

Presented to the House of Commons pursuant to Schedule 6 of the Constitutional Reform and Governance Act 2010

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# Parliamentary Contributory Pension Fund Account 2011-12



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# Parliamentary Contributory Pension Fund Account 2011-12

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The Government Actuary's valuation report as at 1 April 2011 referred to in these Accounts is available for review on <http://www.official-documents.gov.uk/document/hc1012/hc19/1907/1907.pdf>

## Foreword

### Legislation relating to the Fund

The Fund is a statutory scheme. Prior to 24 October 2011 the Fund was set up under the Parliamentary and Other Pensions Act 1987. The main governing Regulations were the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (the 1993 Regulations). Other legislation relating to the Fund included the Parliamentary and Other Pensions Act 1972, which restructured the Fund and established the pension scheme for the holders of certain Ministerial and other offices, and the Pension (Increase) Act 1971, under which pension increases were granted.

The Constitutional Reform and Governance Act 2010 (the 2010 Act), conferred powers on the Independent Parliamentary Standards Authority (IPSA) to ensure that decisions on MPs' salaries and pensions were to be taken independently of the House. Powers to take certain decisions on Ministerial pensions within the Fund were conferred on the Minister for the Civil Service (MCS). With effect from 24 October 2011, following the enactment of Schedule 6 of the 2010 Act, the provisions of the 1993 Regulations became:

- an IPSA scheme under paragraph 8, in relation to the provisions which essentially govern the administration and management of the Fund;
  - an IPSA scheme under paragraph 12, in relation to the provisions which essentially govern the benefits payable under the Fund for MPs, paid Committee Chairmen, and other paid office holders in Parliament; and
  - an MCS scheme under paragraph 16, in relation to the provisions which essentially govern the benefits payable under the Fund for certain paid Ministers.
- (collectively the Fund Rules).

Following consultation, IPSA and the MCS both amended their respective schemes so that, with effect from 1 April 2012, pension contributions were increased for all members. IPSA increased pension contributions by 1.85 per cent for MPs and Committee Chairs, while the MCS increased contributions by 1 per cent, 1.6 per cent or 2.4 per cent depending on the position held by the member. IPSA introduced a few other changes with effect from 1 April 2012, including giving members the opportunity to change accrual rate and cancel added years contracts, which were previously irrevocable and the MCS made further amendments with effect from 1 May 2012.

### Future Developments

Although definitive plans have yet to be announced, IPSA have indicated that they will be looking to announce details of a new scheme, following a period of consultation with statutory parties, before the 2015 General Election.

### Trustees of the Fund

Following the enactment of the 2010 Act, the key Trustees' powers and responsibilities are to:

- determine how Trustee business is conducted;
- continue to administer the Fund in accordance with the Fund Rules and applicable legal requirements;
- consider whether to consent to proposals to which the 2010 Act applies (for instance in relation to certain amendments to the Fund Rules);
- invest the assets of the Fund;
- settle any disputes (with the consent of IPSA/MCS where the Fund Rules require it);
- prepare the Statement of Investment Principles (after consulting IPSA and the MCS);
- make arrangements for the appointment of Member-Nominated Trustees;

- be consulted as required by the 2010 Act, including in the following areas:
  - Where IPSA or the MCS wish to appoint or remove (respectively) the IPSA-nominated or MCS-nominated Trustee;
  - On any proposals for changes to future service benefits and member contribution rates (save where the 2010 Act requires the Trustees' consent); and
  - Where IPSA wish to increase the Exchequer contribution in any financial year.

## Number

From 1 April to 23 October 2011 there were ten Trustees, eight of whom were serving Members of the House of Commons and two of whom were Pensioner Trustees.

From 24 October 2011 to 31 March 2012 the governing legislation specified that there should be ten Trustees, eight of whom were Member Nominated Trustees (MNTs), plus one appointed by each of IPSA and the MCS.

## Method of appointment

Prior to 24 October 2011 Trustees who were Members of the House of Commons were appointed by Resolution of the House in accordance with Section 1 of the Parliamentary and Other Pensions Act 1972. The Pensioner Trustees were appointed in accordance with Regulation 2 of SI 1999 No. 2100, with one being nominated by the Association of Former Members.

