House of Commons

Annual Review

2024

The Parliamentary Contributory Pension Fund (PCPF)

In this issue:

Chairman's Welcome

Once again it is my pleasure to welcome you to the 2024 Annual Review. I would like to extend an especially warm welcome to our newest Members who joined the Scheme following the General Election, and to pass on my best wishes to all former colleagues who left the Commons in July.

The PCPF Annual Review contains a summary of the accounts for the year ended 31 March 2024, as well as a variety of investment and pensions news.

The biggest focus of 2024 was undoubtedly the General Election. The Members' Pensions team was tasked with carefully managing additional work, including member communications and meetings. In the weeks immediately after the election being called, the Members' Pensions team held 135 pension meetings with outgoing Members and a further 110 with new Members.

Gallagher, the Scheme administrator, was required to undertake the bulk of the election work, and issued statements to all outgoing MPs by mid-September, a huge undertaking given the turnover last year. Individual retirement cases are still progressing, but please get in touch with the Members' Pensions team using the contact details on the back page if you have any comments or concerns regarding Gallagher's service.

Over the course of the year, we welcomed two new Trustees to the Board. In March, Sarah Champion MP became the latest Member Nominated Trustee, and in May Kerrie Cureton-Williams also joined our Board as the Trustee nominated by the Minister for the Civil Service. Details of all our Trustees can be found on page 19.

On pages 10 - 18 you'll find an overview of our strategic position and investment returns over the year, and an update on our responsible investment activity. I hope this gives an insight into the importance the Board places on responsible investment. Be sure to check out the 'Responsible investing in the spotlight' section on page 17 for a real-life example of how the Scheme's assets are deployed.

The Trustees are fully committed to managing climate risk via proactive and effective engagement with their appointed managers.

The Trustees continue to consider other ways of achieving the necessary investment returns while diversifying the Scheme's risk, whether through innovative social infrastructure or social housing structures.

We are pleased to report that the Scheme continues to perform well from a climate risk perspective and the current total carbon intensity across the equity and 'Buy and Maintain' investments is c.40% lower than the composite benchmark. We reviewed climate related reporting from managers during 2024 and agree that continued engagement is vital to ensure that managers are taking steps to fully integrate climate risk in the investment process and identify what scope there remains for future improvements.

The 2023 valuation was finalised in May 2024 and you can find the results on page 8. This triennial actuarial report provides an important check on the Scheme's funding position, which helps inform our investment strategy. The full report is available at **mypcpfpension.co.uk/accounts-and-valuation**

In the lead up to the new Government's first autumn budget there had been much speculation about what changes would be announced. The pensions industry in particular had been preparing for a number of potential pension changes. Although not all changes to pension schemes speculated about pre Budget materialised, some not anticipated did materialise. I encourage you all to be aware of the changes which are laid out on pages 6 - 7.

If you have any feedback about this edition of the Annual Review, or would like further information about any of the items mentioned, please contact the Members' Pensions team using the details on the back page.

Finally, as always, it only remains for me to thank my fellow Trustees, our advisers, Professor Geoffrey Wood, and the Members' Pensions team ably led by Gurpreet Bassi. I wish you and your families a happy and healthy 2025.

With best wishes
Sir Brian H Donohoe
Chairman of the PCPF

Scheme news

General Election

Following the General Election on 4 July 2024, 335 new Members were elected for the first time, with 15 re-elected after a gap in service. This meant bidding farewell to 350 Members from the House of Commons, which was no small feat for the Scheme, with 61 Members taking their pension, and a further 267 receiving a final statement of their benefits. Members who left the House of Commons in July should have now received their paperwork, so please get in touch if you haven't.

If you are a new Member, you will receive your first pension statement in autumn 2025, with details of how much pension you've built up in the 2024/25 financial year. You will receive a pension statement for each year that you are an MP.

Pensions Dashboards

The story so far

Due to various factors, including the rollout of Automatic Enrolment and changing workforce trends, people tend to have more sources of pension savings than they used to. This creates confusion for millions of pension savers. According to The National Pension Tracing Day campaign, only 44% of savers can remember the company that provided their first pension. This leads to poor outcomes for pension savers – in 2023 there was around £27 billion in unclaimed pensions.

Pensions Dashboards aim to solve this problem by making it easier for people to see all their pension savings in one place, and by raising understanding and awareness about those pensions.

