESG reasons despite the stock being favoured by the model. The manager emphasised that divestment is only a last resort.
September 2023	BlackRock (Low Carbon Equity)	• BlackRock highlighted the importance of engagement with investee companies, especially as it is not possible to divest from the index that is being tracked. • BlackRock discussed a few examples where they voted against company resolutions (e.g. Canon due to the lack of female members on the board, and Amazon due to plastics). The manager may not support a shareholder proposal if it is considered too prescriptive.
September 2023	Schroders (UK property)	• Performance in recent years has been let down predominantly by sector allocation. Schroders explained that they had not adjusted the portfolio quickly enough at the start of the pandemic. Schroders has been bringing down the overweight in offices gradually. • The Trustees raised the issue of inflation, and Schroders advised that a good percentage of the fund is RPI (Retail Price Index) inflation linked, above its peers.
March 2024	BlackRock (renewable energy infrastructure)	• BlackRock provided an update on the fund and highlighted 2 UK-based projects which are crucial to the country achieving its net zero target. • The Secretariat asked about the fund's emerging market exposure. GRP III has up to 10% exposure outside of OECD countries. The manager gave an example of a project based in Chile, which has dollarised income. • BlackRock discussed how ESG and biodiversity considerations are integrated into the investment process. For

		example, potential harmful impacts on bats and other wildlife are considered through ecological impact assessments. As a result, a project was scheduled to shut down during certain times of the day to protect the bats.

Summary of manager engagement activity

The Trustees receive quarterly reporting on their equity managers' engagement activity and annual reporting on non-equity managers' engagement activity. Below is a summary of the key engagement activity for the 12-month period ending 31 Mar 2024:

Equity managers:

Manager	Number/methods of engagement	Topic engaged on
MFS	MFS has recently developed its engagement platform, which is still in early stages. As a result, the data provided is limited at this time and may not reflect the total extent of engagements held. Over the Fund year, MFS conducted 146 engagements with 122 entities at the firm level and carried out 29 engagements with 21 entities at the strategy/mandate level. There were multiple engagements with management teams, Board members and specific company representatives on a wide range of sustainability and ESG topics, where they were relevant and material to that company.	MFS reported an estimated breakdown of engagements at the firm level by E, S and G topics as follows: E - 75 engagements S - 60 engagements G - 124 engagements The main topics of engagement include climate change, human and labour rights, and board effectiveness and diversity. Top-down strategic engagement priorities are aligned with areas of greatest potential investment risk and opportunity. Strategic engagement themes predominately tackle systemic risks such as climate change and issues where multiple industries are affected.
BlackRock	Over the Fund year, BlackRock carried out a total of 926 company engagements with 548 individual companies.[5] Engagements can include multiple company meetings during the year with the same company. Most engagement conversations cover multiple topics based on BlackRock's vote guidelines and engagement priorities. Each year BlackRock prioritises work around engagement themes to encourage sound governance practices and deliver sustainable long-term financial performance for clients. BlackRock's approach emphasises direct dialogue with companies.	BlackRock's investment stewardship engagement priorities in 2023 are: • Board quality and effectiveness – Quality leadership is essential to performance. Board composition, effectiveness, diversity and accountability remain top priorities. • Strategy, purpose, and financial resilience – A purpose driven long-term strategy, underpinned by sound capital management, supports financial resilience. • Incentives aligned with value creation – Appropriate incentives reward executives for delivering sustainable long-term value creation. • Climate and natural capital – Climate action plans with targets to advance the transition to a low carbon economy. Managing natural capital dependencies and impacts through sustainable business models. • Company impacts on people – Sustainable business models create enduring value for all key stakeholders.

[5] Source of information: engagement summary report run by BlackRock for Low Carbon Equity fund.

		The top 3 engagement topics during the Fund year for the Low Carbon Fund are board composition and effectiveness, corporate strategy, and remuneration.
Schroders	Over the Fund year, Schroders discussed 604 engagement topics with 125 different companies held by the Sustainable Multi-Factor Equity Fund. The Schroders Systematic Investments team (SSI) provides holdings data along with an engagement score to the Sustainable Investment team. This score can then be used to identify the most urgent engagement targets. The ESG team will engage the highest scoring names as a priority and will work down the list subject to having available resources. Schroders held a total of 230 different engagement events. The main methods of engagement were e-mails, calls, and meetings.	Schroders has a points-based process and stocks accrue points as they hit a range of engagement triggers. Engagements primarily focused on climate change with just over 50% of engagements on this theme. The main topics of engagement carried out by the Sustainable Investment Team for portfolio companies during the Fund year include: • Climate change • Corporate governance • Natural capital and biodiversity • Human rights

Non-equity managers:

Manager	Engagement activity
M&G (credit)	M&G believes a robust engagement programme with investee companies represents a meaningful way of managing ESG risks. The Private Credit team invest in assets with an asymmetric return profile and implement a long-term buy and hold approach, therefore an effective stewardship policy is needed to protect value over time. The team conducts engagements with both borrowers and sponsors to attest to governance models, environmental and social operating guidelines and to probe on key issues such as climate (with a growing emphasis on net zero), diversity and inclusion, cyber-security and lobbying for greater disclosure. This activity is undertaken jointly by fund managers and analysts and in consultation with M&G’s Sustainability & Stewardship team. Engagements are recorded in an automated tracking system to enable holistic views of themes and topics that are material within certain sectors and across multiple asset classes. The benefit of this is that M&G can bring its full influence to bear when investing across the capital structure of the same issuer. M&G’s engagement approach has been developed to provide a systematic process around engagements where there is a specific objective and a particular outcome, in line with the UN PRI (Principles for Responsible Investment) definition. Prior to commencing an engagement, that objective is clearly set out, with actions and outcomes recorded through the life of the engagement.
Barings (credit)	The Barings Global Private Finance (GPF) team leverages engagement activity through direct relationship with key stakeholders, including private equity sponsors and issuer management teams. The focus is on partnering with reputable private equity sponsors, as they play a critical role in influencing ESG practices, given the control they have over the company. The benefit of these relationships and the private nature of the asset class is that Barings can stay in constant communication with both the sponsor and the portfolio company management teams. This allows the team to closely monitor any potential ESG-related concerns and a view into the company’s controls. Barings continues to recognise that the use of the loan documentation to include an ESG margin ratchet process acts as an important framework to build engagement activity with borrowers. Not only does it benefit issuers in an effort to incentivise good ESG behaviours and outcomes, it also acts as a mechanism to specify expected progress to be made over a period of time against KPIs (key performance indicators) set. Barings recognises that the establishment of the loan agreement

	requires ongoing engagement to ensure that these provisions convert at scale into the formalised selection of meaningful key performance indicators.
Schroders (real estate)	Schroders believes that greater landlord-tenant collaboration presents a wider opportunity for landlords to enhance overall tenant relations, supporting tenants in their sustainability ambitions and realise health and wellbeing co-benefits. A number of initiatives were launched and developed for the occupiers, local community and the general public led by on-site management teams and Schroders asset managers, including: - Quarterly retailer meetings at Bracknell - Bi-quarterly restaurant/café meetings at Bracknell and Mermaid Quay - Perks for occupiers, such as a discount card with 50+ offers at the Lexicon Bracknell - Continuation of the refill campaign at Mermaid Quay - Once a week non-peak season tenant talks in occupier areas at Mermaid Quay - Hosting occupier awards ‘The Lexicon Awards’, an organic social competition over 6 weeks for retailers, restaurants and cafes at Bracknell - Fund Manager participation at the Develop Croydon Conference, collaborating with the local community and key stakeholders in Croydon discussing how regeneration is in line with residents’ needs Through a combination of on-site perks, digital tools, and greater management visibility Schroders is ensuring the presence of occupier engagement strategies which support the health and wellbeing of the community. These strategies can create cost savings for the Fund and support productive and happy occupiers, ultimately leading to better tenant advocacy and retainment.
UBS (real estate)	UBS believes engagement implies a two-way dialogue between investors and tenants, vendors, and partners. Its objective is to enhance information and improve investment level performance. Discussions with tenants, vendors and partners are conducted around specific issues related to the fund and property level strategy, capital allocation, operational management and/or ESG risks and opportunities that could significantly impact returns or mitigate risk. The goal of these interactions is to collect more information and influence property and fund level practices in order to trigger better financial performance or risk mitigation in the long term. Investors can share their expectations to encourage practices which could enhance long-term value. Tenants, vendors, and partners, meanwhile, can explain the relationship between sustainability, their business model and financial performance. It is this two-way dialogue which defines engagement.
BlackRock (real estate)	Working with appointed Property Managers and on-site Building Managers, BlackRock aims to establish active tenant sustainability programmes that regularly engage with tenants on a range of ESG issues. Examples of engagement activities have included focused events on energy efficiency and reduction, including the launch of ‘Carbon Challenges’ and ‘Switch-off Week’ campaigns. Energy savings achieved during these campaigns have been reported back to tenants to raise awareness of energy performance ‘quick wins’ and help encourage longer-term behaviour changes that drive ongoing reductions in energy consumption and wastage. BlackRock’s tenant engagement programmes also address wider sustainability issues, including water efficiency, waste management and recycling, local wildlife conservation, and health and wellbeing. Further examples have included ‘Waste Aware’ and ‘Zero Waste to Landfill’ campaigns, on-site tree-planting and landscaping activities, introducing tenant yoga classes and other wellbeing activities, and establishing on-site bike rental and cycling clubs.
BlackRock (renewable energy infrastructure)	BlackRock Global Renewable Power III (GRP III) Fund is a private market fund that focuses on large scale climate infrastructure assets. The team has mostly taken majority controlling stakes, but also does sometimes take minority. The team’s ability to take majority or minority ownership positions facilitates engagement with the full spectrum of sponsors from the small developers that prefer to sell outright, to the large utilities that want to retain a significant ownership stake. In the instance that it is a minority owner, BlackRock will seek the appropriate governance and exit rights in the investment documentation.

