

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

Parliamentary Contributory Pension Fund Accounts 2007-2008

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Parliamentary Contributory Pension Fund Account 2007-2008

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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; and
- iii (active members had until 31 December 2002 to opt out of the increases, and remain with six 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 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 x annual salary to four 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 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 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; and
- 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 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.

Trustees and Officers of the Fund

Number

There are 10 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 Stodate MP

Andrew Love MP

Terry Rooney MP (resigned 27 March 2008)

David Borrow MP (resigned 27 March 2008)

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 (appointed 27 March 2008)

Jim Dowd MP (appointed 27 March 2008)

Secretary

Terry Bird, Department of Finance and Administration

Head of Pensions

Jimmy Walker, Department of Finance and Administration

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 until 1 November 2007. Hymans Robertson from 1 November 2007.	Trustees
Fund Management	MFS International (UK) Ltd	Trustees
	Liontrust Investment Services Ltd	Trustees
	Barclays Global Investors Ltd	Trustees
	PIMCO	Trustees
	BlackRock Alternative Advisors – previously 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)	

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 four 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 2008 were as follows

Categories	Number
Active Members	660
Deferred Pensioners	191
Pensioners	846

The pensions payable increased from £12,616,512 in 2006-2007 to £12,858,167 2007-2008

Income

Income to the Fund is derived from three main sources

- b contributions from Members of Parliament and holders of qualifying office under the 1972 Act;
- c an Exchequer contribution paid from the House of Commons Supply Estimate under the 1972 Act; and
- d Investment income as detailed below.

In addition, transfers of pension benefits into the Fund amounted to £3,677,070 in 2007-2008 (£1,910,885 in 2006-2007).

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 2007-2008 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 advisors 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, Hymans. 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 BlackRock as a Hedge Fund Manager. BlackRock 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 of 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	0	17.5	UK Bonds
Various Unit Trusts	5	10	Property
BlackRock Alternative Advisors (previously Quellos)	0	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 2007-2008 was £3,668,991 and the market value of assets decreased by £17,595,280.

The overall effect of the movements in pensions payable, income and investments, was a decrease of £9,312,327 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 with an effective date of 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 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 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 4 December 2008 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 2008 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 2008 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 were dealt with up to the 31 March 2008 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 BGI pooled funds, 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;

- 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; and
- The Managing Trustees have free access to all documents and records maintained by the Custodian and STC Pension Management Ltd.

Approved on behalf of the Trustees on 4 December 2008 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 2008 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 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 2008, 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.

T J Burr
Comptroller and Auditor General

28 January 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Fund Account for the year to 31 March 2008

	Notes	2008 £	2007 £
Contributions and Benefits			
Exchequer contributions receivable	3	11,999,763	11,484,578
Members contributions receivable	4	4,539,094	4,280,099
Individual transfers in from other schemes	5	3,677,070	1,910,885
		<u>20,215,927</u>	<u>17,675,562</u>
Benefits payable	6	13,691,420	14,820,124
Payments to and on account of leavers	7	47,760	0
Administrative expenses	8	494,228	520,737
		<u>14,233,408</u>	<u>15,340,861</u>
Net additions/(withdrawals) from dealing with members		<u>5,982,519</u>	<u>2,334,701</u>
Returns on investments			
Investment income	9	3,668,991	11,042,648
Change in market value of investments	10	(17,595,280)	17,365,526
Investment management expenses	11	(1,368,557)	(1,340,517)
Net returns on investments		<u>(15,294,846)</u>	<u>27,067,657</u>
Net decrease in the Fund during the year		(9,312,327)	29,402,358
Net assets of the scheme as at 1 April		379,100,400	349,698,042
Net assets of the scheme as at 31 March		<u>369,788,073</u>	<u>379,100,400</u>

The notes on pages 16 to 23 form part of these accounts

Net Assets Statement as at 31 March 2008

	Notes	2008 £	2007 £
Investments at market value			
Fixed Interest securities	12	66,560,910	83,564,262
Index – Linked securities	12	15,602,835	23,848,511
Derivatives	12	71,972,856	24,829,177
Equities	12	144,679,267	172,896,118
Pooled investment vehicles	12	149,644,123	132,917,026
		448,459,991	438,055,094
Cash deposits	12	(84,648,257)	(65,172,711)
Other investment balances	12	1,660,585	2,159,612
Additional voluntary contribution investments	13	2,637,639	2,560,638
		(80,350,033)	(60,452,461)
Net current assets	14	1,747,115	1,594,767
Provision for liabilities and charges	15	(69,000)	(97,000)
Net assets of the scheme as at 31 March		369,788,073	379,100,400

These financial statements were approved by the Trustees on 4 December 2008

Signed on behalf of the Trustees

4 December 2008

The notes on pages 16 to 23 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.

