Presented to the House of Commons pursuant to C.48, Schedule 1 of the Parliamentary and Other Pensions Act 1972

Parliamentary Contributory Pension Fund Account 2008-2009

LONDON: The Stationery Office
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Contents

Foreword

Legislation relating to the Fund

1964 The forerunner of the current scheme, the Members' Contributory Pension Fund, was set up under the Ministerial Salaries and Members' Pension Act 1965. This was intended to provide for the payment of pensions to ex-Members of Parliament who had attained 65 years of age and who had not less than ten years reckonable service and, subject to certain conditions, to the widows, widowers and children of deceased pensioner Members.

1972 The Fund was reconstituted as the Parliamentary Contributory Pension Fund under the Parliamentary and Other Pensions Act 1972. The Act also restructured the pension provisions for Members of the House of Commons on the lines of public sector pension schemes and established a similar contributory pensions scheme for the holders of certain Ministerial and other offices; the Pension (Increase) Act 1971 also became applicable 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).

1993-1999 The legislation that governs the Fund was largely consolidated in the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993, with amending Statutory Instruments issued in December 1993 (introducing the AVC scheme), July 1995 and September 1996 (both concerning SSRB changes), April 1999 (Amending the AVC scheme) and August 1999 (adding a Pensioner Trustee).

2000-2001 SI 2001 No. 835 removed the need for a Custodian Trustee. SI 2001 No. 2649 introduced Pensions Sharing regulations which were retrospectively effective from 1 December 2000.

2002-2003 15 July 2002 SI 2002 No. 187 was laid before Parliament introducing certain changes to the scheme, specifically a change in the accrual rate from 1/50 to 1/40. The SI provided that

i active members would accrue pensions at 1/40 and members' contributions would increase from 6 per cent to 9 per cent from 15 July 2002;

ii active members had until 31 December 2002 to opt to backdate contributions and accrual rate increases to 5 July 2001; and

iii active members had until 31 December 2002 to opt out of the increases, and remain with six per cent contributions and 1/50 accrual rate.

2004-2005 The following changes to the PCPF were agreed

Pensions for unmarried and same sex partners and the continuance of pensions to widow/ers who remarry or cohabit were introduced without incurring any cost to the Treasury;

i the Members' contributions for 1/40 accrual was increased by 1 per cent of pay to 10 per cent of pay backdated to 1 April 2004; and

ii the favourable terms for early retirement of long serving Members was altered so that by 1 April 2009, or the General Election after next if later, all early retirements in respect of future service will be on a cost neutral basis. Current Members will retain their rights earned to the date of change if, by the date of change, they have fulfilled the necessary service requirement.

SI 2005 No. 887 laid before Parliament on 23 March 2005, incorporated these changes to the PCPF.

Other changes were made such that

i service in the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly counts towards the qualifying period for an early retirement pension (except where the service is concurrent with membership of the House of Commons);

ii the Principal Regulations were amended to provide an exception to the abatement requirements in respect of pension. Former Members of the House of Commons who become paid office holders in the House of Lords will not have their pension abated. However, abatement will still be applicable to any part of the pension earned as a paid office holder whilst also serving as a Member of the House of Commons;

iii in case of Members dying on or after 1 April 2001, all dependant children will receive equal treatment in respect of benefits; and

iv the lump sum death in service payment was increased from three times annual salary to four times annual salary.

2005-2006 The PCPF rules were altered to take account of the requirements of the Pensions Act 2004 and the Finance Acts 2004 and 2005. These changes were introduced in SI 2006 No 920, and laid before Parliament on 23 March 2006. The main changes were

i the maximum tax free cash on commutation increased to 25 per cent of the total value of benefits;

ii members over 75 at 5 April 2006 were given the option to take their tax free cash prior to 6 April 2006, but with the pension abated until they leave the House;

iii corresponding changes were made to the death benefits for those over age 75 at the date of death;

iv the maximum contribution for Added Years was increased to 10 per cent of salary with no restriction on those who might reach maximum benefits by age 65;

v the maximum contribution to AVCs was increased to the HMRC limit;

vi up to 25 per cent of the AVC Fund may be taken as tax free cash (within the Lifetime Allowance) at retirement;

vii provision has been put in place for those who wish to exercise the Primary or Enhanced Protection afforded under the new legislation; and

viii transfers from personal pensions (including Stakeholder) and AVCs must be made within a year of joining the PCPF or 6 April 2007, if later.

2006-2007 The PCPF rules were amended to take account of changes for those Members and Office Holders who reached their 75th birthday after 5 April 2006, to enable them to take their tax free cash sum on the day prior to their 75th birthday and defer payment of their pension and, removed the lump sum 5 year guarantee for pensioners who died after 5 April 2006. They were also amended to allow the appointment of two pensioner Trustees. The Parliamentary Pensions Amendment Regulations 2007 (SI 2007 No. 270) were laid before the House on 9 February 2007, and came into force on 2 March 2007.