	BlackRock's partnership approach appeals to project developers and other industry partners because it gives them confidence around the Team's ability to transact on short timelines, take a balanced and commercial approach to risk sharing, and add value in discussions with key transaction counterparties. With all of GRP III's portfolio companies (no matter the % stake), BlackRock takes an active management approach by engaging closely with the management teams and working collaboratively to execute the business and strategic plans of each company.
Foresight (renewable energy infrastructure)	Sustainability and counterparty ESG is a topic which is engaged on early into any investment decision. Foresight considers engagement with companies a key part of its investment process and believes that it will be instrumental in improving their ESG standards. Foresight will typically meet investee companies face to face, primarily during a one-on-one meeting but also as part of group events. Dialogue will take place over email and phone where necessary. The level of engagement between Foresight and the investee company will vary depending on many factors. Meetings to carry out periodic monitoring will be the primary driver of engagement. Where Foresight believes that its engagement will have a beneficial impact on the performance of the company or the standards of their ESG reporting, it may increase its engagement with the management team and, where necessary, the Board.
PIMCO (fixed income)	PIMCO prioritises engagement where financial exposure, influence and thematic exposure are the greatest. Engagement is an essential tool for delivering impact in ESG investing – PIMCO believes that ESG investing is not only about partnering with issuers that already demonstrate a deeply unified approach to ESG, but also about engaging with those with less advanced sustainability practices. This can be a direct way for PIMCO to influence positive changes that may benefit all stakeholders, including investors, employees, clients, society, and the environment. The objective of engagement is to influence change, improve returns and reduce risks for clients. PIMCO believes that bondholder engagement in the research phase is critical to understanding the risk and reward profile of an issuance and ultimately making buy/sell decisions. At present, engagements are focused on the corporate and sovereign asset classes, though PIMCO has engaged on structured credit issuances and with municipal issuers and continues to work to expand coverage of asset classes.

Use of a proxy adviser

During the reporting period, the Trustees have adopted the sustainability voting guidelines issued by Institutional Shareholder Services (ISS) as the basis against which they will judge good voting practice.

- For segregated mandates, the Trustees have instructed their managers to adopt the ISS sustainability voting guidelines. Where a manager does not vote in line with the ISS sustainability guidelines, this will be reported to the Trustees and explanation will be required.

- For pooled mandates, where possible the Trustees will instruct their managers to adopt the ISS sustainability voting guidelines. Where not possible to instruct their managers how to vote, the Trustees will review the policies employed by the manager against the ISS sustainability guidelines and where appropriate request that the manager take account of the ISS sustainability guidelines in the execution of voting policy.

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

Manager	Proxy Adviser used
MFS Global Equity	MFS has entered into an agreement with ISS to perform various proxy voting-related administrative services, such as vote processing and recordkeeping.

	As requested, MFS votes in line with ISS Sustainability Proxy Voting Policies effective 1 December 2022. Prior to the change, the manager voted in line with ISS Standard Proxy Voting policies. For accounts where clients have given MFS the authority to vote proxies, MFS votes all proposals in accordance with the guidelines set forth in the MFS Proxy Voting Policies and Procedures. All proxy voting decisions are made in what MFS believes to be in the best long-term economic interests of clients.
BlackRock Low Carbon Equity	BlackRock has also been instructed to vote in line with the ISS Sustainability voting guidelines. This was implemented as of 30 September 2022. While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it does not blindly follow their recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesize corporate governance information and analysis into a concise, easily reviewable format so that the investment stewardship analysts can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. Other sources of information used include the company's own reporting (such as the proxy statement and the website), engagement and voting history with the company, and the views of active investors, public information and ESG research.
Schroders Multi-Factor Equity	In Q4 2023 Schroders switched vendor from ISS to Glass Lewis as service provider for the processing of all proxy votes in all markets. Schroders does not blanket follow the recommendations of a proxy voting provider. Schroders evaluates voting resolutions and, where it has the authority to do so, votes in line with fiduciary responsibilities in what is deemed to be the interests of the clients. Schroders' Corporate Governance specialists assess each proposal, applying the voting policy and guidelines to each agenda item. In applying the policy, Schroders considers a range of factors, including the circumstances of each company, long-term performance, governance, strategy, and the local corporate governance code. Schroders' specialists will draw on external research, such as that provided by Glass Lewis, the Investment Association's Institutional Voting Information Services and public reporting. Schroders' own research is also integral to the process; this will be conducted by both the financial and Sustainable Investment analysts. For contentious issues, Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Review of manager policies

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

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

GOVERNANCE STATEMENT

This statement covers the operation of the Fund for the year ended 31 March 2024. As the Chairman of Trustees, I acknowledge on behalf of all of the Trustees our responsibility for ensuring that an effective system of governance is maintained and operated in connection with the Fund.

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

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

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

The Trustees have a balance of powers document in place which sets out their responsibilities relating to the administration and governance of the Fund. This document was reviewed during the Fund year in October 2023. The roles and responsibilities the Trustees have delegated to the Secretariat and the Managing Director of Finance, Portfolio & Performance, are set out in the Secretariat terms of reference.

During the year, the Trustees approved a new three-year Business Plan for the period 2023-24 to 2025-26. This set out the priority areas of focus over the course of this period, which among other areas included implementing the McCloud and General Election projects and complying with upcoming pensions dashboard requirements. The Trustees were kept abreast of the progress against the Business Plan through quarterly reports which were taken to each ordinary meeting. Following the year end, an annual report with a detailed overview of the activities undertaken over the Fund year will be reviewed by the Trustees.

The Trustees have a conflicts of interest policy in place to meet the Pensions Regulator's expectation for schemes to manage conflicts of interest and improve their governance framework. While the PCPF is not regulated by the Pensions Regulator, the Trustees meet these requirements voluntarily in order to improve the governance of the PCPF. In 2023-24 no material conflicts of interest were declared by the Trustees, but all Trustees who are also serving Members noted that they were personally impacted by the McCloud response as active members of the Fund. The IPSA appointed Trustee also abstained from discussions on McCloud policy.

Arrangements are in place to assess and address the ongoing training requirements of Trustees, to ensure that they keep up to date with new and current issues affecting the Fund's operations. Regular and relevant Trustee training sessions are arranged both at and in between Trustee meetings. During the Fund year the Trustees received training from Sackers about pensions dashboards requirement for Trustees as well as training from GAD on the triennial actuarial valuation. The Trustees also undertake Responsible Investment training regularly and at least on an annual basis. At the last Responsible Investment training in December 2023, the Trustees received training on biodiversity, modern slavery and artificial intelligence.

The day-to-day administration of the Fund, including the operation of the pension payroll and accounting functions has been outsourced by the Trustees to Gallagher Benefit Services Limited (formerly Buck Consultants Ltd). The safekeeping of the Fund's assets is undertaken by the Northern Trust Company, in their capacity as custodian to the Fund.

Work of the Trustee Board

The Trustees held eight formal meetings during the year. This included four ordinary and four investment focused meetings. A record of Trustees attendance at these meetings is included in the Annual report of the Trustees.

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

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

The Trustees monitor Hymans Robertson's performance under the Competition and Markets Authority (CMA) framework, which requires Trustees to set strategic objectives for their investment consultants and review their performance annually against these objectives. The Trustees reviewed Hymans' performance for the twelve month period to 31 December 2023 at their meeting in February 2024.

During 2023-24 the Trustees continued to spend a considerable amount of time considering responsible investment, including environmental, social and governance (ESG) matters at their meetings. As part of the Trustees' commitment to monitor climate related risks within the equity portfolio on an annual basis, an updated Climate Risk Report was discussed at the Trustee meeting in November 2023. This showed that the availability of climate related reporting had improved and that the Fund continued to perform well across from a climate risk perspective. The Trustees agreed at the Trustee meeting in November 2023 to probe managers on ESG matters at future manager days by specifically asking them about their approach to climate change and carbon emissions. A review of investment manager's ESG policies and activities was undertaken in February 2024 which showed that all of the Fund's managers received high gradings as part of Hymans' internal responsible investment manager rating process and wider external industry assessments.

In selecting new investment managers for the Fund, where relevant to the investment mandate, the Trustees have agreed to explicitly consider the extent to which managers integrate ESG issues in the investment process as a factor in their decision-making. During the Fund year the Trustees selected a new manager, Insight, to manage the buy and credit mandate and as part of this selection process the Trustees discussed ESG considerations.

During the year, the Trustees reviewed and updated the Fund's Statement of Investment Principles (SIP), the Trustees' Responsible Investment policy and the Trustees' Climate risk policy. The Trustees continue to review their managers' activities in relation to ESG issues on an ongoing basis through regular reporting and dialogue, as detailed in their updated SIP, Engagement policy and the Implementation Statement which forms part of the Annual Report and Accounts.

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

Each quarter the Trustees monitor the performance of the Fund's administrator, Gallagher against contractual service level agreements. The Secretariat, on behalf of the Trustees, have held regular meetings with Gallagher to monitor Gallagher's performance against the service level agreements in place and update the Trustees at meetings. Representatives from Gallagher attended Trustee meetings in October 2023, December 2023 and March 2024. It is expected that as a minimum requirement Gallagher will attend at least one Trustee meeting each year.

The Secretariat, on behalf of the Trustees also monitor the performance of the Fund's actuarial adviser (the Government Actuary's Department, GAD), legal adviser (Sackers), and investment consultants (Hymans Robertson), on a regular basis. Annual service review meetings are held with these advisers and additional meetings are set up as required. Any issues are reported to the Trustees at Trustee meetings. Trustees also have the opportunity to raise any issues with advisers directly when they attend Trustee meetings.

The Secretariat follow House guidance in relation to information assurance issues such as General Data Protection Regulations and cyber security. The Trustees take their responsibilities as Data Controllers seriously. During the Fund year, an updated Personal Data Breach Policy was published on the PCPF website. The Fund's information storage processes and policies can be found on the PCPF website. [https://www.mypcpfpension.co.uk/]. There were no data issues identified or reported to the Information Commissioner in the year.