On 24 October 2011, two Trustees stood down from the Trustee board and the eight remaining Trustees automatically became the first MNTs under the provisions of the 2010 Act. Future MNTs will be appointed in an MNT nomination and selection process which is determined by the Trustees. The IPSA Trustee is appointed by the IPSA Board after consultation with the MCS and the MNTs. The MCS Trustee is appointed by the MCS after consultation with IPSA and the MNTs.

## Resignation and removal of Trustees

MNTs do not have a term of office. However, an MNT will cease to serve as a Trustee if they resign as a Trustee by giving prior written notice to the other Trustees, they are removed by a unanimous agreement of the other Trustees or they cease to satisfy the eligibility criteria set out in the Trustees' MNT nomination and selection process.

The IPSA Trustee may resign by giving written notice to IPSA, or be removed by IPSA after consultation with the MCS and the other Trustees. The MCS Trustee may resign by giving written notice to the MCS, or be removed by the MCS after consultation with IPSA and the other Trustees.

## Trustees during the current accounting year

Brian Donohoe MP (Chairman)

Clive Betts MP

Sir Graham Bright

Jim Dowd MP (until 24 October 2011)

Bob Evans (IPSA Trustee) (from 9 November 2011)

William Hague (MCS Trustee) (from 24 February 2012)

Richard Harrington MP (until 24 October 2011)

Rt Hon Peter Lilley MP

Andrew Love MP

David Mowat MP

Rt Hon the Lord Naseby PC

John Thurso MP

## Officers of the Fund

### Secretary

Terry Bird, (Mr Bird left employment of the House of Commons on 31 March 2010 but continued to act as Secretary until 21 April 2011).

Myfanwy Barrett, Director of Finance, House of Commons, was appointed as Secretary on 13 October 2011 following her appointment as Interim Secretary on 23 June 2011.

### Secretariat

The Trustees have appointed Officials from the House of Commons' Department of Finance to provide a full secretariat and administrative service to the Trustees. The Pensions Unit, based in the Department of Finance, act as Secretariat, along with the Secretary to the Trustees. However, the day-to-day administration of the Fund, including the operation of the pension payroll and accounting has been outsourced to RPMI Ltd.

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

		<b>Appointed under</b>
Actuarial Advice	The Government Actuary	Section 3 1987 Act
External Auditor of Annual Accounts	Comptroller and Auditor General, National Audit Office	Schedule 1 1972 Act/ Regulations
Investment Advice	Hymans Robertson LLP	Trustees
Fund Management	MFS International (UK) Ltd	Trustees
	BlackRock Advisers (UK) Ltd	Trustees
	PIMCO Europe Ltd	Trustees
	BlackRock Alternative Advisors (until 30 September 2011)	Trustees
	Marvin & Palmer Associates Inc	Trustees
	T.T. International Funds Plc	Trustees
	Sarasin and Partners LLP	Trustees
	Morgan Stanley Global Property Fund	Trustees
	Standard Life UK Property Fund	Trustees
	BlackRock UK Property Fund	Trustees
	UBS Global Asset Management Triton Property Fund	Trustees
	Schroder Exempt Property Unit Trust	Trustees
	Rockspring Hanover Property Unit Trust (until 6 July 2011)	Trustees
Legal Advice	Sacker & Partners LLP	Trustees
Custodian	The Northern Trust Company	Trustees
Third Party Administration and Fund accounting and payroll	RPMI Ltd	Trustees
AVC providers	Equitable Life	Trustees
	Zurich Insurance plc	Trustees



## Preparation of annual accounts

The Fund Rules require 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 9.

## Benefits payable

The Fund is made up of the MPs' pension scheme which provides benefits for MPs and certain office holders, and the Ministers' pension scheme which provides benefits for paid Government Ministers and certain office holders. From 24 October 2011 the future benefit structure of the MPs' pension scheme is determined by IPSA and the future benefit structure of the Ministers' pension scheme is determined by the MCS.

