

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

Parliamentary Contributory Pension Fund Account 2006-2007

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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 10 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 1/50th to 1/40th. The SI provided that

- i active members would accrue pensions at 1/40th and members' contributions would increase from six per cent to nine 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;
- iii active members had until 31 December 2002 to opt out of the increases, and remain with 6 per cent contributions and 1/50th 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;

- a The Members' contributions for 1/40th accrual was increased by one per cent of pay to 10 per cent of pay back dated to 1 April 2004;
- b The favourable terms for early retirement of long serving Members was altered so that by 2009, or the General Election after next if later, all early retirement 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 will count 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 in the House of Commons;
- iii in case of Members dying on or after 1st April 2001, all dependant children will receive equal treatment in respect of benefits;
- iv the lump sum death in service payment was increased from 3 x annual salary to 4 x 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 23rd 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 Members reaching the age of 75 after 6 April 2006 will be given the option to take tax free cash just before their 75th birthday and abating the pension until they leave the House;
- iv Corresponding changes were made to the death benefits for those over age 75 at the date of death;
- v 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;
- vi The maximum contribution to AVCs was increased to the HMRC limit
- vii Up to 25 per cent of the AVC Fund may be taken as tax free cash (within the Lifetime Allowance) at retirement;
- viii Provision has been put in place for those who wish to exercise the Primary or Enhanced Protection afforded under the new legislation;
- ix 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 five 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.

Trustees and Officers of the Fund

Number

There are nine Managing Trustees, eight of whom are serving Members of the House of Commons and one of whom is a pensioner Trustee.

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 Trustee is appointed in accordance with Regulation 2 of SI 1999 No. 2100

Trustees during the current accounting year

Sir John Butterfill FRICS MP (Chairman)

Rt Hon Peter Lilley MP

Dr Howard Stoaate MP

Andrew Love MP

Terry Rooney MP

David Borrow MP

Clive Betts MP

Nick Harvey MP

Rt Hon Lord Naseby PC (pensioner Trustee)

Sir Graham Bright (pensioner Trustee from 28 March 2007)

Secretary

Terry Bird, Department of Finance and Administration

Head of pensions

Jimmy Walker, Department of Finance and Administration (from 2 October 2006); Carol Perry (until 30 June 2006)

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	Mercer Investment Consulting Ltd	Trustees
Fund Management	MFS International (UK) Ltd	Trustees
	Liontrust Investment Services Ltd	Trustees
	Barclays Global Investors Ltd	Trustees
	PIMCO	Trustees
	Quellos (from March 2007)	Trustees
Legal Advice	CMS Cameron McKenna	Trustees
Custodian	Bank of New York	Trustees
Third Party Administration and Fund accounting and payroll duties	STC Pensions Management Ltd	Trustees
AVC providers	Equitable Life	Trustees
	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 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 November 2002 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 9.

Benefits payable

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

- an immediate pension of 1/40th or 1/50th 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;
- an immediate 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 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 at 31 March 2007 were as follow

Categories	Number
Active Members	666
Deferred Pensioners	208
Pensioners	931

The pensions payable increased from £11,911,219 in 2005-2006 to £12,616,512 in 2006-2007.

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 £1,910,885 in 2006-2007 (£1,625,151 in 2005-2006)

During the accounting period in question Members and Office-holders contributed either six per cent or 10 per cent of their salaries, depending on their chosen accrual rate. The Exchequer Contribution for 2006-2007 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 requirement, the Trustees have decided to produce this document in order to comply with best practice for Funded schemes.

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 bond allocation and have since resolved to move from the previous 80 per cent equity allocation over a period of three years with 60 per cent in equities, 30 per cent in bonds and 10 per cent in property. After further consideration in 2006, the Trustees adopted a benchmark of 66 per cent in equities and 34 per cent in bonds. This decision reflected the Trustees' view that equities had outperformed bonds and the Trustees' desires to search for other defensive assets such as property and hedge funds, as alternatives to bonds. The Trustees continue to review the position with the assistance of their Investment Advisor, Mercer. Any timetable to reduce the equity allocation from 66 per cent to a long term strategic level of 60 per cent will depend on the relative valuation of equities versus bonds and the case for further diversification.

