

PARLIAMENTARY AND OTHER PENSIONS ACT 1972

Accounts, of the Parliamentary Contributory Pension Fund, prepared pursuant to c.48, Sch 1 of the Parliamentary and Other Pensions Act 1972 for the year ended 31 March 1996, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 649 of 1995–96.)

Presented pursuant to Act 1972, c.48, Schedule 1

Parliamentary Contributory Pension Fund Accounts 1995–96

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 22 JULY 1997

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Foreword

- 1 Following the recommendations of the Lawrence Committee (Cmnd.2516) the Members' Contributory Pension Fund was set up, as from 16 October 1964, by the Ministerial Salaries and Members' Pension Act 1965 (c.11) to provide for the payment of pensions to ex-Members who had attained 65 years of age and who had not less than 10 years' reckonable service, and, subject to certain conditions, to the widows, widowers and children of deceased Members who were in receipt of pensions or had completed 10 years' reckonable service at the time of death.
- 2 As a result of the recommendations of the Top Salaries Review Body under the chairmanship of the Right Honourable Lord Boyle of Handsworth (Cmnd.4836) the pension fund was reconstituted on 27 July 1972 as the Parliamentary Contributory Pension Fund under the Parliamentary and Other Pensions Act 1972 (c.48) which restructured the pension provisions for Members of the House of Commons on the lines of public sector pension schemes, established a similar contributory pension scheme for the holders of certain Ministerial and other offices, and applied the Pensions (Increase) Act 1971 (c.56) to pensions in payment with effect from 1 December 1972 (similar increases are now effected under Section 59 of the Social Security Pensions Act 1975, as amended).
- 3 Subsequently, those recommendations of the Top Salaries Review Body which have been adopted by Resolutions of the House have been given statutory effect by various Acts. The legislation has now been largely consolidated in the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993, and subsequent amendments resulting from Senior Salary Review Body recommendations have been made through regulations laid by the Leader of the House under the 1987 Act.
- 4 As a result of The Parliamentary Pensions (Amendment) Regulations 1995 (No: 2867) the scheme now provides for an immediate pension on retirement at, or after the age of 65 at the revised accrual rate of one fiftieth of salary in the final year for each year of service for a participating Member at 1 April 1995 subject to a maximum at age 65, of two thirds final salary. Pensions may be paid earlier than age 65, on retirement, at a dissolution, at or after age 60, provided service as a Member of the House is of not less than 20 years duration; or, on retirement at any time, on the grounds of ill-health. An abated pension may be paid on retirement at any time, on attainment of age 50 and completion of not less than 15 years service; and an actuarial reduced pension may be paid to most former Members at any time after age 50.

The other main provisions of the Scheme are:

- (i) a five-eighths widow's/widower's pension;
- (ii) children's pension (at the rate of the quarter of the basic or prospective pension if there is one eligible child or three eighths if there are two or more children);

- (iii) a lump sum death gratuity on death in service equal to three years' salary; with provision for more than one nominee (multiple nominations);
 - (iv) the purchase of added years;
 - (v) transfer of pension rights (into and out of the scheme); and
 - (vi) opportunity to contribute to an AVC scheme with an outside provider.
- 5 Regulations were laid before Parliament on 10 March 1992 which amended the scheme to modify the ill-health pension provision. The Regulations came into force on 1 April 1992.
 - 6 The Members' contribution was originally 5%, rising to 6% with effect from 2 August 1978. The contribution was increased to 9% under the 1984 Act, the increase being implemented in three equal stages on 1 January 1985, 1986 and 1987. The 1992 Regulations reduced this to 6% from 1 April 1992.
 - 7 The 1972 Act also provides that the Government Actuary will be required to make a report on the general financial position of the Fund every three years and to recommend the annual rate of the Exchequer contribution. The Government Actuary's eighth valuation report (HC 343 published 30 March 1995) provided the updated financial position of the Fund as at 1 April 1993 and recommended that the Exchequer contribution payable from 1 April 1995 should remain at the rate of 1.13 x the aggregate sums deducted from the salaries of Ministers and Office holders and increase to 1.27 x the aggregate sums deducted for Members. The Actuarial Report took into account the recommendations of the Senior Salaries Review Body (SSRB report published March 1995, Cmnd. 2830) for an increase in death in service benefit but not for the expansion of the existing accrual rates to all service for currently sitting MPs. This latter recommendation has since been embodied in legislation and the Exchequer contribution at 1 April 1996 was increased to 1.6 x the aggregate sums deducted from Members' and Ministers' salaries.
 - 8 The numbers of beneficiaries from the Fund at 31 March 1996 (corresponding figures for the year ended 31 March 1995 are shown in parenthesis) were as follows:

Categories	Number of Awards	
Retired Members	339	(334)
Widows	216	(208)
Widowers	2	(2)
Children	11	(15)

- 9 Statements of account are prepared in accordance with a direction given by the Comptroller and Auditor General in pursuance of paragraph 16 of Schedule 1 to the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (formerly under paragraph 13 of Schedule 1 to the 1972 Act).
- 10 The Trustees prepare an annual report on the Fund which will be sent to Members, pensioners and ex-Members. Copies of the report, and that

prepared by the Government Actuary, which is laid before the House and published, can be obtained from the Parliamentary Contributory Pension Fund Secretariat, Fees Office, House of Commons, London SW1A 0AA.