## MPs' pension scheme

The MPs' pension scheme is a defined benefit final salary scheme based on a Member's salary over the last 12 months of service. During 2011-12 Members could opt to make contributions of 11.9 per cent of their salary for a 1/40th accrual, 7.9 per cent of their salary for a 1/50th accrual, or 5.9 per cent of their salary for a 1/60th accrual (subject to a maximum pension of 2/3rds of final pensionable salary, less pensions built up prior to being elected as a Member).

IPSA increased MP scheme contribution rates by 1.85 per cent from 1 April 2012, following wider increases to public sector pension scheme contributions. The IPSA scheme for MPs also made other minor changes to the Fund Rules including allowing Members a three month period in which to switch their pension accrual rate, and the ability to cancel added years contracts.

## Ministers' pension scheme

The MPs' pension scheme and the Ministers' pension scheme are identical in many respects. The main difference is that the final pension in the MPs' pension scheme is calculated on final salary while in the Ministers' pension scheme final pension is effectively calculated on re-valued career average earnings. This takes account of the fact that Ministers may be in office for one or several short periods at a time and that they may revert to being backbenchers for several years before they retire.

If a Minister is also an MP, they may be members of both the MPs' pension scheme and the Ministers' pension scheme, although Ministers who are Members of the House of Lords are only eligible to join the Ministers' pension scheme. In the case of Ministers only, their salary is their Ministerial salary. The pension accrual rates and contributions for the MPs' and Ministers' pension schemes were the same during the accounting period.

From 1 April 2012, the MCS increased member contributions by varying amounts, dependent on the level of Ministerial responsibilities held:

- Secretaries of State, the Leader of the Opposition in the Commons and Speaker in the House of Lords will pay an additional 2.4 per cent of Ministerial pay;
- Ministers of State, the Government Chief Whip, the Leader of the Opposition in the Lords, and both the Chairman and Deputy Chairman of Committees of the House of Lords will pay an additional 1.6 per cent of Ministerial pay; and
- Parliamentary Under-Secretaries, Government and Opposition Whips will pay an additional 1 per cent of Ministerial pay.

## MPs' and Ministers' pension schemes

Benefit provisions of the MPs' and Ministers' pension schemes include:

- A pension payable at age 65 (once no longer a serving member).
- An option to commute part of the annual pensions for a lump sum.
- A pension before pension age (65), subject to certain restrictions.
- An immediate pension on retirement at any age on the grounds of ill health.
- A dependant's 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, 3/16ths if there is more than one child, up to a maximum of two children, or 5/16ths if there is no surviving parent).
- A lump sum death gratuity on death in service equal to 4 x salary.
- Transfer of pension rights (into and out of the scheme).
- Options to purchase added years, and/or contribute to an AVC scheme with an outside provider.

## Overall Membership of the Fund

<b>Categories*</b>	<b>31 March 2011</b>	<b>31 March 2012</b>
Active Members	651	648
Deferred Pensioners	254	230
Pensioners	977	987

\* Some members could be considered to be in more than one category, but each member is only shown once, in the most relevant category.

## Income

Income to the Fund is derived from three main sources:

- 1 contributions from Members of Parliament and holders of a qualifying office under the 1972 Act;
- 2 an Exchequer contribution paid from the House of Commons Members Estimate under the 1972 Act; and
- 3 investment income as detailed below.

In addition, transfers of pension benefits into the Fund amounted to £2,730,000 in 2011-12, (£1,558,000 in 2010-11).

During the 2011-12 accounting period, MPs, Ministers and Office-Holders contributed either 5.9 per cent, 7.9 per cent or 11.9 per cent of their salaries, depending on their chosen accrual rate. The Exchequer contribution for 2011-12 was 28.7 per cent of pensionable salaries for MP's, Ministers and Office Holders.

## Investment details and performance

Section 35 of the Pensions Act 1995 requires that the Trustees of pension funds prepare and maintain a Statement of Investment Principles. Whilst the Fund is exempt from this provision, the Fund Rules 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 advisors and in consultation with the Leader's Office. The current Statement of Investment Principles was adopted by the Trustees on 13 January 2011, following consultation with the Leader.