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

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

	2008 £	2007 £
Exchequer contributions are received from the House of Commons Members' Supply Estimate		
Ministerial	1,636,290	1,621,856
Members of Parliament	10,363,473	9,862,722
	<u>11,999,763</u>	<u>11,484,578</u>

4 Members contributions receivable

	2008 £	2007 £
Ministerial	577,770	588,106
Members of Parliament	3,631,673	3,543,387
	<u>4,209,443</u>	<u>4,131,493</u>
Purchase of Added years	153,948	69,667
AVCs	175,703	78,939
Total contribution income	<u>4,539,094</u>	<u>4,280,099</u>

5 Individual transfers in

	2008 £	2007 £
Transfers in	3,502,824	1,910,885
AVC Transfer in	174,246	0
Total transfers in	<u>3,677,070</u>	<u>1,910,885</u>

6 Benefits payable

	2008 £	2007 £
Pensions		
Retired Members	9,804,289	9,788,217
Widows and widowers	3,025,729	2,791,691
Children	28,149	36,604
	12,858,167	12,616,512
Lump sum retirement benefits	738,065	1,610,779
Lump sum death benefits	18,537	530,440
AVC benefits payable	76,651	62,393
Total benefits payable	13,691,420	14,820,124

7 Payments to and on account of leavers

	2008 £	2007 £
Transfer value – Pension sharing on Divorce	47,760	0
	47,760	0

8 Administrative expenses

	2008 £	2007 £
Managing Trustees – Secretariat	301,063	256,425
Third party administration fees	95,678	86,487
Actuarial fees	66,387	148,392
Audit fee	31,100	29,400
Levy	0	33
Total	494,228	520,737

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

9 Investment income

	2008	2007
	£	£
Fixed interest securities	2,612,961	2,071,305
Index-linked securities	194,971	322,931
Derivatives	85,782	756,012
Equities	4,241,702	5,233,896
Pooled investment vehicles	612,060	723,970
	7,747,476	9,108,114
Interest on cash held on deposit	675,837	184,947
	8,423,313	9,293,061
Currency exchange (losses)/gains	(4,754,322)	1,749,587
	3,668,991	11,042,648

10 Changes in market value of investments

	2008	2007
	£	£
Net realised gain for the year	20,109,936	14,374,559
Net unrealised loss for the year	(37,723,165)	2,864,550
Losses on investments during the year	(17,613,229)	17,239,109
Gains on AVC investments during the year	17,949	126,417
	(17,595,280)	17,365,526

11 Investment management expenses

	2008	2007
	£	£
Pimco	199,508	201,139
Liontrust investment services fee	141,707	160,188
MFS international fee	276,548	320,484
Barclays global investors fee	332,071	217,001
Performance measurement services	12,145	15,229
Bank of New York custodian fee	258,350	267,957
Investment consulting fees	148,228	158,519
	1,368,557	1,340,517

12 Investments

	Market Value at 1 April 2007 £	Purchases at cost £	Sales Proceeds £	Change in Market Value £	Market Value at 31 March 2008 £
Fixed Interest	83,564,262	279,218,283	(297,042,295)	820,660	66,560,910
Index-Linked	23,848,511	67,961,429	(77,146,466)	939,361	15,602,835
Derivatives	24,829,177	177,806,330	(132,892,534)	2,229,883	71,972,856
Equities	172,896,118	77,718,743	(93,085,285)	(12,850,309)	144,679,267
Pooled Investment vehicles	132,917,026	69,158,065	(43,678,144)	(8,752,824)	149,644,123
	<u>438,055,094</u>	<u>671,862,850</u>	<u>(643,844,724)</u>	<u>(17,613,229)</u>	448,459,991
Cash deposits	(65,172,711)				(84,648,257)
Outstanding dividend entitlements, Unit trust rebates and recoverable with-holding tax	2,159,612				1,660,585
	<u>375,041,995</u>				365,472,319