In order to achieve this, pension schemes and providers need to connect their member data to a Dashboards 'ecosystem'. This ecosystem will enable the exchange of data between pension providers and Dashboards and allow users to view their pension information online easily. Pension providers will connect to the system by either using an in-house solution, or paying for an Integrated Service Provider (ISP) or third party administrator to connect them.

The Scheme is working closely with Gallagher and its advisers to make sure it meets the deadline and any legal obligations.

You don't have to do anything at this stage, but we will keep you updated on our progress in future communications.

Key dates

- The PCPF is due to connect to the Dashboards by **31 October 2025**.
- Dashboards are expected to **go live in 2026.**

Added Pension

If you're a new or re-elected Member, you may have already taken the opportunity to pay for Added Pension, where you make additional contributions on top of your monthly pension contribution of 11.09%. Don't worry if you haven't done this yet – the PCPF Rules allow Added Pension contracts to start each April, so let us know before the end of March 2025 if you are interested.

Buy Added Pension

To get a quote for Added Pension, download a Quotation form from **mypcpfpension.co.uk/forms**

To apply for Added Pension, download an Application form from **mypcpfpension.co.uk/forms**

Transferring in

You may also want to consider transferring previous pensions into the Scheme – this is something that, subject to certain conditions, you can do at any time while you are an MP.

Find out more

You can find out more about your options at **mypcpfpension.co.uk** or by getting in touch using the contact details on the back page.

Pensions news

The Pensions Review

Following the General Election, the Chancellor of the Exchequer announced a pensions review. The first stage of the review will examine actions to support greater productive investment within the UK. This builds on themes announced in Jeremy Hunt's July 2023 Mansion House speech, which focused largely on the UK's pension landscape, particularly exploring the ways that defined benefit schemes, such as the PCPF, can enhance their contribution to 'productive investment' in the UK.

While the PCPF is well diversified globally, the Scheme's strategy has a significant allocation to UK assets. Currently a total of 22% of the Scheme's assets are allocated to UK investment, largely in 'real' assets like property and infrastructure, although it also holds UK equities and bonds. The Trustees' allocation to UK real assets, is well aligned with the spirit of the previous government's 2023 Mansion House speech, and the current Government's pension review.

Autumn Budget

There was a large amount of speculation in the lead-up to the Budget that several significant pensions tax measures would be introduced. While most of these changes did not materialise, it is worth being aware of what pension changes were announced. In summary, these were:

1. **Unused pensions and death benefits may become subject to Inheritance Tax (IHT)** — Unused pensions and death benefits are to be brought into members' estates. A consultation has been published on the proposals for the reporting and payment requirements of any IHT liability from pension schemes. We don't know the potential impact on the PCPF yet, but we will give you a further update once we know whether PCPF death benefits will become subject to IHT.
2. **Employer National Insurance contributions (NICs) will rise to 15% from 6 April 2025.**
3. **The State Pension will increase by 4.1%** from 1 April 2025 in line with the State Pension triple lock.
4. **Rules around overseas transfers have changed** — Transfers to qualifying recognised overseas pension schemes (QROPS) in the EEA and Gibraltar will be subject to a 25% tax charge, to address the risk of individuals receiving double tax-free allowances. Other administrative changes to QROPS were also announced. If PCPF members opt to transfer their benefits overseas, they will be covered by this provision.

Pension Schemes Bill

The first King's Speech following the 2024 General Election was delivered on 17 July 2024 and introduced 40 bills, one of which was a new Pension Schemes Bill. Key points of the Bill include:

- Focus on boosting pension investment and improved governance through the value for money framework.
- Consolidation of small defined contribution pension pots, to prevent people losing track of their pension pots.
- Consolidation of defined benefit schemes through commercial superfunds.
- Reaffirming The Pensions Ombudsman (TPO) as a "competent court", removing the need for schemes to apply to the courts to enforce TPO decisions.

None of these changes are expected to impact the PCPF significantly, but the Members' Pensions team continues to work closely with its legal advisers and will track any changes made to the Bill as it progresses through both Houses.

Pension scams

While the Scheme administrator, Gallagher, has a duty to protect you from pension scams, and performs thorough checks if you wish to transfer out of the PCPF, it's still important to be aware of common scams and how to avoid them.

How to spot a scam

Common signs of pension scams can include:

Unexpected contact — Being offered a free 'out of the blue' pension review.

Too good to be true — Guaranteed higher returns on your pension savings.

High-pressure sales tactics — Limited time offers, loopholes or one-off opportunities.

Hard to verify — Unusual high-risk or complex investment structures.