2007-2009 No changes.

2009-2010 Statutory Instrument No. 1920 was laid on 20 July 2009, which covered the following amendments to the PCPF

i introduction of a two tier ill-health pension system and the facility for the Trustees to review ill-health pensions granted to all current and future MPs;

ii the calculation of transfer values paid from the Fund. The calculation basis was advised by the Government Actuary's Department (GAD) and agreed at the October 2008 Trustees' meeting;

iii removal of the one year restriction (from the later of 6 April 2006 and date of election as an MP) on Members transferring benefits into the PCPF from a private pension plan or a free standing additional voluntary contribution (AVC) scheme. Members may now transfer at any time, subject to not having paid into the personal pension or AVC scheme since the later of 6th April 2006 and date of election as an MP; and

iv pension benefits built up under personal pensions and free standing AVC schemes whilst serving as an MP and/or Minister/Office Holder and, which have been financed from non- parliamentary earnings, are no longer to be treated as a retained benefit.

Trustees and Officers of the Fund

Number

There are ten Managing Trustees, eight of whom are serving Members of the House of Commons and two who are pensioner Trustees.

Method of appointment

Trustees who are Members of the House of Commons are appointed by Resolution of the House in accordance with Section 1 of the 1972 Act.

The Pensioner Trustees are appointed in accordance with Regulation 2 of SI 1999 No. 2100, with one being nominated by the Association of Former Members.

Trustees during the current accounting year

Sir John Butterfill FRICS MP (Chairman)

Rt Hon Peter Lilley MP

Dr Howard Stoate MP

Andrew Love MP

Clive Betts MP

Nick Harvey MP

The Rt Hon The Lord Naseby PC (pensioner Trustee)

Sir Graham Bright (pensioner Trustee)

Rt Hon Don Touhig MP

Jim Dowd MP

Secretary

Terry Bird, Department of Resources

Head of Pensions

Jimmy Walker, Department of Resources

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

		Appointed by
Actuarial Advice	Government Actuary's Department; Scheme Actuary: Grant Ballantine	Section 3 1987 Act
External Auditor of annual accounts	Comptroller and Auditor General	Schedule 1 1972 Act/Regulations
Investment Advice	Hymans Robertson	Trustees
Fund Management	MFS International (UK) Ltd	Trustees
	Liontrust Investment Services Ltd (until Jan 2009)	Trustees
	Barclays Global Investors Ltd	Trustees
	PIMCO	Trustees
	BlackRock (Hedge Fund)	Trustees
	Marvin & Palmer	Trustees
	Morgan Stanley (Property)	Trustees
	Standard Life (Property)	Trustees
	BlackRock (Property)	Trustees
	UBS Global Asset Management (Property)	Trustees
	Schroders (Property)	Trustees
	Rockspring (Property)	Trustees
Legal Advice	CMS Cameron McKenna	Trustees
Custodian	Bank of New York Mellon to 30 June 2009. Northern Trust from 1 July 2009.	Trustees
Third Party Administration and Fund accounting and payroll duties	rpmi Ltd from 1 April 2008	Trustees
AVC providers	Equitable Life Zurich (formerly Eagle Star)	Trustees

Preparation of annual accounts

Paragraph 16 of Schedule 1 to the 1993 regulations requires that annual accounts are 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. However, the accounts have been prepared, as far as appropriate, in accordance with the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes revised in May 2007 in order to conform to best practice reporting requirements. A statement of the Trustees' responsibilities with regard to the preparation of the accounts is on page 10.

Benefits payable

The main provisions of the scheme during the accounting period in question were

- a pension of 1/40 or 1/50 of final salary for each year of service (depending on the contribution rate chosen by the Member) on retirement at age 65;
- a pension before age 65, subject to certain restrictions;
- a pension on retirement at any time on the grounds of ill health;
- a widow/ers pension of 5/8ths of the Member's pension;
- children's pensions (at the rate of one quarter of the basic or prospective pension of the Member if there is one child or three eighths in total if there is more than one child);
- a lump sum death gratuity on death in service equal to 4 x salary, with provision for more than one nominee;
- transfer of pension rights (into and out of the scheme); and
- options to purchase added years, and/or contribute to an AVC scheme with an outside provider, subject to certain limits on overall contributions/benefits.

The number of beneficiaries from the Fund were as follows

Categories	**31 March 2008**	**31 March 2009**
Active Members	660	656
Deferred Pensioners	191	180
Pensioners	846	864

Income

Income to the Fund is derived from three main sources

a contributions from Members of Parliament and holders of qualifying office under the 1972 Act;

b an Exchequer contribution paid from the House of Commons Supply Estimate under the 1972 Act; and

c Investment income as detailed below.