Risks

The Secretariat, on behalf of the Trustees, maintain a Risk Register for the Fund to support the active management of risk. This identifies and analyses potential issues that pose a risk to the Fund's objectives in terms of impact and probability. The risk register is reviewed and updated regularly throughout the year. During the Fund year, the Risk Register was reviewed by the Trustees at each ordinary and investment meeting. This includes a summary which highlighted changes to the Risk Register as well as any significant risks along with actions planned to reduce the impact or likelihood of these potential risks.

The risks considered by the Trustees during the Fund year to 31 March 2024 included:

Risk	Mitigation and response to this risk
Failure of assets to provide expected returns	• Trustees recognise that climate related risks may impact negatively on returns and have set out their aim for PCPF investments to be compatible with net zero emissions by 2050 or earlier. This is recorded in their Responsible Investment Policy, Voting and Engagement policy, Statement of Investment Principles and Climate Risk Policy, which are reviewed annually. • Trustees have agreed to commission annual carbon foot printing exercises to be undertaken and consider implications of analysis to their longer term objectives. • Trustees advisers provide expert advice in response to market events and evolving legislation. Trustees frequently look at the asset allocation to ensure that it remains appropriate and is providing expected returns. • Trustees regularly monitor their Fund managers engagement with these policies. • The Trustees undertake Responsible Investment (RI) training regularly and at least on an annual basis. The last training was held in December 2023.
Personal data breach	• As data processors for the PCPF, Buck have robust processes in place to guard against a data breach. Buck base their security program around ISO 27001 which is an internationally recognised standard on managing information security. • The Secretariat does not hold a large amount of personal data on behalf of the PCPF. The data that it does hold is held securely on the House of Commons network/server. The Secretariat are supported by the House's Information Security team in following best practice for handling personal data.
Operational disaster	• Business continuity procedures in place for administrator and advisors. • PCPF Trustee Records are held on Parliamentary Network which is Cloud based. • The Secretariat has a business continuity plan in place. It is reviewed regularly to ensure team resilience and to ensure it remains up to date.
Member data incomplete or inaccurate	• Issuing of annual benefit statements to active members, and access to the online member portal mean members can check their data more regularly and inform the administrator of any corrections.

	• Buck undertook a high-level data check when they took over the administration in late 2019. A full data check is required after each election. Data cleanse work is being planned as part of the pensions dashboard project requirements. • There is a contractual requirement for Buck to undertake a member level contribution reconciliation. Since 2021, Buck have set up an automated member level reconciliation process to ensure Member and Exchequer contributions are correct and if not, errors are identified and acted upon. The Secretariat undertake a high-level review of this reconciliation every month. • Both ad hoc and regular projects, such as McCloud and the annual audit process, help to identify potential issues with member data and benefit calculations through detailed testing of sample cases.
Failure of management of contracts / relationship with third parties	• Formal agreement in place with all third parties, key performance indicators and/or service level agreements are in place where relevant, as well as the Secretariat maintaining a close working relationship with all third parties. • Secretariat team undertake regular service review meetings. • The Secretariat is supported by the Parliamentary Commercial Directorate who help with undertaking tender exercises and contract management issues. • Quarterly performance reporting in place for Fund managers and Administrator.
Inadequate management of issues relating to the McCloud remedy	• The initial results of the 2023 Triennial valuation suggest a funding level of 122%. This indicates that the PCPF is currently well funded and in a position to meet the additional benefit costs of McCloud. • The Secretariat and IPSA have worked collaboratively through the project control Board (Joint Working Group) as agreed by the Trustees. The Secretariat provide regular governance updates at Trustee meetings. • Trustees and their legal advisors have raised potential legal issues on the McCloud remedy through the statutory consultation process which the IPSA Board have considered. As a result of these and other policy conversations, IPSA have changed their policy/approach on a number of areas, and this will have a positive impact for both members and the general administration of the remedy. • The Joint Working Group are working closely with Buck and other advisors to ensure that implementation runs as smoothly as possible as well as ensuring suitable communications and engagement with affected members. The IPSA Chair and officials attend Trustees meetings as required. • IPSA lawyers and Sackers worked collaboratively on drafting and reviewing the new Rules. Sackers will also provide legal advice and review the IPSA redress scheme rules, which are expected to mitigate unintended tax consequences for PCPF McCloud members. • Financial costs relating to the project are scrutinised by the Joint Working Group. • The McCloud project is led by IPSA on policy, and they have appointed external specialist contractors to support with policy decisions and project management.

	• IPSA have agreed to provide and fund one to one financial guidance meetings for members via Origen who are the provider for the financial education seminars to help members understand their choice. These meetings started in December 2023 and have continued into 2024.
Failure to maintain funding level of 100%	• Triennial valuations and annual funding level reports are provided by GAD. The triennial valuation provides the Trustees with an updated scheme funding level. Following the valuation results, a review of the investment strategy is undertaken. • The initial results of the actuarial valuation of the scheme as at 1 April 2023 showed that the scheme was 122% funded. • Maintaining 100% funding level is one of the Fund's current objectives and this is a key focus for the Investment advisors. • Trustees hold four investment focussed meetings per year to allow sufficient review of investment strategy and performance.
Failure to comply with legislative requirements surrounding responsible investment and climate change	• Trustees are guided by their professional advisers who provide detailed technical knowledge about changes to investment and pension legislation and impact on PCPF. • Trustees appointed an investment and governance specialist within the Secretariat who provides additional focused support, specifically in the responsible investment area.
Failure of assets to provide enough income to pay monthly benefits or to pay lump sum benefits due on retirement or death.*	• Investment strategy is focused on moving assets into investment vehicles that meet the Fund's income requirements. • Hymans and Buck monitor cash flow closely. The Administrator highlights any concerns about liquidity to the Secretariat. • Hymans review the liquidity position of the PCPF and make recommendations to the Fund's cash flow policy. • The Trustees have agreed to invest in a buy and maintain credit mandate to support cash flow immediately following a General Election. The Fund also has a diversified strategy which helps to reduce the risk of forced selling and crystalising losses.
Failure to interpret PCPF rules correctly	• Pension Scheme Lawyers are appointed to provide detailed technical scheme and legislative knowledge. • The administrator refers technical cases to Secretariat for additional oversight. Secretariat take advice from, or refer cases to, actuaries & pension lawyers where required.
Failure to govern according to TPR best practice and wider legislation	• Trustees and Secretariat are regularly trained, and all Trustees are aware of the recommendation to complete the TPR Trustee Toolkit. • Trustees appoint specialist third party advisers who apprise Trustees and Secretariat of relevant changes to legislation.
Fraud/Fraudulent behaviour	• The Fund participates in the National Fraud Initiative to assist in the prevention and detection of fraud by the membership. The Fund Membership includes high profile members which means the Secretariat generally become aware of deaths. • The risk of fraud by individuals within the Fund is minimised through the annual audit process, internal control systems and by following House of Commons Finance and procurement rules or other processes as approved by the Trustees or Managing Director of Finance.

*New risk identified in 2023-24

Financial management

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

Procurement

The Trustees were due to undertake a tender exercise following the year end, with the new legal contract due to start from 1 September 2024. However, the announcement of a July 2024 General Election meant that this work was postponed. The tender exercise is now expected to take place during 2024-25 Fund year.

The Trustees are supported by the Secretariat and the Parliamentary Commercial Directorate (PCD) to ensure that tender exercises follow public procurement guidelines wherever practical and comply with relevant overriding legislation, ensuring equal treatment, non-discrimination and transparency.

Fund Administration

During the Fund year, Gallagher Benefit Services undertook the administration, Fund accounting, and the calculation and payment of all pension benefits. Gallagher Benefit Services are delegated to approve pension awards for routine retirement (including normal or actuarially reduced early retirement). The Trustees only approve pension awards in other circumstances, for example on ground of ill health. The Trustees have free access to all documents and records maintained by their administrators, on their behalf.

The Fund administrators refer complex or unusual cases to the Secretariat to review. In some technical cases further review is undertaken by the Fund's actuarial and/or legal advisers to ensure that the benefits have been calculated in accordance with the Fund's rules and legislative requirements. The Secretariat meet regularly with Gallagher Benefit Services to discuss performance against the contractual service level agreements. The Trustees reviewed the administration reports provided by Gallagher Benefit Services at their ordinary Trustee meetings in July 2023, October 2023, December 2023 and March 2024.

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

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

Custody of Assets

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

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

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

Review of effectiveness

The Trustees have responsibility for reviewing the effectiveness of the system of internal control. Our review of internal control effectiveness is informed by the work of the Secretariat, who have been tasked with the development and maintenance of the control framework. On behalf of the Trustees, the Secretariat are responsible for the management of all of the Trustees third party contracts and ensuring they meet their contractual requirements. This includes engagement with and monitoring of the Fund administrator and Custodian reports.

In authorising investment managers to make investments on our behalf, the Trustees receive sufficient information to make informed decisions and to understand the risks associated with those investments. Specifically, they take advice from Hymans Robertson LLP and receive regular updates as to the investment managers' performance and movement of the Fund's assets. The Fund's actuarial liabilities are measured by the Government Actuary's Department (GAD) and reported to the Trustees via the Actuarial Valuation every three years. A triennial actuarial valuation as at 1 April 2023 was completed during the Fund year.

The value of liabilities has been calculated as at 31 March 2024. The report from the Actuary on the pensions liability as at 31 March 2024 is included in these accounts on pages 58 to 64.

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

The organisations that provide the Fund's secretariat, custodianship and administration functions are subject to review by their respective organisations' internal audit units, which operate to relevant professional Internal Audit Standards.

No relevant internal audit work was undertaken during the Fund year. However, in 2022/23 the House of Commons' internal audit team undertook an audit of the Members Estimate Control Framework, which included an assessment of the controls and governance processes in relation to the payment of the PCPF exchequer contribution for which the PCPF Secretariat are responsible. The resultant internal audit report provided a "substantial" level of assurance for the areas audited due to the clarity over scope and responsibilities internally within the House and by third parties contracted to deliver services and appropriate assurance was obtained over the administrator's internal controls. The report also stated that operational processes helped to ensure compliance with rules and policies and supported good quality governance and senior management oversight.