Early access — Taking your pension before your minimum pension age, without mentioning tax charges.

If you aren't sure whether a message from the Scheme is legitimate, contact Gallagher using the details on the back page.

To report a scam, or check that an organisation is safe, visit **fca.org.uk/scamsmart**

Financial information

This information is taken from the Trustees' Annual Report and Accounts for the year ended 31 March 2024. A copy of the full report is available on the Scheme's website at **mypcpfpension.co.uk**

	As at 31 March 2024 (£000's)	As at 31 March 2023 (£000's)
Income (including contributions, transfers in, and other income)	15,519	14,308
Expenditure (including service cost, management expenses and other expenditure)	55,462	68,276
Finance income (including investment returns and change in market value of investments)	95,967	(32,092)
Total assets	865,722	789,813
Total liabilities	**785,200**	**741,500**

Actuarial valuation

The Scheme's triennial actuarial valuation as at 1 April 2023 was completed in May 2024. This valuation assesses the Scheme's financial health and determines the appropriate Exchequer contribution rate needed to pay PCPF pension benefits.

Results

A snapshot of the final 2023 valuation results is shown below. The 2020 valuation results are shown for comparison:

	2023	2020
Assets	£785.9m	£634.3m
Liabilities	£645.7m	£608.2m
Surplus	£140.2m	£26.1m
Funding level	122%	104%

The Government Actuary has confirmed that the PCPF is fully funded (the funding level is more than 100%). This means that the PCPF currently has enough assets to meet members' benefits and the PCPF is in a strong financial position. You can find the full results of the actuarial valuation at **mypcpfpension.co.uk**

Funding update

The interim valuation is currently underway and results will be published on **mypcpfpension.co.uk** when available.

Exchequer contribution

Following the valuation process, the Government Actuary recommended that the Exchequer contribution rate payable from 1 April 2024 should be set at 10.5% of pay a year. This rate will be reviewed again as part of the next actuarial valuation due as at 1 April 2026, to be implemented from 1 April 2027.

As a reminder, the level of contributions paid by the Exchequer doesn't impact the benefits that you will build up.

Cost cap valuation

The actuarial valuation will be followed by the cost cap valuation. This is a requirement under the Career Average Revalued Earnings (CARE) scheme rules and determines the level of contributions active members need to pay. This is also now a feature of the other reformed public service pension schemes. If you're an active member, you'll receive more information about the cost cap valuation in due course.

Investments

Market update for the year to 31 August 2024

Equity markets

- Global equities rose by c.20% thanks to an improved economic outlook and widespread excitement related to artificial intelligence.
- North American equities were the best performing region due to dominant exposure to the technology sector, while UK equities struggled.
- The Scheme's investments benefitted from the strong equity performance over the year, given this is the most dominant asset class within the portfolio with c.54% of assets invested in listed equity.

Credit markets

- Better than expected economic growth meant that credit spreads fell. Government bond yields also reduced over the period. These combined to support positive performance for the Scheme's PIMCO absolute return bond fund and UK gilts portfolio.
- Going forward, the Scheme's primary exposure to credit markets will be via the Insight Buy and Maintain credit mandate. Given the buy and hold nature of this mandate, the Scheme will be less impacted by ongoing fluctuations in credit spreads and gilt yields.