In addition, transfers of pension benefits into the Fund amounted to £1,017,144 in 2008-2009 (£3,677,070 in 2007-2008).

During the accounting period in question Members and Office Holders contributed either 6 per cent or 10 per cent of their salaries, depending on their chosen accrual rate. The Exchequer Contribution for 2008-2009 was 26.8 per cent of salaries for the basic scheme for MPs and 26.8 per cent for the supplementary scheme for Ministers and Office Holders.

Investment details and performance

The Pensions Act 1995, Section 35, requires that the Trustees of pension funds prepare and maintain a Statement of Investment Principles. Whilst the Fund is exempt from this provision, the PCPF Regulations require the Trustees to produce a Statement of Investment Principles.

The Statement covers such items as how investments are chosen; the balance between asset classes; the Trustees' attitude to risk and the expected return and review procedures. It has been designed to cover the fundamental aspects of investment policy that are not expected to differ greatly from one year to the next, and has been drawn up in consultation with the relevant advisers and in consultation with the Leader's Office.

An Investment Strategy Review of the Fund was completed in October 2002 by the Government Actuary's Department, and the Treasury produced a paper for discussion with the Trustees. In February 2003, the Trustees agreed to accept the principle of a 60 per cent equity allocation and a 40 per cent defensive asset allocation, and have since decided to move from the previous 80 per cent equity allocation over a period of three years.

The Trustees expect that there will be periods when equities underperform bonds, and they are prepared to accept this risk.

During 2004 and 2005 the Trustees decided to improve the diversification of the defensive asset portfolio by increasing the property allocation to 10 per cent, and considering an allocation to hedge funds. The Trustees also decided to hedge part of the currency exposure associated with the Fund's target overseas equity allocation.

In March 2006, the Trustees decided that other than to increase property allocation to 10 per cent, no further sales of equities should be made until a decision on an appropriate hedge fund allocation was finalised. In June 2006, it was decided that 2.5 per cent of the Fund would be invested in hedge funds.

In March 2007, it was decided to re-enact rebalancing of the Fund following the suspension in March 2006. Approximately 10 per cent of the assets were transferred from MFS, Liontrust and the BGI active portfolio to the BGI Passive portfolio in May 2007 to enable rebalancing of the Fund at the total Fund level. At this time, the Trustees also appointed Morgan Stanley to manage a Global Property Securities Fund, with the aim of eventually investing 2.5 per cent of the Fund's assets in this asset class.

During the latter part of the 2008-2009 accounting period, Marvin and Palmer were appointed to manage an emerging markets equity mandate. The termination of Liontrust's UK equity mandate also took place, with the assets being warehoused with BGI in their Aquila Life UK Equity Index fund. Following the year end, these assets were transferred to TT International, following their appointment to manage a UK equity mandate in place of Liontrust.

The current Statement of Investment Principles does not reflect the changes made in 2008-2009, but this is currently being updated.

The current target asset allocation for the Fund is

Asset Class/Region		**Total Fund Benchmark %**	**Lower range %**	**Upper range %**
Total Equities		66.0	62.0	70.0
UK Equities	29.7		27.2	32.2
Europe (ex UK) Equities	11.5		9.0	14.0
North American Equities	10.1		7.6	12.6
Sterling Currency Hedging Fund	3.1		2.6	3.6
Japan Equities	8.3		6.3	10.3
Asia Pac ex Japan Equities	3.3		1.8	4.8
Bonds		21.5	17.5	25.5
Property		10.0	No lower range	No upper range
Fund of Hedge Funds		2.5	No lower range	No upper range
Total		**100.0**		

Based on historical experience, the Trustees expect the long term return on the majority of investments held by the Fund to exceed both price inflation and general salary growth.

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

Manager	Mandate	Actual proportion %	Target proportion %
MFS International (UK) Ltd	Global Equity	26.9	25.0
Marvin & Palmer	Emerging Markets	4.8	4.5
BGI Active	Overseas Equity	10.7	10.5
BGI Passive	Multi-Asset	13.2	18.0
BGI Passive	UK Equity	11.2	12.0
PIMCO	UK Bonds	22.5	17.5
Multi-managers	Property	8.2	10.0
BlackRock	Hedge Funds	2.5	2.5
Total		**100.0**	**100.0**

Investment income in 2008-2009 was £7,182,111 and the market value of assets decreased by £85,874,845.

The overall effect of the movements in pensions payable, income and investments, was a decrease of £78,397,830 in the Net Assets of the Fund during the year. This is reflective of the turbulence experienced in the investment markets and the dramatic reduction in equity prices as major economies fell further into recession.