In order to ensure a smooth transition from the previous asset mix to the chosen portfolio, the Trustees appointed Barclays Global Investors Ltd on 27 November 2003 to manage the transitional portfolio. After further consideration the Trustees appointed Liontrust Investment Services Ltd, MFS International (UK) Ltd and Barclays Global Investors on 15 December 2003 to manage the assets of the Fund. The Trustees appointed PIMCO to manage the bond portfolio on 7 December 2005 and in addition have agreed to move a further five per cent of the Fund into property over the next year to make a total of 10 per cent held through a series of unit trusts.

As part of the Trustees' desire to diversify assets, the Trustees have appointed Quellos as a Hedge Fund Manager. Quellos were recommended for appointment after a beauty parade held in January 2007 and their appointment was agreed by the Trustees in March 2007. First allocations were made in May 2007.

The initial allocations and current allocations to each Fund Manager are as follows

Manager	Initial Benchmark Proportion of assets %	Revised Benchmark (March 2007) Proportion assets %	Mandate
Liontrust Investment Services Limited	15	12	UK Equity
MFS International (UK) Limited	15	12	UK Equity
MFS International (UK) Limited	15	13	Overseas Equity
Barclays Global Investors	15	13	Overseas Equity
Barclays Global Investors	35	20	Multi-Asset
PIMCO	–	17.5	UK Bonds
Various Unit Trusts	5	10	Property
Quellos	–	2.5	Hedge Funds
Total	100	100	

The 1972 Act empowered the Trustees of the Fund to invest in any investments 'whatsoever and wheresoever'. Fund Managers are required to manage the Fund's assets within the parameters set by the Statement of Investment Principles and each reports quarterly on their own performance. Russell Mellon produce overall reports on a quarterly basis, comparing the Fund Managers' performance against a background portfolio of major UK Pension Funds.

Investment income in 2006-2007 was £11,042,648 and the market value of assets increased by £17,365,526.

The overall effect of the movements in pensions payable, income and investments, was an increase of £29,402,358 in the Net Assets of the Fund during the year.

Actuarial position of the Fund

The Government Actuary's Report as at 1 April 2005 was laid before Parliament on 30 March 2006 and showed an increase in the deficit to £49.5 million. The report recommended that the Exchequer contribution rate payable in respect of both Members and Office Holders should increase to 26.8 per cent of salaries from 1 April 2006. The next Actuary's Report is due as at 31 March 2008.

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 Finance and Administration, House of Commons, London SW1A 0AA.

Disclosure of Information

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

Approved on behalf of the Trustees on 29 October 2007 by

Sir John Butterfill MP
Chairman of the Managing Trustees

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 2007 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 2007 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 judgments 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 Finance and Administration provide a full secretariat and administrative service to the Managing Trustees; accounting and payroll provision are dealt with by STC Pension Management Ltd and the Bank of New York acts as the Custodian.

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 STC Pension Management 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

- All pensions awards are ratified by the Managing Trustees from information provided by the designated House of Commons' officers appointed by the Managing Trustees, and are reflected in the minutes of the Trustees' meetings.
- STC Pension Management Ltd makes payment of all awards.
- The Bank of New York 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 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 pooled Funds in which the Trustees invest is appointed by Barclays Global Investors, the manager of the pooled Funds which include the Property portfolio held by UBS, Rockspring, Blackrock, Schroder and Standard Life.

- Separation of duties exists whereby responsibility for investment dealings and stock settlements is segregated between the Fund Managers and Custodian respectively.
- STC Pension Management Ltd and the Custodian perform regular reconciliations of the bank accounts that they control.
- Separation of duties exists at STC Pension Management 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 STC Pension Management Ltd, the Custodian, the House of Commons and the Managing Trustees.
- The Managing Trustees have free access to all documents and records maintained by the Custodian and STC Pension Management Ltd.