On behalf of the Trustees, the Secretariat review independent reports on internal operational controls for the custodian and the administrator where appropriate. During the Fund year, the Secretariat have reviewed Buck's (now Gallagher) internal controls report for the year ending 30 April 2024, which was made available in Summer 2024.

Trustee performance

All the Trustees have appropriate skills and knowledge and can give enough time to be effective in their role. As outlined above, the Secretariat organise regular training for the Trustees throughout the year. This training is tailored to the needs of the Trustees to ensure that Trustees are well informed at the right time to ensure efficient and effective decision making.

The Trustees review policies and procedures on a regular basis to strengthen their governance responsibilities and this also ensures that decisions can be made in accordance with agreed policies. The policies that were reviewed during the Fund year are outlined above on pages 26 to 29.

While the Trustees maintain overall responsibility for the management of the Pension Fund, on a day-to-day basis, this is delegated to the PCPF Secretariat. Every three years the Secretariat prepare a business plan for review and approval by the Trustees. This contains Trustee objectives and areas of focus for the upcoming three year period. The Secretariat's performance is assessed by the Trustees on a regular basis by reporting against the PCPF Business Plan, which includes key milestones and performance indicators for the Secretariat. This regular process of review of business plan objectives assists with an evaluation of how the Fund is being managed by the Trustees as well as their overall strategic direction. The Managing Director of the Finance, Portfolio and Performance team at the House of Commons maintains oversight over the work of the Secretariat and attends, and contributes to, all meetings.

As stated above, during the Fund year the Trustees agreed a new Business Plan for 2023-26. This includes a new milestone to undertake a Trustee Board effectiveness review to provide further insight into how the Board operates and where improvements can be made.

Conclusion

I am satisfied that during 2023-24 there have been no significant control issues relating to the management of the Fund's assets or the administration of pensions and there have been no implications for the effectiveness of the Fund's internal controls. The Fund has also complied with Corporate governance in central government departments: code of good practice, where applicable, specifically in relation to board effectiveness and risk management.

Approved on behalf of the Trustees on 5 December 2024 by:

Sir Brian H Donohoe
Chairman of Trustees

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

Opinion on financial statements

I certify that I have audited the financial statements of the Parliamentary Contributory Pension Fund (the Fund) for the year ended 31 March 2024 under the Schedule 1 of the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.

The Fund's financial statements comprise the Fund's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 March 2024 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Schedule 1 of the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 and the Accounts Direction given by the Comptroller and Auditor General under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (Schedule 1, Paragraph 16).

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law, Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom and Practice* and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Fund is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Accountability Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit: the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Accountability Report.

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

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

Responsibilities of the Trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for:

- maintaining proper accounting records;

- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Fund from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the Accounts Direction issued by the Comptroller and Auditor General under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (Schedule 1, Paragraph 16);
- preparing the Accountability Report in accordance with the Accounts Direction issued by the Comptroller and Auditor General under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (Schedule 1, Paragraph 16); and
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees anticipate that the services provided by the Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Schedule 1 of the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Fund's accounting policies.
- inquired of management, the Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Fund's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Fund's controls relating to the Fund's compliance with the

the Constitutional Reform and Governance Act 2010; the Public Service Pensions Act 2013 and the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993;

- inquired of management, the Fund's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Fund for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Fund's framework of authority and other legal and regulatory frameworks in which the Fund operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Fund. The key laws and regulations I considered in this context included the Constitutional Reform and Governance Act 2010, Public Service Pensions Act 2013 and Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.

I considered the control environment in place at the Fund, the administrator and the Fund's actuary, and how this impacted membership data, the pension liability, contributions and benefits payable.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Trustees and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance; and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

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

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

Gareth Davies **Date 10 December 2024**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2024

	Note	2023-24	RESTATED 2022-23
Income		**£000**	£000
Contributions receivable	6	**14,579**	13,808
Transfers in	7	**930**	496
Other pension income		**10**	4
		15,519	14,308
Expenditure			
Service cost	8	**(17,400)**	(37,100)
Enhancements		**(300)**	(200)
Pension financing cost	9	**(34,600)**	(28,100)
Transfers in - additional liability	10	**(930)**	(496)
Management expenses	11	**(2,632)**	(2,780)
		(55,862)	(68,676)
Finance income			
Investment income	12	**27,260**	10,171
Change in market value of investments	13	**68,707**	(42,263)
		95,967	(32,092)
Net income / (expenditure)		**55,624**	(86,460)
Other comprehensive net income			
Pension re-measurements			
- Actuarial (loss) / gain	22	**(12,700)**	339,300
Total comprehensive net Income		**42,924**	252,840

The notes on pages 41 to 67 form part of these accounts.

The Combined Statement of Comprehensive Net Expenditure, and the relevant supporting notes, as at 31 March 2023 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 23 to the financial statements.

Statement of Financial Position as at 31 March 2024

Non-current assets	Note	2023-24 £000	RESTATED 31 March 2023 £000	RESTATED 1 April 2022 £000
Financial assets	14	**842,803**	778,857	828,908
Cash and cash equivalents	14,15	**15,846**	2,656	3,137
Accrued income	14	**1,074**	899	643
Additional voluntary contribution assets	18	**2,287**	2,208	2,204
Total non-current assets		**862,010**	784,620	834,892
Current assets				
Receivables	19	**1,237**	1,523	1,156
Cash	19	**2,475**	3,670	3,938
Total current assets		**3,712**	5,193	5,094
Total assets		**865,722**	789,813	839,986
Current liabilities				
Payables (within 12 months)	20	**(1,108)**	(1,723)	(2,036)
Total current liabilities		**(1,108)**	(1,723)	(2,036)
Non-current assets plus net current assets		**864,614**	788,090	837,950
Non-current liabilities				
Provision for pension liability	22	**(785,200)**	(751,600)	(1,054,300)
Total non-current liabilities		**(785,200)**	(751,600)	(1,054,300)
Assets less liabilities		**79,414**	36,490	(216,350)
Taxpayers Equity				
General Fund		**79,414**	36,490	(216,350)

The Statement of Financial Position, and the relevant supporting notes, as at 1 April 2022 and 31 March 2023 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 23 to the financial statements.

The financial statements on pages 37 to 67 were approved by the Trustees on:
Signed on behalf of the Trustees by:

Sir Brian H Donohoe **5 December 2024**
Chair of Trustees

Statement of Cash Flows for the Year Ended 31 March 2024

Cash flows from operating activities	2023-24 £000	RESTATED 2022-23 £000
Net income/(expenditure) for the year	**55,624**	(86,460)
Adjustments for non-cash transactions		
Change in market value of investments and gains	**(68,707)**	42,263
Less: market value of movements on cash equivalents	**(112)**	546
(Increase)/decrease in receivables		
Increase in accrued investment income receivable	**(175)**	(256)
Decrease / (Increase) in trade and other receivables	**286**	(367)
Increase/(decrease) in payables		
Decrease in trade and other payables	**(615)**	(313)
Increase in pension provision	**20,900**	36,600
Net cash outflow from operating activities	**7,201**	(7,987)
Cash flows from investment activities		
Purchase of investment assets	**(155,497)**	(57,098)
Proceeds of disposal of investment assets	**160,291**	64,337
Net cash inflow from investment activities	**4,794**	7,238
Net Increase / (decrease) in cash and cash equivalents	**11,995**	(749)
Cash and cash equivalents at the beginning of the year	**6,326**	7,075
Cash and cash equivalents at the end of the year *	**18,321**	6,326

* Totals are made up of cash at bank 2024: £2,475k (2023: £3,670k) and cash and cash equivalents note 15 2024: £15,846k (2023: £2,656k) totalling 2024: £18,321k (2023: £6,326k).

The Combined Statement of Cash Flows, and the relevant supporting notes, as at 31 March 2023 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 23 to the financial statements.

The notes on pages 41 to 67 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2024

	2023-24 £000	RESTATED 2022-23 £000
Balance as at 1 April 2022 As previously stated		(202,150)
Prior period adjustment		(14,200)
As restated		(216,350)
Balance as at 1 April 2023	**36,490**	(216,350)
Comprehensive net (expenditure) / income for the year	**55,624**	(86,460)
Actuarial gain	**(12,700)**	339,300
Net change in taxpayers' equity	**42,924**	252,840
Balance as at 31 March	**79,414**	36,490

The Combined Statement of Changes in Taxpayers' Equity, and the relevant supporting notes, as at 31 March 2023 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 23 to the financial statements.

Notes to the Financial Statements

1. Description of the Fund

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

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

The Fund is established as a Trust under English Law. The address for enquiries to the Fund is included on page 10.

A further description of the Fund and relevant legislation can be found in the Annual Report of the Trustees on pages 2 to 5 and on the Fund's website www.mypcpfpension.co.uk.

2. Basis of Preparation

The PCPF is effectively underwritten by the taxpayer with deficits financed by increased contributions agreed between the Trustees, IPSA, the MCS and the Actuary. The Trustees are not aware of any plan by IPSA or MCS to wind up the MPs' or Ministers' Pension Schemes and as such, the Trustees are satisfied that the Fund will continue to operate as a going concern and the financial statements have been prepared on that basis.

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

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

The Statement of Accounts summarises the Fund's transactions for the 2023-24 financial year and its position at year-end as at 31 March 2024.

3. Accounting Policies

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

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

Notes to the Financial Statements (continued)

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

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

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

d. Management expenses

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

e. Investment income

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

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

   Income from cash and short-term deposits is accounted for on an accruals basis.

   The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

f. Investments

   Financial assets are included in the Statement of Financial Position on a fair value basis as at the reporting date. A financial asset is recognised in the Statement of Financial Position on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the Statement of Financial Position.

   The values of investments as shown in the Statement of Financial Position have been determined as follows:

   Quoted investments are stated at the bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the Statement of Financial Position.

   Unquoted securities are valued by each fund manager at the year-end in accordance with accounting guidelines.

   Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published, or if single priced, at the closing single price.