Change of custodian

From 1 July 2009, Northern Trust were appointed as custodian, replacing Bank of New York Mellon.

Actuarial position of the Fund

The Government Actuary's Report as at 1 April 2008, showed an increase in the deficit to £50.9 million. The report recommended that the Exchequer contribution rate payable in respect of both Members and Office Holders should increase to 31.6 per cent of salaries from 1 April 2009. The next Actuary's Report is due with an effective date of 31 March 2011.

Annual Report

In order to comply with best practice reporting requirements as set out in the SORP, the Trustees have prepared an Annual Report, which incorporates, inter alia, a Trustees' Report, Investment Report and a statement on the compliance of the Fund with relevant laws and regulations. This provides fuller information on the Fund than is provided by this Foreword. A copy of the Report is sent to all active members, deferred members and pensioners of the Fund.

Contact address

Further information about the Fund or a copy of the Annual Report can be obtained from the Parliamentary Contributory Pension Fund Secretariat, Pensions Unit, Department of Resources, House of Commons, London SW1A 0AA.

Disclosure of information

So far as we are aware, there is no relevant audit information of which the Fund's auditor 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 Fund's auditor is aware of that information.

Approved on behalf of the Trustees on 9 February 2010 by

Rt. Hon. Don Touhig MP
Trustee

Statement of Trustees' responsibilities

The Parliamentary Pension (Consolidation and Amendment) Regulations 1993, require the Trustees of the Fund to prepare annual accounts in such a form and in such a manner as the Comptroller and Auditor General may direct. The financial statements for the year ended 31 March 2009 were prepared on an accruals basis to give a true fair view of the financial transactions of the Fund during the year then ended, and of the disposition at 31 March 2009, of its assets and liabilities, other than liabilities to pay benefits after the end of the Fund year.

In preparing those financial statements, the Trustees were required 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 that were reasonable and prudent;
- State whether applicable accounting standards were followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, on the presumption that the Fund will continue in operation.

The Trustees are responsible for the keeping of proper accounting records, for ensuring that proper financial procedures are followed and for ensuring that the accounting records are capable of producing statements which comply with the requirements of the 1993 Regulations. The Trustees are also responsible for the regularity and propriety of public finances provided by the Exchequer Contribution, for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on Internal Control

Scope of responsibility

This statement is given in respect of the accounts for the Fund. On behalf of the full body of Trustees we acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the Fund. The Fund is a statutory scheme and operated within a legislative framework. Officials from the House of Commons' Department of Resources provide a full secretariat and administrative service to the Managing Trustees; accounting and payroll provision were dealt with up to 31 March 2009 by rpmi Ltd, and the Bank of New York Mellon acted as the Custodian during the year.

The purpose of the system of internal control

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Capacity to handle risk

The system of internal control and risk management is based on a framework of regular management information, financial regulations, administrative procedures, including segregation of duties, and a system of delegation and accountability.

The House of Commons, the Custodian and rpmi Ltd, are subject to review by internal audit units, which operate to Government Internal Audit Standards. The work of the internal audit unit is informed by an analysis of the risk to which these offices are respectively exposed and annual internal audit plans are based on this analysis.

Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within these offices who have responsibility for the development and maintenance of the control framework.

In authorising our 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.

The risk and control framework

In particular, the risk and control framework includes

- rpmi Ltd makes payment of all pension awards;
- The Bank of New York Mellon (Northern Trust from 1 July 2009) is appointed International Master Custodian of assets directly held 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 the Bank of New York Mellon is held in bank accounts held in the Fund's name. Regular reconciliations are performed with the active investment managers appointed by the Trustees;
- The Custodian of the assets underlying the equity and bond pooled funds (BGI and Marvin and Palmer), the BlackRock hedge funds 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 Fund Managers and Custodian respectively;
- rpmi Ltd and the Custodian perform regular reconciliations of the bank accounts that they control;
- Separation of duties exists at rpmi Ltd whereby the officer initiating a payment cannot authorise the production of the payable instrument or dispatch the instrument;

- Password controls and authorisation levels are in operation within the operating systems of rpmi Ltd, the Custodian, the House of Commons and the Managing Trustees; and
- The Managing Trustees have free access to all documents and records maintained by the Custodian and rpmi Ltd.