During the 2011-12 accounting period the Rockspring Hanover Property Unit Trust property holding (approximately £1.6m) was sold, as part of the Trustees' policy to rationalise the number of UK property holdings. The money from this disinvestment was used for cash flow purposes.

The Trustees had previously agreed to disinvest from the allocation to hedge funds with BlackRock, on 24 June 2010. In accordance with the BlackRock investment management agreement, the disinvestment was made over a 12 months period from the date of notification. The initial tranche of funds was received in early November 2010 and further money was disinvested in August and September 2011. The money disinvested in 2011 was invested with the Standard Life UK Property Fund and also used for cash flow as needed. Approximately £0.5 million of the disinvestment has been retained by BlackRock until completion of BlackRock's audit in 2012. The money was paid to the Trustees in August 2012.

The current target asset allocation for the Fund is:

<b>Asset Class/Region</b>	<b>Total Fund Benchmark</b>	<b>Lower range</b>	<b>Upper range</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Total Equities</b>	66.0	62.0	70.0
UK Equities	26.4	23.9	28.9
Europe (ex UK) Equities	9.2		
North American Equities	11.1		
Sterling Currency Hedging Fund	6.7		
Japan Equities	3.8		
Asia Pac ex Japan Equities	1.8		
Emerging Market Equities	7.0		
Total Overseas Equities	39.6	37.1	42.1
Bonds	21.5	17.5	25.5
Property	12.5	No lower range	No upper range
<b>Total</b>	<b>100.0</b>		

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

<b>Manager</b>	<b>Mandate</b>	<b>Actual proportion</b>	<b>Target proportion</b>
		<b>%</b>	<b>%</b>
MFS International (UK) Ltd	UK Equities	13.7	12.0
MFS International (UK) Ltd	Global Equities	15.3	13.0
Marvin & Palmer Associates Inc	Emerging Markets	4.1	4.5
Sarasin and Partners LLP	Global Equity	9.7	10.0
BlackRock Advisers (UK) Ltd	Multi-Asset* – Passive	21.9	24.3
T.T. International Funds plc	UK Equity	10.3	10.0
PIMCO Europe Ltd	UK Bonds	13.8	13.7
BlackRock, Morgan Stanley, Schroders, Standard Life and UBS	Property	11.2	12.5
<b>Total</b>		<b>100.0</b>	<b>100.0</b>

\*The BlackRock multi-asset fund contains both equities and bonds.

Following the year end, the Marvin & Palmer emerging market equity holding (approximately £17 million) was sold, this money was invested in the BlackRock multi asset passive fund. The BlackRock passive fund benchmark was also amended to reflect the introduction of the emerging market equity allocation. The Trustees also agreed to terminate the TT International mandate, and trim the assets held by MFS holdings, using the proceeds to further increase their passive equity holdings with BlackRock.

Investment income in 2011-12 was £10.335 million and the change in market value of assets was £0.348 million. The Net Assets of the Fund at the year end total £428.637 million. This figure includes the value of AVC investments.

The overall effect of the movements in pensions payable, income and investments, was an increase of £7.660 million in the Net Assets of the Fund during the year.

### Actuarial position of the Fund

The Government Actuary's Department's valuation of the Fund as at 1 April 2011 was published as a House of Commons paper on 27 March 2012. The report showed an increase in the deficit to £55.9 million and recommended that the Exchequer contribution payable from 1 April 2012 should be 29.0 per cent of MP and Office Holder salaries (which includes a payment to amortise the deficit). The next Actuarial Valuation is due as at 1 April 2014.

### 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 Governance Statement. 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 can be obtained from the Parliamentary Contributory Pension Fund Secretariat, Pensions Unit, Department of Finance, 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 18 October 2012 by:

*Brian H Donohoe MP*  
Chairman of Trustees

## Statement of Trustees' responsibilities

The Fund Rules 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 2012 were prepared on an accruals basis to give a true and fair view of the financial transactions of the Fund during the year then ended, and of the disposition at 31 March 2012 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 on a reasonable basis;
- 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, 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.

# Governance Statement

## Introduction

This statement covers the operation of the Fund for the year ending 31 March 2012. On behalf of all of the Trustees I acknowledge our responsibility for ensuring that an effective system of governance is maintained and operated in connection with the Fund.