Fall in inflation

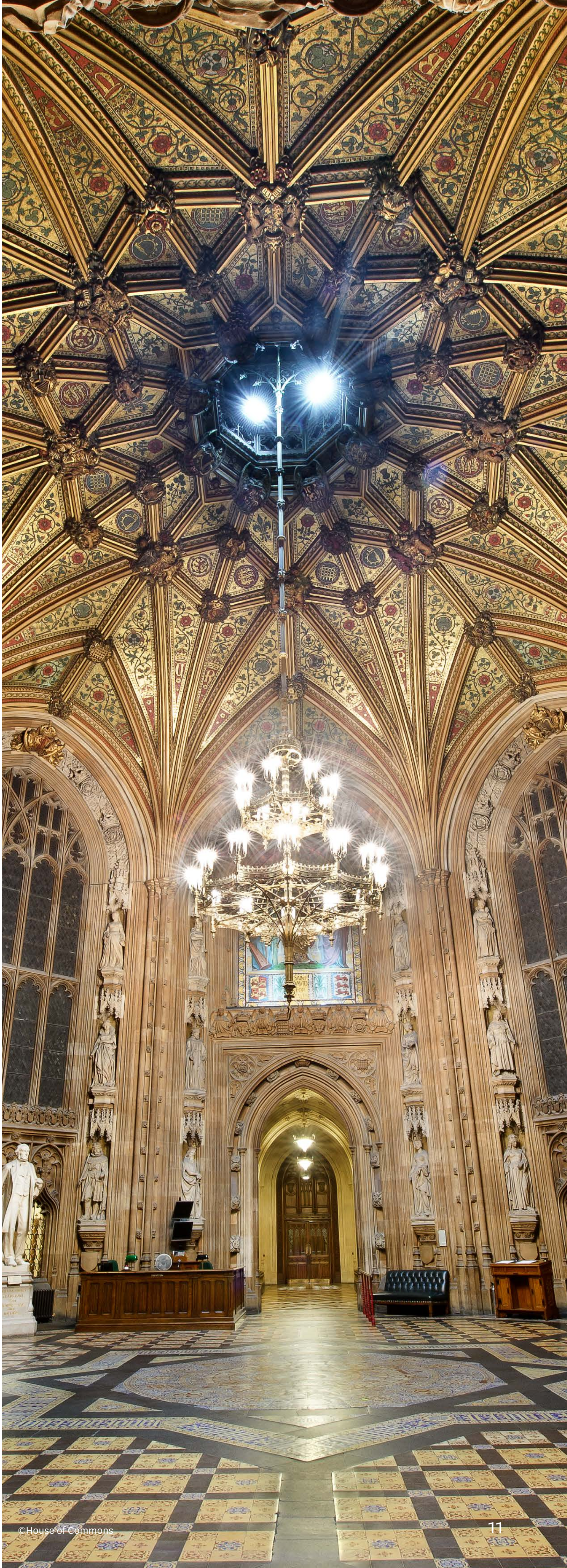
- The UK Consumer Prices Index (CPI) fell to the Bank of England's (BoE) 2% target for the first time in almost three years in May 2024, primarily driven by lower energy prices.
- Core CPI, which excludes energy and food prices, also slowed but was still higher at 3.5% year on year, showing persistent inflationary pressures. UK business surveys highlighted wage increases, higher shipping costs and rising raw material prices contributing to increasing costs.
- The majority of the Scheme's assets are expected to broadly move in the direction of inflation, providing the Scheme with a natural hedge against inflation over the long term.

Interest rates outlook

- For most of the year, the BoE and the US Federal Reserve (the Fed) held rates steady at 5.25% and 5.50% respectively.
- In August 2024, the BoE lowered its base rate to 5.0%, with similar cuts by the Fed and European Central Bank also taking place in Q3 2024. In November 2024, the BoE lowered the base rate further to 4.75%. Any further rate cuts will be expected to reduce the cost of borrowing and increase spending and investment. This is likely to support earnings and stock prices, benefitting the Scheme's equity investments.

Property performance

- UK property investments returned c.1.5%, with real rental growth around 1.6% year on year. However, office vacancies have continued to rise, at nearly 23%.
- The Scheme has a 10% UK property allocation across three investments, albeit a restructure of the property portfolio is currently underway with a new impact property fund being introduced.



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Investment performance

Over the year to 31 March 2024, the Scheme's assets returned 10.1%.

Positive returns were primarily driven by listed equity investments, and renewable energy infrastructure investments managed by BlackRock and Foresight which delivered positive returns.

However, the Scheme's property portfolio produced a negative absolute return as the UK commercial property market continues to proceed through a transitional period with less emphasis placed on traditional areas such as office and retail and more emphasis on retail warehouse and alternatives. The Scheme is in the queue to redeem its BlackRock and Schroders property holdings, to be replaced by an impact property investment managed by Newcore.

UK investment

As at 31 March 2024 the Scheme had c.22% of assets invested in the UK. This comprised listed equity, corporate bonds, government bonds, property and infrastructure investment. The majority of the UK investment was in 'productive' investment areas, such as property and infrastructure.

Investment strategy

As set out below, the Scheme has implemented, or is planning, several structural changes to its strategy over the year to best position the portfolio from a forward-looking perspective and support the ongoing cashflow needs of the Scheme.

Reviewing existing investments

We will fully redeem the PIMCO absolute return bond fund and BlackRock UK gilts fund, and invest the proceeds in a high-quality maturing Buy and Maintain credit mandate managed by Insight.

We will fully redeem investment in the BlackRock and Schroders property funds to reduce exposure to traditional UK commercial property.

Responsible investing

We have agreed to invest in a responsible investment focused UK impact property fund, managed by Newcore.