Approved on behalf of the Trustees on 9 February 2010 by

Rt. Hon. Don Touhig MP
Trustee

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

I certify that I have audited the financial statements of the Parliamentary Contributory Pension Fund for the year ended 31 March 2009 under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993. These comprise the Fund Account, the Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of Trustees and Auditor

The Trustees are responsible for preparing the Foreword and the financial statements in accordance with the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 and directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Trustees' responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with directions issued under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament, and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Fund has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the accounts direction regarding transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Foreword, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included 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 most 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 fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament, and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

Audit Opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993, and directions made thereunder, of the state of the Fund's affairs as at 31 March 2009, other than the liabilities to pay pensions and benefits after the end of the Fund year, and of the financial transactions for the year then ended; and
- the financial statements have been properly prepared in accordance with directions issued under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General

18 February 2010

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

Fund Account for the year to 31 March 2009

	Notes	**2009**	2008
		£	£
Contributions and Benefits			
Contributions	4	**17,042,186**	16,538,857
Individual transfers in from other schemes	5	**1,017,144**	3,677,070
		18,059,330	20,215,927
Benefits payable	6	**14,108,089**	13,691,420
Payments to and on account of leavers	7	**716,522**	47,760
Administrative expenses	8	**700,797**	494,228
		15,525,408	14,233,408
Net additions from dealings with members		**2,533,922**	5,982,519
Returns on investments			
Investment income	9	**7,182,111**	3,668,991
Change in market value of investments	11	**(85,874,845)**	(17,595,280)
Investment management expenses	10	**(2,239,018)**	(1,368,557)
Net returns on investments		**(80,931,752)**	(15,294,846)
Net decrease in the Fund during the year		**(78,397,830)**	(9,312,327)
Net assets of the Fund as at 1 April		**369,788,073**	379,100,400
Net assets of the Fund as at 31 March		**291,390,243**	369,788,073

The notes on pages 17 to 26 form part of these accounts

Net Assets Statement as at 31 March 2009

	Notes	**2009**	2008
		£	£
Investment assets	12	**295,873,742**	395,442,541
Investment liabilities	12	**(7,932,441)**	(29,970,222)
Additional voluntary contribution investments	13	**2,446,881**	2,637,639
Current assets	14	**3,159,452**	3,224,872
Current liabilities	15	**(2,157,391)**	(1,546,757)
Net assets of the Fund as at 31 March		**291,390,243**	369,788,073

The Financial Statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustees. They do not deal with the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Government Actuary's valuation report on the position of the Fund as at 1 April 2008, and these financial statements should be read in conjunction with that report.

These financial statements were approved by the Trustees on 9 February 2010

Signed on behalf of the Trustees

Rt. Hon. Don Touhig MP

Trustee

The notes on pages 17 to 26 form part of these accounts

Notes to the Financial Statements

1 Basis of preparation

The accounts meet the accounting and disclosure requirements of the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes (revised May 2007).

The Financial Statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustees. They do not deal with the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Government Actuary's valuation report on the position of the Fund as at 1 April 2008, and these financial statements should be read in conjunction with that report.

2 Prior year adjustments

The Trustee has adopted the revised SORP.

As a result investments previously valued at mid prices are now valued at bid or last traded price. This is a change in accounting policy but the difference in valuation is immaterial to the financial statements and so comparatives have not been restated. Therefore comparative figures for investments are reported on a mid price basis, and the adjustment in valuation is included in the current year change in market value.

3 Accounting policies

The principal accounting policies are

a Normal contributions, contributions for the purchase of added years and additional voluntary contributions are accounted for in the year that the employee deductions are made.

b Benefits are accounted for on the date that they fall due and refunds of contributions are accounted for when they are made.

c Transfer values from and to other pension Funds represent the amounts received and paid during the year for members who either joined or left the Fund.

d All other expenditure is accounted for in the period to which it relates.

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 income statement 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.

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.

Income from fixed interest, index-linked securities, cash and short term deposits, is accounted for on an accruals basis.

Rental income is accounted for as earned under the terms of the lease.

f Investments.

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 net assets statement.

Fixed interest securities are stated at their 'clean' prices, with accrued income accounted for within investment income.

Unquoted securities are valued by the 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.

Transaction costs

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

Derivatives

Derivative contracts are valued at fair value. Derivative contract assets are fair valued at bid price and liabilities are fair valued at offer price.

Derivative contracts' 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.

Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

Exchange traded options' fair value is determined using the exchange price for closing out the option at the reporting date. If a quoted market price is not available on a recognised exchange, the over the counter (OTC) contract options' fair value is determined by the Investment Manager using generally accepted pricing models such as Black Scholes, where inputs are based on market data at the year end date.

All OTC contracts are priced per the Asset Manager at month end valuation periods.

The fair value of the interest rate swaps and currency swaps is calculated using pricing models based on the market price of comparable instruments at the year end date, if they are publicly traded. Interest is accrued monthly on a basis consistent with the terms of the contract. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts. Net receipts or payments on swap contracts are either reported in investment income (where the economic purpose relates to income) or change in market value (where the economic purpose relates to assets).