	2008 £	2007 £
Fixed interest securities		
UK public sector quoted	11,347,847	31,224,775
UK quoted	6,811,956	9,993,397
UK unquoted	1,176,483	0
Overseas public sector quoted	14,434,854	10,236,785
Overseas quoted	23,829,599	32,109,305
Overseas unquoted	8,960,171	0
	<u>66,560,910</u>	<u>83,564,262</u>

Index-linked securities		
UK public sector quoted	10,269,340	20,557,215
Overseas public sector quoted	0	3,291,296
Overseas public sector unquoted	5,333,495	0
	<u>15,602,835</u>	<u>23,848,511</u>

Derivatives		
UK bond futures	120,678,704	31,684,040
UK SWAPS – interest rate	(126,816)	(413,728)
UK SWAPS – credit defaults	14,734	(11,105)
UK SWAPS – Index Linked	15,786	12,164
UK Swaptions	76,418	2,192
Overseas swaptions	124,100	69,906
Overseas bond futures	(48,196,895)	(6,366,611)
Overseas bond options	12,142	(1,045)
Overseas swaps – interest rate	(1,121,746)	(142,531)
Overseas swaps – credit default	496,429	(4,105)
	<u>71,972,856</u>	<u>24,829,177</u>

	2008 £	2007 £
Equities		
UK quoted	84,982,822	119,210,551
UK unquoted	9,660,379	0
Overseas quoted	50,036,066	53,685,567
	<u>144,679,267</u>	<u>172,896,118</u>
Pooled investment vehicles		
Unit trusts		
UK – property	32,332,667	37,337,816
UK – other	44,398,171	39,031,670
Overseas – other (UK registered)	72,913,285	56,547,540
	<u>149,644,123</u>	<u>132,917,026</u>
	2008 £	2007 £
Cash balances		
Interest earning cash deposits	12,629,826	9,072,334
Cash due from broker	4,660,278	17,716,792
Cash due to broker	(30,511,433)	(66,917,548)
Cash backing open ended bond futures	(71,426,928)	(25,044,289)
	<u>(84,648,257)</u>	<u>(65,172,711)</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

	2008 £	2007 £
AVC investments as at 1 April	2,560,638	2,417,675
AVC contributions (net of withdrawals)	135,703	78,939
AVC benefits	(76,651)	(62,393)
Gains on AVC investments	17,949	126,417
AVC investments as at 31 March	<u>2,637,639</u>	<u>2,560,638</u>
Market value of AVC investments by provider		
Equitable Life	1,692,089	1,656,720
Zurich	945,550	903,918
	<u>2,637,639</u>	<u>2,560,638</u>

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

14 Net current assets

	2008 £	2007 £
Current Assets		
<i>Contributions and benefits</i>		
Contributions	1,372,143	1,320,925
Contributions for added years	11,166	8,075
	1,383,309	1,329,000
Balance at bank	1,686,563	1,753,823
Cash in transit	40,000	0
Other debtors – Overpaid GMP recoverable	115,000	0
	3,224,872	3,082,823
Current Liabilities (amounts due within one year)		
Pensions	(808,728)	(820,746)
Administrative expenses	(198,564)	(195,724)
Investment management expenses	(470,465)	(471,586)
	(1,477,757)	(1,488,056)
Net current assets	1,747,115	1,594,767

15 Provision for Liabilities and Charges

A provision has been established to reflect the amount of deferred 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.

	2008 £
Balance at 1 April 2007	97,000
Provision released in year	(28,000)
Balance at 31 March 2008	69,000

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.

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 as at 31 March 2008.

	Market Value 2008	% of Net Assets 2008	Market Value 2007	% of Net Assets 2007
Pooled Investment Vehicles				
<i>Unit trusts – Overseas – Other (UK registered)</i>				
Ascent Life European Equity Fund	£18,764,948	5.08	£21,022,156	5.5
UBS GBL Asset Management Triton Property UT	£18,811,347	5.09	£21,224,474	5.6

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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