## Governance framework of the Parliamentary Contributory Pension Fund (Fund)

While the Trustees maintain overall responsibility for the management of the Fund, in practise they have appointed Officials from the House of Commons' Department of Finance to provide a full secretariat and administrative service to the Trustees. The Pensions Unit, based in the Department of Finance, act as Secretariat, along with Myfanwy Barrett, Director of Finance, who is Secretary to the Trustees. The Secretariat is responsible for providing support and advice to Trustees, arranging all meetings, drafting papers including agendas and minutes, responding to first stage complaints and drafting responses to press enquires, Parliamentary Questions and Freedom of Information requests. This responsibility includes maintaining trustee records and ensuring minuted decisions are actioned.

The Secretariat is also responsible for assisting the Trustees in the discharging of their legal and regulatory duties. This includes, for example: the preparation of the annual accounts; ensuring the Statement of Investment Principles (SIP) is agreed and maintained in consultation with IPSA and the MCS; monitoring that the current investment strategy is consistent with the SIP; drafting and issuing Fund communications; the preparation and maintenance of the Trustees' risk register; management of applications for retirement on grounds of ill-health and management of procurement exercises.

In order to keep the Trustees' knowledge and understanding of general pensions matters and the Fund up to date, the Secretariat arrange Trustee training 2 to 3 times per year. Training is specialised and often focuses on Fund events or current pensions issues to ensure its relevance.

Finally, the Secretariat support the Trustees by managing contracts with external parties held by the Trustees. This includes the third party pension administrators, the legal adviser, independent investment adviser, investment consultant, investment managers (11 managers), custodian, communications specialist and medical advisers.

As the Secretariat are based in the Department of Finance, House of Commons, they are subject to review by the House's internal audit team. Internal audit did not undertake a review of the work of the Pensions Unit in 2011-12, although a review is planned for 2012-13. This will include a review of the Fund Secretariat work undertaken by the Pensions Unit. The Trustees will be informed of the outcome of the review, including the Secretariat's response to any recommendations made to improve controls or procedures.

The day to day administration of the Fund, including the operation of the pension payroll and accounting has been outsourced by the Trustees to RPMI Ltd (RPMI). The safekeeping of the Fund's assets is undertaken by the Northern Trust Company, in their capacity as custodian to the Fund.

## Work of the Trustee Board

The Trustees held five formal meetings during the year. Four routine meetings held in June, October and December 2011 and March 2012, and an additional extraordinary meeting in February 2012. There were two changes to membership of the Board, on 24 October 2011, Jim Dowd MP and Richard Harrington MP resigned their positions. In accordance with governing legislation, IPSA appointed Bob Evans, the Director of Finance and Corporate Services at IPSA, to the Trustee Board on 9 November 2011 and the MCS appointed William Hague, Executive Director for Civil Service Workforce Reform, to be a Trustee on 24 February 2012. The Board did not undertake a formal review of its effectiveness in 2011-12. However, the Trustees have agreed a number of measures to improve their governance structure including: agreeing a detailed procedure for selecting MNTs when a future vacancy arises, adopting the House of Commons' Finance and Procurement Rules and revising and monitoring the Risk Register for the Fund. The Trustees will consider whether to carry out a more formal review of effectiveness in 2012-13.

The Trustees are not bound by the Treasury and Cabinet Office's Corporate Governance Code, and this reflects the fact that the Fund's governance circumstances are inherently different from those of Government departments. However I am content that the Board meets the overall objective of separating policy and operations. The Trustees pay due regard to codes of practices and guidance issued by the Pensions Regulator, where relevant.

The Trustees monitor the performance of the Fund's investments through quarterly reports prepared by the Fund's investment consultant, Hymans Robertson LLP, showing the performance of each manager against the Fund's benchmark. At the year end, the Fund's assets were invested with 11 investment managers as noted above. During the year, the Secretariat and the investment consultants undertook a review of the investment managers. As a result of this review, Hymans Robertson LLP recommended that the Trustees reduce the number of fund managers to decrease the number of assets held under active management, thereby increasing the number of passively managed assets. The Trustees agreed to the termination of the Marvin and Palmer mandate, which was actioned following the year end. Further recommendations were accepted in 2012-13, which included further increasing the Fund's allocation to passively managed UK equities by terminating the T.T. International mandate; and reducing the size of the two MFS mandates from a total of 25 per cent to 20 per cent.