Interest rate swaps have been priced using a Bloomberg model using the ticket information as input variables.

The fair value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

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.

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

Loans and deposits and net current assets/(liabilities) are included at book costs which the Trustee considers represents a reasonable estimate of fair value.

4 Contributions

	2009 £	2008 £
Members		
Normal	**4,251,169**	4,209,443
Added years	**183,850**	153,948
Additional voluntary contributions	**160,210**	175,703
Employers		
Normal	**8,406,340**	8,104,318
Deficit	**4,040,617**	3,895,445
	17,042,186	16,538,857

The Exchequer is required to contribute 8.7 per cent of payroll over a 15 year period to amortise the accumulated deficit.

5 Individual transfers in

	2009 £	2008 £
Individual transfers in	**1,017,144**	3,502,824
AVC Transfer in	**0**	174,246
	1,017,144	3,677,070

6 Benefits payable

	2009 £	2008 £
Pensions	**12,678,158**	12,858,167
Lump sum retirement benefits	**985,974**	738,065
Lump sum death benefits	**443,957**	18,537
AVC benefits payable	**0**	76,651
	14,108,089	13,691,420

7 Payments to and on account of leavers

	2009 £	2008 £
Transfers out	**716,522**	47,760
	716,522	47,760

8 Administrative Expenses

	2009 £	2008 £
Managing Trustees – Secretariat	**273,263**	301,063
Third party administration and advisor fees	**237,864**	95,678
Actuarial fees	**157,670**	66,387
Audit fee	**32,000**	31,100
	700,797	494,228

The 2009 administrative expenses are higher due to the 2008 actuarial valuation and legal fees incurred as a result of changes of investment managers and legislation, and also the costs charged by rpmi resulting from the transfer of the third party administration function. In addition, the 2008 administration fees include approximately, a £15,000 rebate on administration fees from the previous administrator. Other administrative costs of the Managing Trustees' Secretariat are borne by the House of Commons Administration reserve account.

9 Investment income

	2009 £	2008 £
Fixed interest securities	**2,959,799**	2,612,961
Index-linked securities	**176,143**	194,971
Derivatives	**0**	85,782
Equities	**3,976,345**	4,241,702
Pooled investment vehicles	**1,615,346**	612,060
	8,727,633	7,747,476
Interest on cash held on deposit	**544,380**	675,837
	9,272,013	8,423,313
Currency exchange losses	**(2,089,902)**	(4,754,322)
	7,182,111	3,668,991

10 Investment Management expenses

	2009 £
Investment management basic fees	**759,569**
Investment management performance fees	**1,074,167**
Custody fees	**231,595**
Investment accounting fees	**18,376**
Investment consultancy	**155,311**
	2,239,018

Total investment management expenses for the year to March 2008 were £1,368,557. A breakdown in the format above was not provided in the prevous year's accounts.

11 Change in market value of investments

	Note	2009 £	2008 £
Defined benefit assets	12	**(85,666,895)**	(17,613,229)
Additional voluntary contribution assets	13	**(207,950)**	17,949
		(85,874,845)	(17,595,280)

12 Investments

	Market value at 1 April 2008 £	Purchases at cost and derivative payments £	Sales proceeds and derivative receipts £	Change in market value £	**Market value at 31 March 2009** £
Fixed Interest	66,560,910	218,027,421	(226,285,288)	958,569	**59,261,612**
Index-Linked	15,602,835	37,993,102	(46,051,343)	748,389	**8,292,983**
Derivatives	400,334	1,178,252,916	(1,175,204,158)	(3,863,221)	**(414,129)**
Equities	144,679,267	97,150,854	(125,027,847)	(33,506,385)	**83,295,889**
Pooled Investment vehicles	149,644,123	108,852,097	(70,149,331)	(50,004,247)	**138,342,642**
	376,887,469	1,640,276,390	(1,642,717,967)	(85,666,895)	**288,778,997**
Cash and cash equivalents	(13,075,735)				**(2,156,044)**
Accrued income	1,660,585				**1,318,348**
	365,472,319				**287,941,301**

Included within the above purchases and sales figures are transaction costs of £302,427. Costs are also borne by the Fund in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments are not separately identifiable.