Additionally, the 10% of Scheme assets which have been committed to investment in renewable energy infrastructure managed by Foresight and BlackRock continued to ramp up over the year, with further capital called by the underlying investment managers, as suitable projects were sourced. The Barings Global Private Loan Fund, intended to replace the M&G ICOF II Fund which is currently in run down, also called capital during the year.

Equities

In Q3 2024, another strategy review took place following the results of the 2023 actuarial valuation. The review concluded that the Scheme’s strategy remains largely appropriate. However, Trustees have agreed to undertake a more detailed review of the Scheme's equity portfolio in 2025.

Responsible investing

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

Renewable energy infrastructure

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

The Trustees have agreed to invest 5% of Scheme assets in an impact property fund managed by Newcore – an investment which is expected to bring diversification whilst also providing meaningful environment and social benefits.

Newcore aims to own, manage, and improve the stock of UK social infrastructure real assets and reduce the negative environmental impact of carbon emissions and utilities wastage from these assets, through refurbishment, future-proofing and active utilities, and carbon emission management.

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Voting and engagement

The Trustees continue to monitor the voting and engagement activities of the Scheme's equity managers on a quarterly basis, with the review a standing item of investment meetings. Following the review of proxy voting guidelines carried out in the third quarter of 2022, the Trustees agreed to instruct MFS and BlackRock to vote in line with the Institutional Shareholder Services (ISS) Sustainability Proxy Voting Guidelines, where possible.

MFS and BlackRock adopted the ISS Sustainability guidelines when voting on behalf of the Scheme on 1 December and 30 September 2022 respectively.

Where the Trustees identify concerns about stewardship activity not aligning with the Scheme's policies, they will challenge the relevant manager and seek justification. The Trustees meet with each manager on at least an annual basis and use these meetings as an opportunity to discuss any concerns.

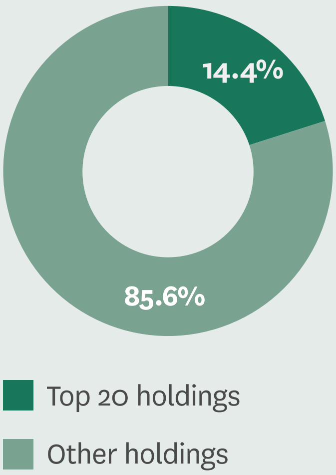
Using the last available climate risk report, the Trustees identified high-risk company investments which provided the largest contribution to owned emissions in each of the BlackRock, MFS, and Schroders equity mandates. The Trustees posed a series of questions on the topics of biodiversity, modern slavery, and artificial intelligence to each manager in relation to each company. The quality of the responses provided was assessed and used as a base for challenging the managers on their approaches to engaging with these high-risk companies.

Furthermore, the Trustees monitor the Scheme's performance from a climate risk perspective relative to the composite benchmark on an annual basis. The Trustees have carried out their fourth annual carbon footprinting exercise in Q4 2024 and are pleased to report that the Scheme continues to perform well from a climate risk perspective and the current total carbon intensity across the equity and Buy and Maintain investments is c.40% lower than the composite benchmark.

Following the successful first-round application to become a signatory to the Financial Reporting Council's new UK Stewardship Code in 2021, the Trustees submitted their fourth annual compliance statement in 2024 and have been accepted as a Signatory of the Code again. This is required each year to remain a signatory. The revised Code seeks to raise standards for asset owners and managers, extending to establishing clear stewardship objectives, integration of stewardship in investment strategies, and adhering to clearer and more elaborate reporting requirements.

You can find out more about how voting and engagement works on page 18.

Top 20 holdings



	Holding as at 31/3/2024	Change Since 31/3/2023
Top 20 Holdings	**14.4%**	**-7.0%**
Apple Inc	1.6%	-0.4%
Microsoft Corp	1.4%	0.0%
Alphabet Inc	1.2%	0.3%
Nvidia Corp	0.9%	0.6%
Kölvallen Onshore Wind	0.9%	-0.2%
Medtronic PLC	0.8%	0.4%
Roche Holding AG	0.8%	0.4%
Amazon Com Inc	0.8%	0.2%
Visa Inc	0.7%	0.0%
Schneider Electric SE	0.6%	0.1%
Bristol-Myers Squibb Company	0.5%	0.3%
Meta Platforms Inc	0.5%	0.0%
Booking Holdings Inc	0.5%	0.4%
Halliburton	0.5%	0.3%
Canadian Pacific Kansas City Ltd	0.5%	0.1%
Akaysha	0.5%	0.5%
Novo Nordisk Class B	0.5%	0.3%
Worton Grange Industrial Estate	0.4%	0.1%
Thermo Fisher Scientific Inc	0.4%	0.1%
Mastercard Inc	0.4%	0.2%
Other Holdings	**85.6%**	**-3.6%**