   Changes in fair value are included in change in market value where the economic purpose of the contracts relates to assets. Where the economic purpose relates to income, the change in fair value is included in investment income.

Notes to the Financial Statements (continued)

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

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

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

g. Foreign currencies

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

Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

h. Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

i. Long term liability – pension provision

A long-term liability is a liability that is not due within one year. The pension liability and interest on the liability for the Fund are valued on an IAS 19 basis for inclusion in the accounts. The liability is shown in note 22.

4. Critical Judgements In Applying Accounting Policies

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

Pension fund liability

The pension fund liability is calculated by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

Notes to the Financial Statements (continued)

McCloud/Sargeant Case

The McCloud case is significant for the PCPF accounts and further information about the Fund's proposed response to McCloud is available within the Trustees report on page 3.

GAD have included an estimated McCloud cost in the liabilities as at 31 March 2024. This allowance covers the full period from 8 May 2015 to 31 March 2023 and is consistent with the allowance made in the liability as at 31 March 2023. No allowance was made in the 2023-24 Current Service Cost as the Remedy Period ceased on 31 March 2023.

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

Unquoted investments

It is important to recognise the highly subjective nature of determining the fair value of unquoted investments. There is a lack of trading prices for underlying investments for these funds. Assets are valued by each fund's respective fund administrator, which in turn is used to determine the Fund Net Asset Value. This is subject to internal scrutiny in accordance with each managers' processes, which may include the use of independent valuations.

The Fund invests in unquoted assets through M&G European Loan Fund, M&G Illiquid Credit Opportunity Fund, BlackRock Renewable Infrastructure Fund, Foresight Energy Infrastructure Partners, Barings Global Private Loan Fund and through the UK property investments with BlackRock, Schroders and UBS. For all of these investments, the managers provide valuations to the custodian, Northern Trust, and this information feeds into regular reporting to the Trustees. The Trustees' investment consultants, Hymans Robertson, carry out high level checks to test the reasonableness of these valuations on a quarterly basis and flag any valuations which don't seem sensible. The total value of the Fund's unquoted assets at 31 March 2024 was £272.0m (£239.3m as at 31 March 2023).

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

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

Notes to the Financial Statements (continued)

The items in the Statement of Financial Position at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows.

Item	Uncertainty	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consulting actuaries are engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • A change in the rate of return in excess of earnings of -1% a year, would result in a increase in the pension liability of £8m; • A change in the rate of return in excess of pensions of -1% a year, would increase the value of liabilities by £111m; and • A two year increase in assumed life expectancy would increase the liability by approximately £61m.
McCloud response	It should be noted that there is considerable uncertainty around the potential additional costs as a result of the McCloud response, as although the response is known, member choices are uncertain.	The figures are still highly sensitive to assumptions around short term earnings growth. No allowance has been included in our calculation of the past service cost to reflect this potential variation, however it is noted that the cost could be higher / lower than the calculated provision.

6. Contributions receivable

	2023-24 **£000**	2022-23 £000
Members		
Normal	**6,499**	6,268
Purchase of added years	**325**	68
Additional voluntary contributions	**3**	-
Employer (Exchequer)		
Normal	**7,752**	7,472
	14,579	13,808

Following the 2020 valuation, the contribution rate required from the Exchequer from 1 April 2021 was maintained at 12.9%. Member contribution rates vary and are set out on pages 2 and 3. Following the Fund year end the Exchequer contributions were calculated to be £648k per month for 2023-24.

7. Transfers in

	2023-24 **£000**	2022-23 £000
Individual transfers in from other schemes	**930**	496

Notes to the Financial Statements (continued)

8. Service Cost (see also note 22 Table E)

	2023-24	2022-23
	£000	£000
Current service cost	**(17,200)**	(37,100)
Past service cost	**(200)**	-
	(17,400)	(37,100)

9. Pension financing costs (see also note 22 Table E)

	2023-24	2022-23
	£000	£000
Net interest on defined benefit liability	**(34,600)**	(28,100)
	(34,600)	(28,100)

10. Transfers in - additional liability (see also note 22 Table E)

	2023-24	2022-23
	£000	£000
Individual transfers in from other schemes	**(930)**	(496)

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Combined Statement of Comprehensive Net Income as expenditure as part of the movements in the provision during the year.

11. Management Expenses

	2023-24	2022-23
	£000	£000
Trustees expenses and Secretariat costs	**(314)**	(294)
Third party administration and advisor fees	**(204)**	(208)
Actuarial fees	**(449)**	(276)
Legal fees	**(192)**	(381)
External Audit fee	**(98)**	(85)
Other professional fees	**-**	(232)
Investment management basic fees	**(1,069)**	(781)
Investment management performance fees	**(6)**	(306)
Custody fees	**(86)**	(49)
Investment consultancy	**(214)**	(168)
	(2,632)	(2,780)

Other professional fees relate to project costs totalling £nil (2023: £669k) in respect of McCloud fees that are being paid by the Fund, of which £nil (2023: £437k) is being reimbursed by IPSA.

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

Notes to the Financial Statements (continued)

12. Investment income

	2023-24 £000	2022-23 £000
Equities	**2,494**	2,282
Pooled investment vehicles	**24,460**	7,835
	26,954	10,117
Interest on cash held on deposit	**306**	54
	27,260	10,171

13. Change in market value of investments

	Note	2023-24 £000	2022-23 £000
Defined benefit assets	14	**68,491**	(42,255)
Additional voluntary contribution assets	18	**216**	(8)
		68,707	(42,263)

14. Investment movements

	Market value at 1 April 2023 £000	Purchases at cost £000	Sales proceeds £000	Change in Market Value £000	Market value at 31 March 2024 £000
Equities	132,276	19,473	(21,033)	12,038	**142,754**
Pooled investment vehicles	646,581	136,021	(139,118)	56,565	**700,049**
	778,857	155,494	(160,151)	68,603	**842,803**
Cash and cash equivalents	2,656			(112)*	**15,846**
Accrued income	899				**1,074**
	782,412			68,491	**859,723**

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

Transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include commission charges as follows:

	2024 £	2023 £
Equities	**9,477**	4,370

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. These are not separately provided to the Fund. The amount recorded in the derivative payments and receipts are the settlements of each leg of the transactions settled in the year which relate to the gross nominal exposure of the contracts rather than their market value.

Notes to the Financial Statements (continued)

Investments analysed by Fund Manager

Fund Manager	Market value 2024 £000	% of investments	Market value 2023 £000	% of investments
Equities				
MFS International (UK) Ltd	**144,628**	16.8	134,329	17.2
Pooled investment vehicles				
BlackRock Low Carbon Fund	**189,155**	22.0	180,230	23.0
Schroders Multi-Factor Equity	**147,063**	17.1	129,735	16.6
Insight Buy & Maintain	**98,967**	11.5	-	-
M & G European Loans Fund	**81,762**	9.5	78,983	10.1
UBS Global Asset Management	**37,798**	4.4	27,195	3.5
Barings	**35,638**	4.2	23,814	3.0
Foresight Group LLP	**28,295**	3.3	22,706	2.9
BlackRock Global Renewable Power Fund	**27,467**	3.2	17,761	2.3
M & G ICOF	**25,219**	2.9	29,217	3.7
BlackRock UK Property Fund	**23,680**	2.8	25,353	3.2
Schroder Exempt Property Unit Trust Fund	**13,184**	1.5	14,516	1.9
Northern Trust Cash	**6,842**	0.8	797	0.1
Pimco Europe Ltd	**12**	-	12	-
Pimco Global Libor Plus Fund	**10**	-	53,838	6.9
BlackRock UK Gilts Fund	**3**	-	43,926	5.6
	859,723	**100.0**	782,412	100.0

Investments analysed by asset or liability type

Investment assets	2023-24 £000	2022-23 £000
Equities		
UK quoted	**12,085**	9,922
Overseas quoted	**130,669**	122,304
Rights / warrants	**-**	50
	142,754	132,276
Pooled investment vehicles		
UK – equity	**335,733**	309,486
UK – property	**74,463**	66,859
Private debt	**34,867**	23,808
Illiquid credit	**25,219**	29,217
Renewable infrastructure	**27,399**	17,758
Energy infrastructure	**28,240**	22,706
European Loans	**81,762**	78,983
Buy & Maintain	**92,366**	-
UK – bond	**-**	43,926
Overseas – bond	**-**	53,838
	700,049	646,581
Other investment assets		
Cash and cash equivalents	**15,595**	2,331
Pending sales	**555**	325
Accrued income	**1,074**	899
	17,224	3,555
Total investment assets	**860,027**	782,412

Notes to the Financial Statements (continued)

Investments analysed by asset or liability type (continued)

	2023-24 £000	2022-23 £000
Other investment liabilities		
Pending purchases	**(304)**	-
	(304)	-
Total investment liabilities	**(304)**	-
Net investment assets	**859,723**	782,412

Classification of Financial Instruments

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

	Fair value though profit and loss	**Amortised Cost**	**Financial liabilities at amortised cost**	**Fair value though profit and loss**	**Amortised Cost**	**Financial liabilities at amortised cost**
	31 March 2024			**31 March 2023**		
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Financial assets						
Equities	142,754	-	-	132,276	-	-
Pooled investment vehicles	700,049	-	-	646,581	-	-
Additional voluntary contributions	2,287	-	-	2,208	-	-
Cash and cash equivalents	-	18,070	-	-	6,001	-
Other investment balances	555	-	-	325	-	-
Trade and other receivables	-	1,237	-	-	1,523	-
	845,645	**19,307**	**-**	**781,390**	**7,524**	**-**
Financial liabilities						
Other investment balances	-	-	(304)	-	-	-
Trade and other payables	-	-	(1,108)	-	-	(1,723)
	-	**-**	**(1,412)**	**-**	**-**	**(1,723)**
Total	**845,645**	**19,307**	**(1,412)**	**781,390**	**7,524**	**(1,723)**

Notes to the Financial Statements (continued)