- 11 The Managing Trustees appointed in accordance with Section 1 of the 1972 Act by Resolution of the House of 22 May 1992 are Rt. Hon. Alfred Morris MP (Chairman), Rt. Hon. Sir Peter Hordern MP, Dr. Kim Howells MP, Archy Kirkwood Esq., MP, Rt. Hon. Gordon Oakes MP, Mrs. Marion Roe MP, Sir James Spicer MP and Sir Gerard Vaughan MP.

J.C. Lomas
Custodian Trustee

17 April 1997

Statement of Trustees' responsibilities

The Parliamentary Pension (Consolidation and Amendment) Regulations 1993 require the Trustees of the Parliamentary Contributory Pension Fund to prepare annual accounts in such form and in such manner as the Comptroller and Auditor General may direct. The financial statements for the year ended 31 March 1996 were prepared on an accruals basis to give a true and fair view of the disposition of the net assets of the scheme and of the financial transactions for the year then ended.

In preparing those financial statements, the Custodian Trustee, on behalf of all the Trustees was required to:

apply suitable accounting policies consistently;

make judgements and estimates that were reasonable and prudent; and

state whether applicable accounting standards were followed, subject to any material departures disclosed and explained in the financial statements.

The Custodian Trustee is responsible for keeping proper accounting records, for ensuring that proper financial procedures are followed and for ensuring that the accounting records are capable of producing financial statements which comply with the requirements of the 1993 Regulations. The Trustees are also responsible for safeguarding the assets of the fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 6 to 10 under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 and directions made thereunder. The financial statements have been prepared in accordance with the accounting policies set out on page 8.

Respective responsibilities of the Trustees and Auditor

As described on page 4 the Custodian Trustee is responsible for the preparation of the financial statements. It is my responsibility to form an independent opinion, based on my audit, on the financial statements and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with the Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error or by fraud or other irregularity. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the disposition of the net assets of the Fund as at 31 March 1996 and of its financial transactions for the year then ended and have been properly prepared in accordance with the requirements of the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 and directions made thereunder.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

22 April 1997

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Revenue Account for the year ended 31 March 1996

	Note	£	£	1994-95 £
Income				
Contributions receivable:				
Ministerial		168,482		162,299
Members		1,292,758		1,239,494
Exchequer		<u>1,832,187</u>		<u>1,589,219</u>
		3,293,427		2,991,012
Purchase of added years		152,749		153,703
Transfers in from other schemes		<u>273,547</u>		<u>242,578</u>
			3,719,723	3,387,293
Investment income	2		8,199,654	6,586,057
Other income			<u>88,232</u>	<u>91,195</u>
			12,007,609	10,064,545
Expenditure				
Benefits payable:				
Pensions	3	4,262,894		4,189,208
Lump sum payments		77,140		139,531
Death benefits		<u>365,079</u>		<u>319,874</u>
		4,705,113		4,648,613
Other expenditure		2,804		4,463
Administration expenditure	4	<u>282,533</u>		<u>297,698</u>
			<u>4,990,450</u>	<u>4,950,774</u>
Amount generated for investment			<u><u>7,017,159</u></u>	<u><u>5,113,771</u></u>

The notes on pages 8 to 10 form part of these accounts.

Net Assets Statement as at 31 March 1996

	Note	£	£	1995 £
Investments at Market Value	5		196,647,966	163,051,686
Current Assets:				
Debtors	6	2,320,162		1,312,460
Cash at bank and in hand		<u>13,579,489</u>		<u>6,452,276</u>
		15,899,651		7,764,736
Current liabilities:				
Creditors	7	<u>5,362,561</u>		<u>394,517</u>
Net current assets			<u>10,537,090</u>	<u>7,370,219</u>
Total net assets			<u><u>207,185,056</u></u>	<u><u>170,421,905</u></u>
Represented by:				
Balance of fund at 1 April 1995			170,421,905	170,087,708
Amount generated for investment during the year		7,017,159		5,113,771
Gains/(loss) on Investments during the year	8	<u>29,745,992</u>		<u>(4,779,574)</u>
			<u><u>207,185,056</u></u>	<u><u>170,421,905</u></u>
<i>J.C. Lomas</i>				17 April 1997
Custodian Trustee				

The notes on pages 8 to 10 form part of these accounts

Notes to the Accounts

Accounting Policies

- 1 a) The accounts are prepared in accordance with the requirements of the Statement of Recommended Practice (SORP 1) Pension Scheme Accounts as far as these are relevant to the Parliamentary Contributory Pension Fund accounts. The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the fund, which does take account of such liabilities, is dealt with in the Government Actuary's valuation report as at 1 April 1993 (HC 343). These accounts should be read in conjunction therewith.
- b) Investments are stated at middle market value at the balance sheet date. Middle market value is determined by reference to the relevant Stock Exchange valuation, and, for foreign investments, translated into sterling on the basis of the exchange rate prevailing at the balance sheet date. Income from fixed interest securities and other interest receivable is accounted for on an accruals basis. Income from other investments is accounted for on a receivable date basis.
- c) Normal contributions and contributions for the purchase of added years are accounted for in the year to which they relate. Transfer values from other pensions schemes are accounted for in the year in which they are received.