Review of effectiveness

At the request of the Secretariat, a full external review of the Secretariat was commissioned during the Summer of 2005. This was undertaken by a specialist division of PriceWaterhouseCoopers to review and examine all aspects of the administration, secretarial and governance roles undertaken by the Secretariat and the Pensions Unit of the House of Commons. It delivered its findings to the House of Commons Service in December 2005 and these were reported to the Trustees.

The Recommendations from the report have been progressively implemented. The most significant improvement has been the recruitment of additional staff to the Pensions Unit up to the recommended levels in the report.

Approved on behalf of the Trustees on 29 October 2007 by

Sir John Butterfill MP
Chairman of the Managing Trustees

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 2007 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 Fund'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 judgments 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 2007, 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.

John Bourn
Comptroller and Auditor General

26 November 2007

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London SW1W 9SP

Fund Account for the year to 31 March 2007

	Notes	2007 £	2006 £
Contributions and Benefits			
Exchequer contributions receivable	3	11,484,578	10,172,532
Members' contributions receivable	4	4,280,099	4,228,071
Individual transfers in from other schemes	5	1,910,885	1,625,151
		17,675,562	16,025,754
Benefits payable	6	14,820,124	17,644,323
Payments to and on account of leavers	7	0	157,091
Administrative expenses	8	520,737	505,328
		15,340,861	18,306,742
Net additions/(withdrawals) from dealing with members		2,334,701	(2,280,988)
Returns on investments			
Investment income	9	11,042,648	5,147,406
Change in market value of investments	10	17,365,526	64,596,495
Investment management expenses	11	(1,340,517)	(961,944)
		27,067,657	68,781,957
Net returns on investments		27,067,657	68,781,957
Net increase in the Fund during the year		29,402,358	66,500,969
Net assets of the scheme as at 1 April		349,698,042	283,197,073
Net assets of the scheme as at 31 March		379,100,400	349,698,042

The notes on pages 16 to 22 form part of these accounts

Net Assets Statement as at 31 March 2007

	Notes	2007 £	2006 £
Investments at market value			
Fixed Interest securities	12	83,564,262	67,088,850
Index – Linked securities	12	23,848,511	25,560,010
Derivatives	12	24,829,177	35,999,826
Equities	12	172,896,118	156,433,571
Pooled investment vehicles	12	132,917,026	118,657,662
		438,055,094	403,739,919
Cash deposits and amount due to brokers	12	(65,172,711)	(60,889,953)
Other investment balances	12	2,159,612	1,984,482
Additional voluntary contribution investments	13	2,560,638	2,417,675
		(60,452,461)	(56,487,796)
Net current assets	14	1,594,767	2,727,919
Provisions for liabilities and charges	15	(97,000)	(282,000)
Net assets of the scheme as at 31 March		379,100,400	349,698,042

These financial statements were approved and authorised for issue by the Trustees on

Signed on behalf of the Trustees

29 October 2007

The notes on pages 16 to 22 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 November 2002).

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 2005 and these financial statements should be read in conjunction with that report.

2 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 they fall due.
- 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 schemes 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 from fixed interest securities and other interest receivable is accounted for on an accruals basis. Investment income from other investments is accounted for when dividends are declared.
- f Investments are stated at market value

Quoted securities have been valued at middle market price at the close of business at the year end. The market value of unit trusts is taken as the average of the bid and offer prices at the accounting date as advised by the investment manager.

The change in investment market values during the year includes profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

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.

Purchases and sales of investments in overseas currencies are translated into sterling at the transaction date. Year end holdings of investments in overseas currencies are translated into sterling at the exchange rate ruling at the year end. Differences arising on translation are included in the change in market value of investments.

Financial instruments are marked to market at the year end and accounted for on an economic exposure basis.

Each of the financial instruments are valued on the basis set out below

Futures are valued at the exchange prices at the year end.

Swaps are valued based on the valuation provided by the investment manager. The value is based on the current value of future expected net cash flows arising from the swap.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that time.

- g Acquisition costs are capitalised within investment holdings in the Net Assets Statement.