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

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

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

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

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

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

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

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

Values at 31 March 2024	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Equities				
UK quoted	12,085	-	-	**12,085**
Overseas quoted	130,669	-	-	**130,669**
Pooled investment vehicles				
Equity	-	335,733	-	**335,733**
Property	-	-	74,463	**74,463**
Private Debt		-	34,867	**34,867**
Illiquid credit	-	-	25,219	**25,219**
Infrastructure	-	-	55,639	**55,639**
European Loans	-	81,762	-	**81,762**
Buy & Maintain	-	92,366	-	**92,366**
Other investment balances	17,224	-	-	**17,224**
Total financial assets	**159,978**	**509,861**	**190,188**	**860,027**
Financial liabilities				
Other investment balances	(304)	-	-	(304)
Total financial liabilities	**(304)**	**-**	**-**	**(304)**
Net financial assets	**159,674**	**509,861**	**190,188**	**859,723**

Notes to the Financial Statements (continued)

Values at 31 March 2023	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Equities				
UK quoted	9,922	-	-	**9,922**
Overseas quoted	122,304	-	-	**122,304**
Rights / warrants	50	-	-	**50**
Pooled investment vehicles				-
Equity	-	309,486	-	**309,486**
Bonds	-	*97,764	-	**97,764**
Property	-	-	66,859	**66,859**
Private Debt	-	-	*23,808	**23,808**
Illiquid Credit	-	-	*29,217	**29,217**
Infrastructure	-	-	*40,464	**40,464**
European Loans	-	*78,983	-	**78,983**
Other investment balances	3,555	-	-	**3,555**
Total financial assets	**135,831**	**486,233**	**160,348**	**782,412**
Financial liabilities				
Other investment balances	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**
Net financial assets	**135,831**	**486,233**	**160,348**	**782,412**

**Reclassified to correct the investment category, the values have not changed.*

The following table presents the changes in level 3 items for the periods ended 31 March 2024 and 31 March 2023:

	Property	**Private Debt**	**Illiquid Credit**	**Infrastructure**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Opening 2022	**81,319**	**-**	**33,785**	**14,631**	**129,735**
CIMV*	(14,460)	1,172	(4,568)	1,763	**(16,093)**
Additions	-	22,642	-	24,384	**47,026**
Disposals	-	(6)	-	(314)	**(320)**
Closing 2023	**66,859**	**23,808**	**29,217**	**40,464**	**160,348**
CIMV*	(4,893)	677	(3,998)	1,862	**(6,352)**
Additions	12,500	11,711	-	13,688	**37,899**
Disposals	(3)	(1,329)	-	(375)	**(1,707)**
Closing 2024	**74,463**	**34,867**	**25,219**	**55,639**	**190,188**

***** CIMV – Change in Market Value

Notes to the Financial Statements (continued)

15. Cash and cash equivalents

	2023-24	2022-23
	£000	£000
Balance at 1 April	**2,656**	3,137
Net change in cash balances	**13,190**	(481)
Balance at 31 March	**15,846**	2,656

The following balances at 31 March were held at:

Short term investments	**14,440**	2,108
Other cash balances	**1,406**	548
	15,846	2,656

16. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will not be sufficient to meet the payment of benefits promised to members (i.e. meet the liabilities) in full as they fall due. The primary objective of investment risk management is to reduce, or remove, the risk that the Fund's assets will be insufficient to meet the liabilities in full. In order to meet the risk management objective, strategic requirements for asset growth, income generation and capital preservation must be balanced. The Fund aims to minimise risk through asset diversification to reduce market risk exposure (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. This is supported by management of liquidity risk to ensure that there is sufficient liquidity to meet the Fund's shorter-term obligations. The Trustees manage these risks as part of their overall risk management policy.

Overall responsibility for the Fund's risk management strategy resides with the Trustees, although day to day management is delegated to the Secretariat. The Fund's risk management processes are reviewed regularly to ensure they remain appropriate.

Market risk

Market risk is the risk of loss from variations in equity prices, interest and foreign exchange rates, property or infrastructure values and credit spreads. The Fund is exposed to market risk through the investments within the overall portfolio. The overall level of risk exposure depends on market conditions, expectations of future prices and yields and the extent of diversification across the portfolio. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

Market risk – Currency risk

The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pound sterling, and the Fund's primary exposure to currency risk is via its overseas equity holdings.

The 1 year expected standard deviation for an individual currency as at 31 March 2024 is 9.3%. This assumes no diversification with other assets and, in particular, that interest rates remain constant. This is a slight decrease of the measure of currency risk as at 31 March 2023 of 9.9%.

Notes to the Financial Statements (continued)

Market risk – Other price risk

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

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

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

Table 1: Parliamentary Contributory Pension Fund – Other price risk

Asset class	1 year expected volatility (%)	% of Fund	Asset values as at 31 March 2024 (£m)
UK equities	16.0	1.4	12.1
Global equities	16.7	55.0	468.7
Infrastructure Equity	13.6	6.4	54.1
Property	15.6	8.8	75.2
Corporate bonds / Non-Gilts (short term)	3.2	9.6	82.3
Corporate bonds / Non-Gilts (medium term)	7.0	1.2	10.1
Senior Loans	8.8	9.6	81.8
High Yield Debt	8.3	6.9	58.8
Cash/short duration derivative instruments	0.3	1.1	9.3
Total Fund volatility	**10.7**	**100.0**	**852.4**

Note: Asset values are as at 31 March 2024. Numbers may not sum due to rounding. Asset values are sourced from Northern Trust and also includes the balance of the Trustees' bank account totalling £2.5m as at 31 March 2024.

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

Notes to the Financial Statements (continued)

Market risk - Interest rate risk

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

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

Table 2: Parliamentary Contributory Pension Fund – Interest Rate Risk

Asset class	Duration (years)	Asset values as at 31 March 2024 (£m)
Corporate bonds/Non-Gilts (short term)	2.5	82.3
Corporate bonds/Non-Gilts (medium term)	7.2	10.1
Senior Loans*	2.9	81.8
High Yield Debt	2.1	58.8
Total bond investments	**2.9**	**233.0**

Note: Underlying data sourced from investment managers (Insight, M&G and Barings) as at 31 March 2024. Numbers may not sum due to rounding. *Spread duration used for M&G European Loans and Illiquid Credit funds.

Credit risk

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

The Fund is exposed to direct credit risk in relation to the Fund's bank account, custodian and investment managers who are appointed to manage the Fund's investments. The Fund has had no experience of default or uncollectable deposits in recent years from its cash holdings. The Fund's cash holdings as at 31 March 2024 was £23.0m, as shown in the table below.

Table 3: Parliamentary Contributory Pension Fund – cash holdings

Summary	Rating (S&P)	Asset values as at 31 March 2024 (£m)
Money market funds: Northern Trust	A1+	6.9
Bank current accounts: Royal Bank of Scotland	A1	2.5
Net cash equivalents: Investment managers	n/a	13.6
Total		**23.0**

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

Notes to the Financial Statements (continued)

The Fund is also exposed to indirect credit risk in relation to underlying investments in which the Fund is invested, including the buy & maintain credit mandate managed by Insight, the European Loans and Illiquid credit mandates managed by M&G and the private debt mandate managed by Barings. The management of this indirect credit risk is delegated to the Fund's investment managers. The market values of investments in these mandates generally include an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets. A summary of the Fund's indirect credit risk exposures is also provided below (please note that the entire Barings private debt investment has been classed as 'not rated'):

Table 4: Parliamentary Contributory Pension Fund – Indirect Credit Risk

Credit rating of bond investments	Asset values as at 31 March 2024 (£m)	% of Bond investments
AAA	<0.0	<0.0%
AA	5.4	2.3%
A	36.3	15.6%
BBB	51.8	22.2%
BB	10.3	4.4%
BB-	5.0	2.1%
B+	7.9	3.4%
B	48.5	20.8%
B-	14.0	6.0%
CCC+ and below	4.1	1.8%
Cash or cash equivalents	13.6	5.9%
Not rated	36.1	15.5%
Total	**233.0**	**100.0%**

Note: Asset values are as at 31 March 2024. Numbers may not sum due to rounding. Asset values are sourced from Northern Trust. Credit ratings are sourced from Insight, M&G and Barings.

Liquidity risk

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

The majority of the Fund's direct and underlying investments are made up of listed securities which are considered readily realisable as they are listed on major security exchanges.

The Fund invests in an illiquid credit fund managed by M&G, in which capital was committed for a period of 3 years. This period has come to an end and the fund is currently winding up. The fund operates a redemption process on a quarterly basis, subject to 180 days' notice. The illiquid credit fund does, however, distribute income supporting the Fund's cashflow obligations. The Fund has committed 5% of assets to the Barings Global Private Loan fund, as a direct replacement for the M&G illiquid credit fund. The Barings fund has an initial 4-year investment period, with a total fund term of 8 years.

Notes to the Financial Statements (continued)

In addition, 5% of Fund assets has been committed to the BlackRock Renewable Energy Infrastructure fund. After an initial 5-year investment period, the BlackRock fund will begin returning capital back to the Fund, with the total repayment period expected to last 7 years after the initial 5 year investment period. A further 5% of Fund assets has been committed to the Foresight Energy Infrastructure Partners fund which has a 10-year term before capital will be returned to investors.

The Fund has no further holdings in illiquid assets such as private equity or directly held property yet. The Fund also invests in certain assets that provide income which is used to support the Fund's cash flow obligations.

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

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

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

17. Concentration of investment

The Fund held the following investments which had a value exceeding 5% of the total value of assets less liabilities (excluding the long-term liability) as at 31 March 2023 and as at 31 March 2024.