	2009 £	2008 £
Investment assets		
Fixed interest securities		
UK public sector quoted	**15,819,403**	11,347,847
UK quoted	**8,087,943**	7,988,439
Overseas public sector quoted	**8,998,936**	14,434,854
Overseas quoted	**26,355,330**	32,789,770
	59,261,612	66,560,910
Index-Linked Securities		
UK public sector quoted	**3,239,260**	10,269,340
Overseas public sector quoted	**5,053,723**	5,333,495
	8,292,983	15,602,835
Derivative contracts		
Swaps – OTC	**1,797,267**	2,379,818
Futures – exchange traded	**63,802**	1,323,841
Options – exchange traded	**301**	39,085
Options – OTC	**0**	401,326
FX contracts – OTC	**330,806**	375,331
	2,192,176	4,519,401

12 Investments continued

	2009	2008
	£	£
Equities		
UK quoted	**29,320,353**	84,982,822
UK unquoted	**7,280,116**	9,660,379
Overseas quoted	**46,695,420**	50,036,066
	83,295,889	144,679,267
Pooled investment vehicles		
UK – equity	**61,689,244**	0
UK – bond	**4,200,590**	0
UK – property	**21,222,356**	32,332,667
UK – other	**1,356**	44,398,171
Overseas – equity	**49,022,974**	72,913,285
Overseas – other	**2,206,122**	0
	138,342,642	149,644,123
Other investment assets		
Cash margin	**360,596**	35,026
Cash deposits	**2,809,496**	12,740,394
Accrued income	**1,318,348**	1,660,585
	4,488,440	14,436,005
	295,873,742	395,442,541
Investment liabilities		
Derivative contracts		
Swaps – OTC	**(785,310)**	(3,101,431)
Futures – exchange traded	**0**	(268,960)
Options – OTC	**(1,466)**	(200,808)
Options – exchange traded	**(32,746)**	(26,943)
FX contracts – OTC	**(1,786,783)**	(520,925)
	(2,606,305)	(4,119,067)
Other investment liabilities		
Cash due to brokers	**(5,326,136)**	(25,851,155)
	(7,932,441)	(29,970,222)

Derivative contracts

Objectives and policies

The Trustees have authorised the use of derivatives by their investment managers as part of their investment strategy for the pension fund. Derivatives may only be used by investment managers where they are specifically permitted in the investment management agreement.

Swaps

Swap contracts are over the counter arrangements in which the parties agree to exchange one stream of cashflows for another. The details of swap contracts in place at the year end date are as follows

Type of swap	Duration years	Nominal amount £	Asset value at year end £	Liability value at year end £
Credit default	1	592,826	10,814	4,995
Credit default	1 to 3	2,159,536	177,129	22,287
Credit default	3 to 5	7,742,185	537,269	208,040
Credit default	5 to 10	7,637,208	526,608	0
Index- linked	5 to 10	900,000	11,302	0
Index- linked	15+	300,000	47,566	0
Interest rate	1 to 3	2,357,748	74,419	595
Interest rate	5 to 10	31,500,000	403,363	0
Interest rate	10 to 15	10,246,280	3,959	333,910
Interest rate	15+	11,841,747	4,838	215,483
			1,797,267	**785,310**

Collateral deposited by counterparties in respect of swap contracts at the year end date amounted to £108,085. Collateral received in this way is not reported within the fund's net assets.

Futures

Futures contracts are standardised, transferable, exchange traded contracts that require delivery of a commodity, bond, currency or stock index, at a specified price, on a specified future date. The details of open futures contracts at the year end date are as follows

Type of future	Expiration	Economic exposure at year end	Asset value at year end
Overseas exchange traded			
Interest rate future	3 months	9,650,166	63,802
			63,802

Included within cash balances is £360,596 in respect of initial and variation margins arising on open futures contracts at the year end.

Options

Options are contracts which confer the right, but not the obligation, to buy ('call' options) or sell ('put' options) a security, currency, commodity or derivative contract on a specified future date at the price specified in the contract. Options may be either over the counter or exchange traded and may be 'bought', which means they carry the right to buy or sell if exercised by the holder or "sold", meaning they carry the obligation to buy or sell if exercised by the counterparty. The details of option contracts in place at the year end date are as follows

Type of options	Expiration	Call or put	Notional amount of outstanding contracts	Asset value at year end	Liability value at year end
			£	£	£
OTC options					
Interest rate swap	April 09	Call	159	0	100
Interest rate swap	April 09	Put	(22)	0	99
Interest rate swap	May 09	Put	(16)	0	921
Interest rate swap	June 09	Put	(31)	0	346
			90	0	1,466
Exchange traded options					
Interest rate option	June 09	Call	2,300,000	301	0
US government bonds	May 09	Call	2,300,000	0	1,875
US government bonds	May 09	Call	800,000	0	12,035
US government bonds	May 09	Put	1,400,000	0	18,836
			6,800,000	301	32,746
			6,800,090	**301**	**34,212**

Forward Foreign Exchange (FX)