In addition the Trustees each quarter monitor the performance of the Fund's administrator, RPMI against contractual service level agreements. The Secretariat, on behalf of the Trustees, hold regular administration meetings with RPMI to monitor performance and update the Trustees at meetings. The Fund's actuarial adviser, The Government Actuary's Department (GAD), also attend board meetings when necessary.

## Risks

The Secretariat, on behalf of the Trustees, drafted and keeps updated a Risk Register for the Fund to support the active management of risk. This identifies and analyses potential issues that pose a risk to the Fund's objectives in terms of impact and probability. The Risk Register has been reviewed by the Fund's legal advisers, Sacker & Partners LLP, in relation to legal and regulatory matters. The Risk Register contains plans to mitigate potential risks and, where necessary, risks are brought to the attention of the Trustees, by the Secretariat.

Following the year end, the Trustees have been using the House's 'single platform' risk management model, which works on the premise that risk is managed at the most appropriate level within the organisation. The Risk Management System is reviewed annually by the House's Internal Audit. Going forward the Trustees will review all high-level risks regularly at meetings.

The following key risks were identified for management and monitoring at Trustee level:

<b>Risk</b>	<b>Description</b>
Policy	There is a possibility that policy decisions by IPSA and MCS re Fund reform could result in MPs being dissatisfied with the Fund and opting out.
Contractual	The Trustees must monitor the Fund's advisers to ensure that they perform in line with their contracts.
Governance	The Trustees must ensure that they have the capacity to manage the Fund and are well supported by the Pensions Unit and professional advisers.
Administrative	The Trustees must monitor the administration of the Fund to ensure that it is carried out in an efficient way, enabling the Trustees to manage the Fund in accordance with the Fund Rules and statutory requirements.
Finance	The Trustees must monitor the funding level and give appropriate consideration to whether it is sufficient.

Lower level risks are managed by the Secretariat and are escalated to the Trustees for action as necessary under the system of risk management.

## Review of effectiveness

The Trustees have responsibility for reviewing the effectiveness of the system of internal control. Our review of its effectiveness is informed by the work of the Secretariat, who have been tasked with the development and maintenance of the control framework.

In authorising 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. Specifically, they take advice from Hymans Robertson LLP and receive regular updates as to the investment managers' performance and movement of the Fund's assets. The Fund's liabilities are measured by the Government Actuary and reported to the Trustees via the Actuarial Valuation every three years. The Trustees were previously receiving regular funding update reports that highlighted the movement of the Fund's assets against the Fund's liabilities. However, the Trustees agreed that using this method of assessing the funding against liabilities on a regular basis was an unnecessarily complicated and expensive method of assessing the funding risk to the Fund and that this particular report would only be requested in future if the Trustees felt it was needed. In 2012-13, the Trustees will be considering how best to review funding in the periods between actuarial valuations.

The organisations that provide the Fund's secretariat, custodianship and administration functions are subject to review by their respective organisations' internal audit units, which operate to relevant professional Internal Audit Standards.

## Financial management

The Trustees believe that during 2011-12 financial monitoring and reporting have improved, while acknowledging that further improvements should be made in 2012-13. As well as receiving quarterly administration and investment reports, and reviewing a list of documents signed by the Secretariat on our behalf, which are presented to the Trustees at each meeting, the Trustees now also review all expenditure incurred by the Fund at each meeting. This has helped the Board to focus their attention on spending behaviour and also helped improve decision making.

Following the year end, the Trustees agreed that the Secretariat should adhere to the House of Commons' Finance and Procurement Rules. This should ensure that appropriate delegation of authority, resources are used only in accordance with agreed plans, and always adheres to the House's control procedures.

## Procurement

There were no procurement exercises undertaken in 2011-12. However, the Trustees agreed in June 2012 that they will adhere to the House's new procurement Rules, and seek advice from the House's Commercial Services Directorate (CSD). This will ensure that all future procurement activity will comply with the EU procurement directives, ensuring equal treatment, non-discrimination and transparency.