	Market Value 2023-24	**% of Net Assets 2023-24**	Market Value 2022-23	% of Net Assets 2022-23
Pooled Investment Vehicles	**£000**		£000	
BlackRock Pensions Management	**188,699**	**21.9**	179,779	23.0
Schroders Pensions Management – MFE	**147,033**	**17.1**	129,707	16.6
Insight Buy & Maintain	**92,366**	**10.7**	-	-
M & G European Loan C	**81,762**	**9.5**	78,983	10.1

Notes to the Financial Statements (continued)

18. Additional Voluntary Contributions (AVCs)

The Trustees are responsible for administering an AVC Scheme whereby active members may make contributions to secure additional benefits to those provided by the Fund. These contributions are invested separately from the Fund, with outside providers Utmost and or Zurich securing additional benefits on a money purchase basis for those members electing to pay AVCs. Although the Trustees withdrew the option for Active members to pay AVCs to Equitable a number of years ago, some members retained their funds with them, and these are now held with Utmost. Fund members who have AVCs invested with Utmost and Zurich, receive an annual statement confirming the amounts held in their accounts and the movements in the year. The aggregate movements and amounts of AVC investments are as follows:

	2023-24	2022-23
	£000	£000
AVC investments as at 1 April	**2,208**	2,204
AVC contributions purchases	**3**	42
AVC sales	**(140)**	(30)
Change in market value	**216**	(8)
AVC investments as at 31 March	**2,287**	2,208
Market value of AVC investments by provider		
Utmost	**1,019**	987
Zurich	**1,268**	1,221
	2,287	2,208

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

19. Current assets

	2024	2023
	£000	£000
Receivables		
Contributions due to Fund:		
Member normal contributions	**560**	513
Employer normal contributions	**648**	625
Member added years	**-**	-
McCloud Project reimbursement due from IPSA	**23**	369
Overpaid pension	**-**	9
Provision for overpaid Guaranteed Minimum Pension (GMP) owed by members to the Fund	**3**	3
Bank interest receivable	**3**	4
	1,237	1,523
Cash		
Balance at 1 April	**3,670**	3,938
Net change in cash balances	**(1,195)**	(268)
Balance at 31 March	**2,475**	3,670
The following balances at 31 March were held at:		
Commercial banks and cash in hand	**2,475**	3,670

Notes to the Financial Statements (continued)

20. Current liabilities

(amounts due within one year)	**2024**	2023
	£000	£000
Lump sums and taxation	**(667)**	(696)
Administrative expenses	**(230)**	(369)
McCloud Project expenses	**-**	(369)
Investment management expenses	**(199)**	(277)
Provision for GMP owed to members	**(12)**	(12)
	(1,108)	(1,723)

21. Capital commitments

The Fund has outstanding investment capital commitments in relation to a renewable power infrastructure fund managed by BlackRock, a renewable energy infrastructure fund with Foresight, and a global private loan fund with Barings.

Commitments contracted for the year end but not recognised as liabilities:

	31 March 2024 Millions		31 March 2023 Millions	
BlackRock	**£10.7**	**$13.5**	£18.9	$23.4
Foresight	**£11.2**	**€13.1**	£17.0	€19.4
Barings	**£6.1**	**-**	£17.3	-

The Trustees confirm that there were no other outstanding capital commitments or contingent liabilities at 31 March 2024.

22. Actuarial Liability - IAS 19 Basis

The Parliamentary Contributory Pension Fund is an unfunded defined benefit scheme. The Government Actuary's Department (GAD) carried out an assessment of the Fund liabilities as at 31 March 2024. The Report of the Actuary on pages 5 to 7 sets out the scope, methodology and results of the work the actuary has carried out.

The Fund Trustees together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Fund Trustees should make available to the actuary in order meet the expected requirements of the Fund auditor. This information includes, but is not limited to, details of:

- Fund membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the Fund;
- income and expenditure, including details of expected bulk transfers into or out of the Fund; and
- following consultation with the actuary, the key assumptions that should be used to value the Fund liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

Notes to the Financial Statements (continued)

The key assumptions used by the actuary were:

	31-Mar-24	31-Mar-23	31-Mar-22	31-Mar-21	31-Mar-20
Rate of increase in salaries	4.00%	4.10%	4.65%	4.15%	3.75%
Rate of increase in pensions in payment and deferred pensions	2.75%	2.60%	3.15%	2.40%	2.00%
Inflation assumption	2.75%	2.60%	3.15%	2.40%	2.00%
Nominal discount rate	4.75%	4.65%	2.65%	1.95%	2.25%
Discount rate net of price inflation	1.95%	2.00%	-0.50%	-0.45%	0.25%

Life expectancy of normal health pensioners at age 60	31-Mar-24	31-Mar-23	31-Mar-22	31-Mar-21	31-Mar-20
Current retirements					
Females	30.3	30.2	30.1	30.2	30.1
Males	28.6	28.5	28.4	28.7	28.6
Life expectancy of normal health pensioners at age 65	**31-Mar-24**	**31-Mar-23**	**31-Mar-22**	**31-Mar-21**	**31-Mar-20**
Females	26.8	26.8	26.7	26.7	26.7
Males	25.3	25.2	25.1	25.4	25.3

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the Fund Trustees acknowledge that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 the Fund Trustees are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability overleaf.

Notes to the Financial Statements (continued)

Membership Data

Tables A and B summarise the principal membership data as at 1 April 2023 and 31 March 2024 used to prepare this statement.

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

1 April 2023			2023-24
Number	**Total salaries in membership data (pa) (£ million)**	**Total accrued pensions (£ million)**	**Total salaries (£ million)**
792	59.4	14.7	59.6

Table B – Deferred members and pensions in payment

	1 April 2023	
Category	**Number**	**Total pension (pa) (£ million)**
Deferreds	446	5.9*
Pensioners	1,127	28.8

*Total pension pa calculated as the sum of the a) the total pension pa for Deferred office holdings for active AMs (at date of valuation) of £0.6m plus b) the total pension pa for Deferreds (at date of leaving) of £5.3m.

Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of final salary benefits for active members, and the principal financial assumptions applying to the 2023-24 accounts. The contribution rate for accruing costs in the year ended 31 March 2024 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2022-23 accounts.

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

Principal financial assumptions

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

Table C – Principal financial assumptions

	31 March 2024 (% p.a.)	31 March 2023 (% p.a.)
Gross discount rate	4.75	4.65
Price inflation (CPI)	2.75	2.60
Earnings increases (excluding promotional increases)	4.00	4.10
Real discount rate (net of CPI)	1.95	2.00

Notes to the Financial Statements (continued)

Demographic assumptions

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2024 are based on those adopted for the 2023 funding valuation of the PCPF.

The standard mortality tables known as S3NxA are used. Mortality improvements are in accordance with those incorporated in the 2020-based principal population projections for the United Kingdom.

The contribution rate used to determine the accruing cost in 2023-24 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2022-23 accounts.
The table below shows the life expectancy of normal health pensioners at age 65 (years):

	As at 31 March 2024			**As at 31 March 2023**		
	Men	**Female member**	**Widows**	**Men**	**Female members**	**Widows**
Current pensioners	23.7	25.3	24.1	23.6	25.2	24.0
Future pensioners *	25.3	26.8	25.6	25.2	26.8	25.6

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

Liabilities

Table D summarises the assessed value as at 31 March 2024 of benefits accrued under the fund prior to 31 March 2024 based on the data, methodology and assumptions described in paragraphs D to J. The corresponding figures for the previous year end are also included in the table.

Table D – Statement of Financial Position

	31 March 2024 £ million	**Restated 31 March 2023 £ million**	**Original 31 March 2023 £ million**
Total market value of assets (excl AVC'S)	862.5	785.9	785.9
Value of liabilities	(785.2)	(751.6)	(741.5)
Surplus / (deficit)	77.3	34.3	44.4
Funding Level	110%	105%	106%

Table E – Movement in actuarial liability

	2023-24 £ million	**Restated 2022-23 £ million**	**Original 2022-23 £ million**
Actuarial liability at start of year	751.6	1,054.3	1,040.1
Movement in the year due to			
Current service cost *	17.5	37.3	37.3
Past service cost	0.2	-	-
Net transfers in	(0.5)	(0.8)	(0.8)
Benefits paid	(30.9)	(28.0)	(28.0)
Interest on fund liability	34.6	28.1	27.7
Changes in assumptions	(0.1)	(407.7)	(402.2)
Experience gains or losses	12.8	68.4	67.4
Actuarial liability at end of year	**785.2**	**751.6**	**741.5**

* Current service cost, member contributions and enhancements (i.e. added pension contributions) are now shown as a single item

Notes to the Financial Statements (continued)

Pension Cost

The cost of benefits accruing in the year ended 31 March 2024 (the Current Service Cost) is based on a standard contribution rate of 28.8% (including member contributions but excluding expenses) (2023: 64.1%), as determined at the start of the year. Table G shows the standard contribution rate used to determine the Current Service Cost for 2023-24 and 2022-23.

Table F - History of experience gains/(losses)

	2023-24	2022-23 restated	2022-21	2021-20	2020-19
Experience gains/(losses) on the Scheme liabilities:					
Amount (£m)	(12.8)	(68.4)	(1.1)	30.9	4.5
Percentage of the present value of the Scheme liabilities	1.6	9.1	0.0	56.6	155.1
Total Amount recognised in Statement of Changes in Taxpayers Equity					
Amount (£m)	46.4	282.5	69.5	54.6	2.9
Percentage of the present value of the Scheme liabilities	5.9	37.6	6.7	5.4	0.3

Table G – Contribution Rate	Percentage of Pensionable Pay	
	2023-24	2022-23
Standard contribution rate (excluding expenses)	28.8%	64.1%
Members' contribution rate (average)	(11.1%)	(10.7%)
Employer's share of standard contribution rate (excluding expenses)	17.7%	53.4%

For the avoidance of doubt the employer's share of the standard contribution rate determined for the purposes of the accounts is not the same as the actual rate of contributions payable by the Exchequer, which was 12.9% over the 2023-24 year, but is now 10.5% following completion of the 1 April 2023 valuation. The actual rate payable was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is determined considering the assets held by the scheme and the expected returns on those assets. The discount rate for accounts is set each year in accordance with IAS19.

The pensionable payroll for the financial year 2023-24 was estimated as £59.6 million [2022-23: £57.9 million]. Based on this information, the accruing cost of pensions in 2023-24 (at 28.8% [2022-23: 64.1%] of pay) is assessed to be £17.2 million [2022-23: £37.1 million]. In addition, there is £0.3m of accrual in respect of additional pension purchased by members over this period.