3 Exchequer contributions receivable

	2007 £	2006 £
Exchequer contributions are received from the House of Commons Members' Supply Estimate		
Ministerial	1,621,856	1,354,696
Members of Parliament	9,862,722	8,817,836
	<u>11,484,578</u>	<u>10,172,532</u>

4 Members' contributions receivable

	2007 £	2006 £
Ministerial	588,106	523,646
Members of Parliament	3,543,387	3,559,828
	<u>4,131,493</u>	<u>4,083,474</u>
Purchase of added years	69,667	51,424
AVCs	78,939	93,173
Total contribution income	<u>4,280,099</u>	<u>4,228,071</u>

5 Individual transfers in

	2007 £	2006 £
Transfers in	1,910,885	1,625,151
Total transfers in	<u>1,910,885</u>	<u>1,625,151</u>

6 Benefits payable

	2007 £	2006 £
Pensions		
Retired Members	9,788,217	9,310,411
Widows and widowers	2,791,691	2,566,202
Children	36,604	34,606
	<u>12,616,512</u>	<u>11,911,219</u>
Lump sum retirement benefits	1,610,779	4,799,118
Lump sum death benefits	530,440	709,140
AVC benefits payable	62,393	224,846
Total benefits payable	<u>14,820,124</u>	<u>17,644,323</u>

7 Payments to and on account of leavers

	2007 £	2006 £
AVC transfers	0	157,091
	0	157,091

8 Administrative expenses

	2007 £	2006 £
Managing trustees – secretariat	256,425	314,420
Third party administration fees	86,487	74,015
Actuarial fees	148,392	87,493
Audit fee	29,400	29,400
Opra Levy	33	0
Total	520,737	505,328

Other administrative costs of the Managing Trustees' Secretariat are borne by the House of Commons Administration reserve account.

9 Investment income

	2007 £	2006 £
Fixed interest securities	2,071,305	748,658
Index-linked securities	322,931	372,104
Derivatives	756,012	159,637
Equities	5,233,896	3,860,841
Pooled investment vehicles	723,970	328,765
	9,108,114	5,470,005
Interest on cash held on deposit	184,947	288,336
	9,293,061	5,758,341
Currency exchange gains/(losses)	1,749,587	(610,935)
	11,042,648	5,147,406

10 Changes in market value of investments

	2007 £	2006 £
Net realised gain for the year	14,374,559	30,583,833
Net unrealised gain for the year	2,864,550	33,739,447
Gains on investments during the year	17,239,109	64,323,280
Gains on AVC investments during the year	126,417	273,215
	17,365,526	64,596,495

11 Investment management expenses

	2007 £	2006 £
Pimco	201,139	63,700
Liontrust Investment Services fee	160,188	133,368
MFS International fee	320,484	272,571
Barclays Global Investors fee	217,001	233,297
Performance Measurement Services	15,229	13,069
Bank of New York custodian fee	267,957	119,816
Investment consulting fees	158,519	126,123
	<u>1,340,517</u>	<u>961,944</u>

12 Investments

	Market value at 1 April 2005 £	Purchases at cost £	Sales proceeds £	Change in market value £	Market value at 31 March 2006 £
Fixed Interest	67,088,850	349,830,826	(330,010,573)	(3,344,841)	83,564,262
Index-Linked	25,560,010	108,613,338	(110,304,584)	(20,253)	23,848,511
Derivatives	35,999,826	72,500,345	(81,129,879)	(2,541,115)	24,829,177
Equities	156,433,571	89,931,017	(84,413,225)	10,944,755	172,896,118
Pooled Investment vehicles	118,657,662	16,281,163	(14,222,362)	12,200,563	132,917,026
	<u>403,739,919</u>	<u>637,156,689</u>	<u>(620,080,623)</u>	<u>17,239,109</u>	438,055,094
Cash deposits and amount due to brokers	(60,889,953)				(65,172,711)
Outstanding dividend entitlements, Unit trust rebates and recoverable with-holding tax	<u>1,984,482</u>				2,159,612
	344,834,448				375,041,995