Investment Income (Gross)

	£	1994-95 £
Fixed interest securities	1,356,355	1,520,245
Index linked securities	227,414	261,656
Equities	5,354,170	4,141,938
Managed and unit funds	856,890	328,268
	<u>7,794,829</u>	<u>6,252,107</u>
Interest on cash held on deposit	404,825	333,950
	<u>8,199,654</u>	<u>6,586,057</u>

Pensions

	£	1994-95 £
Retired members	3,048,726	3,048,832
Widows and widowers	1,185,372	1,105,587
Children	28,796	34,789
	<u>4,262,894</u>	<u>4,189,208</u>

Administrative expenses	4		1994-95
		£	£
		Managing Trustees	136,978
		Public Trustee's fee	150,220
		Audit fee	10,500
		282,533	297,698

Details of investments	5							
	Investments held on 31 March 1995	Investments acquired 1 April 1995 to 31 March 1996	Investments disposed of 1 April 1995 to 31 March 1996	Adjustments between Capital and Income	Investments held on 31 March 1996			
	Cost	Market Value	Cost	Cost	Cash realised		Cost	Market value
	£	£	£	£	£	£	£	£
British Government securities (including Index-Linked)	22,988,574	21,840,006	10,377,791	11,756,032	11,879,889	-	21,610,333	21,066,056
UK fixed interest	-	-	308,912	-	-	-	308,912	313,561
Banks	6,362,190	8,577,005	2,211,454	1,460,428	2,164,793	-	7,113,216	11,520,790
Breweries and distilleries	903,387	3,400,000	2,930,821	1,128,730	1,036,067	-	2,705,478	5,908,600
Commercial and industrial	42,223,077	58,680,852	15,520,748	12,935,367	16,189,800	505,294	45,313,752	69,283,804
Insurance	2,801,647	5,607,700	122,019	100,609	1,205,954	-	2,823,057	6,006,050
Investment trusts	3,862,376	6,186,850	933,958	1,563,073	2,729,772	-	3,233,261	5,734,600
Mines	515,978	1,448,976	-	-	-	-	515,978	1,714,727
Oil	4,859,296	7,967,214	3,165,741	2,193,806	1,933,056	-	5,831,231	10,299,325
Property	519,492	1,188,000	-	-	-	-	519,492	1,252,000
Shipping and transport	2,131,405	3,928,829	-	1,247,775	1,589,536	-	883,630	2,492,250
Overseas investments:								
Fixed interest	2,351,542	2,459,517	1,730,902	1,596,800	1,607,167	67,288	2,552,932	2,819,823
Equities	9,588,893	11,238,579	5,814,988	6,788,925	7,747,981	-	8,614,956	12,396,314
Unit trusts	25,969,820	30,528,158	9,550,766	981,722	1,323,386	17,007	34,555,871	45,840,066
	£125,077,677	£163,051,686	£52,668,100	£41,753,267	£49,407,401	£589,589*	£136,582,099	£196,647,966

*Note
Adjustments between Capital and Income required following issue of shares in lieu of dividends:—

Capitalisation of dividends	84,295
Demergers	505,294
	£589,589

Debtors	6		1995
		£	£
Contributions and purchase of added years receivable		155,258	195,475
Dividends/interest receivable		205,312	338,119
Tax reclaimable		481,715	280,046
Other debtors and prepayments		<u>1,477,877</u>	<u>498,820</u>
		<u><u>2,320,162</u></u>	<u><u>1,312,460</u></u>
<hr/>			
Creditors due within one year	7		1995
		£	£
Managing Trustees		36,438	36,386
Public Trustee's fee (2 years)		304,196	150,220
Audit fee (2 years)		21,200	10,500
Other creditors	£		
Pensions	272,748		196,901
Other creditors	4,727,979	<u>5,000,727</u>	<u>510</u>
		<u><u>5,362,561</u></u>	<u><u>394,517</u></u>
<hr/>			
Gains/(losses) on investments	8		1994-95
		£	£
Net realised gain/(loss) for the period:			
Gains realised on sales of investments		7,654,134	5,884,399
Net appreciation thereon brought forward		<u>(3,709,456)</u>	<u>(6,774,287)</u>
		<u>3,944,678</u>	<u>(889,888)</u>
Net unrealised appreciation/ (depreciation) for the period		<u>25,801,314</u>	<u>(3,889,686)</u>
Gains/(losses) on investments during the year		<u><u>29,745,992</u></u>	<u><u>(4,779,574)</u></u>

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