Notes to the Financial Statements (continued)

Table H – Analysis of benefits paid

	31 March 2024 £ million	31 March 2023 £ million
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	(28.6)	(26.3)
Commutations and lump sum benefits on retirement	(2.3)	(1.7)
Total benefits paid	**(30.9)**	**(28.0)**

Table I – Analysis of payments to and on account of leavers

	31 March 2024 £ million	31 March 2023 £ million
Individual transfers out to other schemes	(1.4)	(1.3)
Total payments to and on account of leavers	**(1.4)**	**(1.3)**

Table J – Analysis of actuarial gain or loss

	2023-24 £ million	Restated 2022-23 £ million	Original 2022-23 £ million
Changes in assumptions underlying the present value of Scheme liabilities	0.1	407.7	402.2
Experience losses arising on the Scheme liabilities	(12.8)	(68.4)	(67.4)
Total actuarial (loss)/ gain	**(12.7)**	**339.3**	**334.8**

For the purpose of the 2023-24 Accounts, the McCloud cost was included in the start of the year liabilities. No allowance was made in the 2023-24 Current Service Cost as the Remedy Period ceased on 31 March 2023.

Sensitivity of results

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, the information below indicates the approximate effects on the actuarial liability as at 31 March 2024 of changes to the significant actuarial assumptions.

The principal financial assumptions are the real rates of return in excess of pension increases and earnings growth. A key demographic assumption is pensioner mortality.

Table K shows the indicative effects on the total liability as at 31 March 2024 of changes in these assumptions (rounded to the nearest ½%).

Notes to the Financial Statements (continued)

Table K – Sensitivity to main assumptions

Change in assumption*			Approximate effect on total liability	
Rate of return				
(i)	in excess of earnings:	-1% a year	+1.0%	£8 million
(ii)	in excess of pensions:	-1% a year	+14.0%	£111 million
Pensioner mortality				
(iii)	two additional years increase to life expectancy at retirement:		+8.0%	£61 million

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

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

23. Prior Period Adjustment

Due to misstatements made in previous accounts when calculating the IAS19 liability, GAD have restated the 2022-23 disclosures and the 2021-22 comparatives. The restated liability figures are £751.6 million and a surplus of £34.3 million as at 31 March 2023 and a restated liability of £1,054.3m as at 1 April 2022. The unadjusted figures were £741.5 million and £44.4 million respectively for 31 March 2023 and £1,040.1m for 1 April 2022. The restated figures allows for the revaluation of deferred MPs' pension between the date of leaving the scheme and the date of valuation.

24. Related Party Transactions

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

During the Fund year, of the eleven PCPF Trustees, four were pensioners within the Fund (2023: five), five were active members of the Fund (2023: four) and the remaining two were not members of the Fund (2023: two). The Trustees who are pensioners or members of the Fund receive benefits on the same basis as other members of the Fund. The Trustees are listed on page 8.

Other than the related party transactions disclosed above, the Trustees and key management staff have declared that neither they, nor any party related to them, has undertaken any material transactions with the Fund during the year.

There were no fees paid to Trustees during the year (2023: nil). There were fees paid to the Secretariat of £288,750 inc VAT (2023: £294k).

25. Employer Related Investments

There were no employer related investments during the year (2023: nil).

Notes to the Financial Statements (continued)

26. Standards issued and not yet effective

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17.

IFRS 17 came into effect for annual reporting periods from 1 January 2023.

There are no standards under IFRS 17 which would have a material impact on the financial statements of the PCPF. The Fund does not hold any insurance contracts and as such the Trustees do not consider IFRS17 relevant to it.

27. Funding Arrangements

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

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

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

The most recent report provided by the Government Actuary's Department (GAD) was the IAS 19 accounting valuation related to the position as at 31 March 2024.

Based on the method and assumptions adopted for this valuation, the value of liabilities accrued up to the valuation date (including an allowance for future expenses) was assessed as £785.2 million. The market value of the assets on the same date was £862.5 million. The IAS 19 surplus at 1 April 2024 was accordingly £77.3 million. This corresponds to a funding level of 110%.

Following the 2023 triennial valuation, the Government Actuary's Department (GAD) recommended that the rate of Exchequer contribution to be paid from 1 April 2024 should be 10.5% of pensionable salaries in respect of MPs' and officeholders' benefits. The rate of Exchequer contribution will be reassessed following the next funding valuation, which is due as at 31 March 2026.

The IAS 19 accounting valuation was carried out using the projected unit method, the principal demographic assumptions used are the same as used in the 2023 triennial valuation and the principal financial assumptions were as follows:

Principal Financial Assumptions

Gross rate of return	4.75%
Real rate of return, net of earnings increases	0.70%
Real rate of return, net of pension increases	1.95%

Notes to the Financial Statements (continued)

Although a major significant difference between the accounting valuation (IAS 19) and for the triennial funding valuation (used for scheme funding purposes) is the discount rate net of pension increases which is used. This was 2.00% pa for the 2023-24 Current Service Cost (-0.5% pa for 2022-23) within the IAS 19 report, compared with 3.25% pa used for the funding valuation. The higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is determined considering the assets held by the fund and the expected returns on those assets whereas the discount rate for accounts is set each year in accordance with IAS19 regulations.

Principal demographic assumptions

Mortality	1 April 2023
Males (retirements in normal health and dependants)	85% of SAPS* (normal health males amounts) U=2014
Females (retirements in normal health and dependants)	100% of SAPS (normal health females amounts) U=2014
Male (ill-health pensioners)	85% of SAPS (ill-health males amounts) U=2014
Females (ill-health pensioners)	100% of SAPS (ill-health females amounts) U=2014

*Mortality rates for pensioners are lower than those of the general population so many UK pension schemes use the Continuous Mortality Investigation (CMI) Self administered Pension Schemes (SAPS) tables as the basis for their assumptions. These are based on mortality rates of members of defined benefit SAPS.

Further information can be found in the Government Actuary's report on the PCPF actuarial valuation at 1 April 2023, which is published as a House of Commons paper and can be found on the Fund's website www.mypcpfpension.co.uk.

28. Guaranteed Minimum Provision (GMP) Indexation and Equalisation

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

In November 2020, a further judgment in the Lloyds case was delivered which confirmed Fund Trustees are required to revisit past Cash Equivalent Transfer Values (CETVs) to ensure GMP equalisation. This may result in additional top-ups where GMP equalisation means that members did not receive their full entitlement. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the Fund before CETV were equalised. The scope of any costs are yet to be determined but GAD expect it will be a relatively small uplift for a relatively small subset of members (i.e. those who took a CETV and are in scope for a top up). As such GAD have not made an allowance for the cost of GMP equalisation in their report on the scheme liability as at 31 March 2024.

29. Goodwin case

Following the Walker v Innospec Supreme Court ruling in 2017, the government decided that, in public service pension schemes, surviving male same-sex and female same-sex spouses and civil partners of public service pension scheme members should generally receive benefits equivalent to those received by widows of opposite sex marriages. The exception to this was in certain schemes where, in the past,

Notes to the Financial Statements (continued)

improvements in female members' survivor benefits had involved female members making employee contributions or increasing them.
A case brought in the Employment Tribunal against the Secretary of State for Education in 2020 highlighted that these changes may lead to direct sexual orientation discrimination where male survivors of female scheme members remained entitled to a lower survivor benefit than a comparable same-sex survivor. The Government announced on 20 July 2020 that it had concluded that changes are required to address this discrimination. No past service cost has been included in the 2023-24 accounting disclosures in respect of Goodwin on grounds of immateriality.

30. Virgin Media case

On 16 June 2023, the High Court made a ruling in Virgin Media Ltd V. NTL Pension Trustees II Ltd and others, regarding the validity of amendments to post 6 April 1997 benefits in formerly contracted-out salary related pension schemes. The court confirmed that certain rule amendments would be invalid in the absence of the actuarial confirmation (also known as section 37 certificate) being provided by the scheme actuary. This applies to benefits amendments made between 6 April 1997 and the date contracting out ended on 6 April 2016.

An appeal was lodged, and on 25 July 2024 the Court of Appeal upheld the High Court's ruling. The Court of Appeal upheld the High Court's decision that, based on the relevant legislation at the time, a written actuarial confirmation was required where an alteration to a scheme's rules affected pension benefits attributable to past or future service benefits related to section 9(2B) rights. Without such a confirmation, an amendment would be void. This decision is relevant for schemes which were contracted-out on a DB basis on or after 6 April 1997.

No initial investigation has been carried out about the provision of the relevant confirmations for the scheme amendments that were introduced between 6 April 1997 and 6 April 2016. As such no past service costs have arisen as it remains uncertain whether a different level of benefits than previously promised will need to be provided.

31. Events after the reporting period

This Annual Report and Accounts was authorised by the Trustees for issue on the date of the Comptroller and Auditor General's audit certificate.

In September 2023, the Trustees had agreed to invest 5% of the property portfolio in an impact property fund. The Trustees appointed New Core Capital as their impact property manager at their meeting in May 2024.

Appendix A

ACCOUNTS DIRECTION

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

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

2. This direction supersedes that dated 15 April 2016 and is effective for the fund's accounts as prepared by the trustees for the year ended 31 March 2021. This direction will remain in force until such time as it is replaced or superseded by a new direction and will be subject to review in no more than five years following the date of issuance.

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

4. The trustees shall:
    - prepare accounts that recognise the assets of the fund and the liabilities arising from past and present service by Members of Parliament in accordance with IFRS as interpreted by the Government Financial Reporting Manual (the 'FReM') issued by Her Majesty's Treasury to the extent that the FReM is relevant and appropriate; and
    - include such notes and disclosures as deemed appropriate and in accordance with best practice to the extent that the notes and disclosures exceed, but do not conflict with, the FReM.

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

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

7. The accounts shall be made available for audit no later than nine months following the end of the financial year. This accounts direction shall be included as an annex to the accounts as produced.

GARETH DAVIES

Comptroller and Auditor General

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