Source: Northern Trust and investment managers, Hymans Robertson calculations

Responsible investing in the spotlight

Your pension in action: Project Jade

Project Jade, driven by BlackRock Global Renewable Power, is a $200m+ investment in a portfolio of UK-based Battery Energy Storage Systems (BESS). Today, the Jade portfolio comprises a 35MW / 70MWh operational asset, an 80MW / 160MWh asset currently under construction, and a 95MW / 190MWh shovel-ready asset.

Making the UK Grid more resilient

BESS assets are an increasingly important part of the UK's electrical system and the grid due to their ability to smooth out surges and lulls in the supply of electricity from wind and solar power generation. For example, during times of peak demand, BESS can step in to release stored energy, reducing the need for carbon-intensive peaking power plants, like natural gas-powered solutions.

Strengthening and expanding the UK's power grid requires a significant amount of investment. Deploying grid infrastructure is a complex process that involves multiple stakeholders and can take up to 15 years to complete. By investing in Project Jade, we hope to make the UK's future energy supply more resilient, and provide some of the capital investment to get these complex projects off the ground.

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Voting and engagement

How it works

Through the Scheme's investments, the Trustees own assets. This means that they can vote as shareholders from time to time. As it's not practical for the Trustees to attend every vote, they appoint equity managers to do so on their behalf.

The Trustees then review how the equity managers have voted, and make sure that this is within approved guidelines. The Trustees have instructed their equity managers to use the Institutional Shareholder Services (ISS) Sustainability guidelines where possible to make sure Environmental, Social and Governance (ESG) issues are considered.

The Trustees publish voting statistics on a quarterly basis, which you can read at **mypcpfpension.co.uk/investments**

Have your say

The Trustees have a duty to invest in the best financial interests of all members and expect their managers to exercise voting rights on their behalf. However, if you have a specific concern or query there are a number of ways you can have your say:

- New Trustees are nominated when a vacancy becomes available. Don't miss out – make sure your contact details are up to date on the Portal at **pensionportal.co.uk/pcpf** so we can let you know.
- Contact the Trustees using the details on the back page.

Find out more

Visit **mypcpfpension.co.uk/investments** to read or download various investment-related Scheme documents.

Read last year's Annual Review newsletter for case studies on previous votes. You can find the newsletter at **mypcpfpension.co.uk/scheme-information**

Your Trustees

The Scheme is managed by a board of ten Trustees. Eight of these are nominated by members and are either current or former Members of the House. The remaining two Trustees are nominated by either the Independent Parliamentary Standards Authority (IPSA) or the Minister for the Civil Service.

Your Trustees are:

- Sir Brian H. Donohoe (Chair)
- Dame Harriett Baldwin DBE MP
- Clive Betts MP
- Sarah Champion MP
- Kerrie Cureton-Williams (Minister for the Civil Service nominated Trustee)
- Thomas Fitch (IPSA-nominated Trustee)
- Richard Graham CMG
- Dame Meg Hillier DBE MP
- The Rt Hon The Lord Naseby PC
- The Rt Hon The Viscount Thurso PC

The Trustees' roles

Trustees are the legal owners of a pension scheme's assets, and are responsible for the impartial governance of their scheme in the best interests of members and the scheme rules. They work with a number of advisers when making decisions.

Welcome

Following a hotly-contested Member Nomination process, Sarah Champion MP was successfully appointed to the role of Member Nominated Trustee. Sarah was officially appointed in July 2024. The Trustees extend a warm welcome to her and look forward to working with her on stewarding the Scheme from strength to strength.

Get in touch

For queries about the Scheme or your pension, contact the administrator (Gallagher):

PCPF@buck.com

0330 123 0634

To contact the Trustees through the Members' Pensions team:

PensionsMP@parliament.uk

020 7219 6481

Considering retirement?

If you are considering retirement, Gallagher, the Scheme administrator, can provide you with an estimate of what your benefits might be at a date you request. Please contact Gallagher and ask for a retirement quote.

Please note that a retirement quote is only an estimate of your current benefits, based on your current salary and expected service at the date requested.