The fund had open FX contracts at the year end as follows

Buy/Sell currency	Amount bought currency	Amount sold currency	Value at year end £
Assets			
Yen/US dollar	2,508,340	362,849	3,139
Euro/US dollar	500,000	651,486	8,616
US dollar/Sterling	4,300,000	2,973,668	26,239
US dollar/ Canadian dollar	535,328	666,000	4,149
US dollar/ Euro	400,000	300,940	315
US dollar/ JPY	6,581,391	640,687,750	62,499
US dollar/ Polish Zloty	157,074	384,956	33,479
US dollar/ Singapore Dollar	595,196	894,010	5,267
US dollar/USSR Rouble	965,608	23,977,750	186,875
Swiss Franc/Sterling	68,419	41,787	228
			330,806

Buy/Sell currency	**Amount bought currency**	**Amount sold currency**	**Value at year end £**
Liability			
Sterling/US dollar	597,778	836,437	355,062
Sterling/Swiss Francs	36,921,013	53,430,687	12,759
Yen/US dollar	10,824,900	1,627,491	29,318
Euro/Sterling	270,000	250,206	116
Euro/JPY	27,438	3,663,000	458
Euro/US dollar	1,117,457	1,520,930	26,035
JPY/ US dollar	11,558,636	118,787	1,184
Mexican Peso/US dollar	87,235	7,994	1,313
Polish Zlotys/US dollar	384,956	170,576	42,995
Singapore dollars/US dollar	894,010	606,200	12,953
US dollar/Sterling	5,180,000	3,676,052	62,210
US dollar/Yen	1,903,028	13,333,240	34,711
US dollar/ Euro	28,054,876	22,216,000	1,005,087
US dollar/ Mexican Peso	5,874	87,235	178
USSR Roubles/US dollar	23,977,750	984,066	202,404
			1,786,783
Total			**(1,455,977)**

The majority FX contracts will settle within one month of the year end, and the remainder within five months.

13 Additional Voluntary Contributions (AVCs)

The Trustees are responsible for administering an AVC Scheme whereby participants in the Fund may make contributions to secure additional benefits to those provided by the Pension Fund. These contributions are invested separately from the Fund, with outside providers (Equitable Life and/or Zurich) securing additional benefits on a money purchase basis for those members electing to pay AVCs. Members participating in this arrangement receive an annual statement confirming the amounts held in their accounts and the movements in year. The aggregate movements and amounts of AVC investments are as follows

	2009 £	2008 £
AVC investments as at 1 April	**2,637,639**	2,560,638
AVC contributions purchases	**200,210**	135,703
AVC sales	**(183,018)**	(76,651)
Change in market value	**(207,950)**	17,949
AVC investments as at 31 March	**2,446,881**	2,637,639
Market value of AVC investments by provider		
Equitable Life	**1,506,463**	1,692,089
Zurich	**940,418**	945,550
	2,446,881	2,637,639

AVCs are held in with-profits, unit-linking and deposit balances. At the end of 2008 there was £40,000 cash in transit between the Fund and the AVC provider.

14 Current assets

	2009 £	2008 £
Contributions		
Employee normal contributions	**340,713**	362,478
Employer normal contributions	**1,036,121**	1,009,665
Employee added years	**17,961**	11,166
	1,394,795	1,383,309
Balance at bank	**1,671,187**	1,686,563
Cash in transit	**0**	40,000
Provision for GMP owed by members to the Fund	**93,470**	115,000
	3,159,452	3,224,872

15 Current liabilities (amounts due within one year)

	2009 £	2008 £
Pensions, lumps sums and tax	**(335,547)**	(808,728)
Administrative expenses	**(183,688)**	(198,564)
Investment management expenses	**(1,468,035)**	(470,465)
Unpresented cheques	**(150,291)**	0
Provision for GMP owed to members	**(19,830)**	(69,000)
	(2,157,391)	(1,546,757)

16 Related party transactions

The Secretary to the Managing trustees also works for the Department of Resources who operate the House of Commons Members Supply Estimate and he is therefore regarded as a related party. The House of Commons Members Supply Estimate provides an Exchequer contribution taking into account recommendations by the Actuary.

Two Trustees are pensioners within the Fund and the remainder are active members. The trustees receive benefits on the same basis as other members of the fund.

Other than the related party transactions disclosed above, none of the Trustees, key management staff nor any related party has undertaken any material transactions with the Fund during the year.

17 Employer related investments

There were no employer related investments during the period.

18 Concentration of investment

The Fund held the following investments, which had a value exceeding 5 per cent of the total value of net as at 31 March 2009.

	Market Value 2009 £	% of Net Assets 2009
Pooled investment vehicles		
Aquila Life UK Equity Fund	**32,162,742**	**11.0**

19 Post balance sheet event

Parliamentary Contributory Pension Fund's financial statements are laid before the Houses of Parliament by the Comptroller and Auditor General. FRS21 requires Parliamentary Contributory Pension Fund's accounts to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are dispatched by the Trustees to the Comptroller and Auditor General.

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