	2007 £	2006 £
Fixed interest securities		
UK public sector quoted	31,224,775	33,216,919
UK quoted	9,993,397	7,935,127
Overseas public sector quoted	10,236,785	7,966,970
Overseas quoted	32,109,305	17,969,834
	<u>83,564,262</u>	<u>67,088,850</u>
Index-Linked Securities		
UK public sector quoted	20,557,215	25,560,010
Overseas public sector quoted	3,291,296	0
	<u>23,848,511</u>	<u>25,560,010</u>

12 Investments *continued*

	2007 £	2006 £
Derivatives		
UK bond futures	31,684,040	3,617,170
UK bond options	0	(64,000)
UK SWAPS – interest rate	(413,728)	606,399
UK SWAPS – credit defaults	(11,105)	8,722
UK SWAPS – Index Linked	12,164	0
UK Swaptions	2,192	0
Overseas swaptions	69,906	(1,346)
Overseas bond futures	(6,366,611)	31,418,167
Overseas bond options	(1,045)	(6,333)
Overseas swaps-interest rate	(142,531)	420,833
Overseas swaps- credit default	(4,105)	214
	<u>24,829,177</u>	<u>35,999,826</u>
Equities		
UK quoted	119,210,551	105,755,971
Overseas quoted	53,685,567	50,677,600
	<u>172,896,118</u>	<u>156,433,571</u>
Pooled investment vehicles Unit trusts		
UK – property	37,337,816	25,283,933
UK – other	39,031,670	35,746,861
Overseas – other (UK registered)	56,547,540	57,626,868
	<u>132,917,026</u>	<u>118,657,662</u>
Cash balances and amount due to brokers		
Interest earning cash deposits	9,072,334	10,522,366
Cash due from broker	17,716,792	35,277,329
Cash due to broker	(66,917,548)	(71,860,842)
Cash backing open ended bond futures	(25,044,289)	(34,828,806)
	<u>(65,172,711)</u>	<u>(60,889,953)</u>

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:

	2007 £	2006 £
AVC investments as at 1 April	2,417,675	2,433,224
AVC contributions (net of withdrawals)	78,939	93,173
AVC withdrawals	0	(157,091)
AVC benefits	(62,393)	(224,846)
Gains on AVC investments	126,417	273,215
AVC investments as at 31 March	<u>2,560,638</u>	<u>2,417,675</u>
Market value of AVC investments by provider		
Equitable Life	1,656,720	1,590,562
Zurich	903,918	827,113
	<u>2,560,638</u>	<u>2,417,675</u>

Investments are held in a range of With Profits, Unit-Linked and Building Society Funds.

14 Net current assets

	2007 £	2006 £
Current assets		
<i>Contributions and benefits</i>		
Contributions	1,320,925	1,187,116
Contributions for added years	8,075	4,098
	<u>1,329,000</u>	<u>1,191,214</u>
Balance at bank	1,753,823	3,017,946
	<u>3,082,823</u>	<u>4,209,160</u>
Current liabilities (amounts due within one year)		
Pensions	(820,746)	(763,456)
Administrative expenses	(195,724)	(128,202)
Investment management expenses	(471,586)	(498,549)
Other	0	(91,034)
	<u>(1,488,056)</u>	<u>(1,481,241)</u>
Net current assets	<u>1,594,767</u>	<u>2,727,919</u>

15 Provision for liabilities and charges

A provision has been established to reflect the amount of deferred Guaranteed Minimum Pension (GMP) owed to a group of Members who have received pensions from the Fund. The reduction in the provision is due to payments made during the year.

	2007
	£
Balance at 1 April	282,000
Provision released in year	(185,000)
Balance at 31 March	97,000

16 Related party transactions

The Secretary to the Managing Trustees also works for the Department of Finance and Administration 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.

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 five per cent of the total value of net assets as at 31 March 2007

	Market Value	% of Net	Market Value	% of Net
	2007	Assets 2007	2006	Asset 2006
Pooled investment vehicles				
<i>Unit trusts – Overseas – Other (UK registered)</i>				
Ascent Life European Equity Fund	£21,022,156	5.5	£19,924,902	5.7
UBS GBL Asset mgt Triton Property UT	£21,224,474	5.6	0	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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