## Fund Administration

RPMI has been appointed by the Trustees to undertake the day to day administration of the Fund. The delegation extends to the administration, fund accounting, and the calculation and payment of all pension benefits. The Trustees have free access to all documents and records maintained by RPMI, on their behalf.

The Fund Secretariat undertake regular reviews of work undertaken by RPMI, to ensure that the benefits have been calculated in accordance with the Fund's regulations and legislative requirements, and that responses to members have been provided within the agreed service levels and are to a high standard.

The Secretariat meets regularly with RPMI (at a minimum four times a year), to discuss performance against the contractual service level agreements and the Internal Control Assurance Report (AAF 01/06). At each Trustee meeting, the Secretariat provides a full report on the performance of RPMI and discusses any concerns they have.

A separation of duties exists at RPMI whereby the officer initiating a payment cannot authorise the production of the payable instrument or, dispatch the instrument. Furthermore, password controls and authorisation levels are in operation within the operating systems of RPMI.



The Secretariat has also initiated a process whereby RPMI provide a monthly reconciliation of expected member and Exchequer contributions, against contributions paid. Contract management is key to the work of the Secretariat, and will be an area of focus in 2012-13. Internal contract management training will be undertaken by the Secretariat, in conjunction with the House's CSD to ensure that all of the Trustees' contracts are managed appropriately, which includes the contract for fund administration.

### Custody of Assets

The Northern Trust Company acts as Custodian of the assets managed on a segregated basis 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 Northern Trust is held in accounts in the Fund's name. Monthly reconciliations are undertaken by Northern Trust and the Fund Secretariat against the records of all of the investment managers appointed by the Trustees. The Trustees have free access to all documents and records maintained by the Custodian on their behalf.

The Custodians of the assets underlying the unitised equity and bond pooled funds (BlackRock, Marvin and Palmer and T.T. International), 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 appointed fund managers and Custodian, respectively.

### Conclusion

There are no significant control issues relating to the management of the Fund's assets or the administration of pensions. However, a matter was brought to our attention relating to compliance with internal procedures, which during 2011-12 was the subject of an internal investigation. Following the year end the investigation was completed, and matters arising from the investigation were brought to the Trustees' attention. I am satisfied that these matters have been properly identified and are being dealt with as necessary, for example a number of the controls that have been introduced since the year end have been established as a result of the investigation. I am also satisfied that despite changes in the management structure of the Fund Secretariat during the period up to the date the accounts were signed, there have been no implications for the effectiveness of the Fund's internal controls.

Approved on behalf of the Trustees:

*Brian H Donohoe MP*  
Chairman of Trustees

18 October 2012

# 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 2012 under Schedule 6 of the Constitutional Reform and Governance Act 2010. The financial statements comprise a Fund Account, a Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Trustees and Auditor

As explained in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements in accordance with the Constitutional Reform and Governance Act 2010, and directions made thereunder, and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Constitutional Reform and Governance Act 2010. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Parliamentary Contributory Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword, the Statement of Trustees Responsibilities and the Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## 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.

## Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the financial transactions of the Parliamentary Contributory Pension Fund for the year ended 31 March 2012 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- the financial statements have been properly prepared in accordance with the Constitutional Reform and Governance Act 2010 and directions issued thereunder.

## Opinion on other matters

In my opinion, the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters for which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

25 October 2012

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

## Fund Account for the year to 31 March 2012

	Notes	2011-12 £000	2010-11 £000
<b>Contributions and Benefits</b>			
Contributions	3	<b>18,982</b>	18,816
Individual transfers in	4	<b>2,730</b>	1,558
		<b>21,712</b>	20,374
Benefits payable	5	<b>21,057</b>	30,919
Payments to and on account of leavers	6	<b>1,274</b>	2,581
Administrative expenses	7	<b>634</b>	730
		<b>22,965</b>	34,230
<b>Net decrease from dealings with members</b>		<b>(1,253)</b>	(13,856)
<b>Returns on investments</b>			
Investment income	8	<b>10,335</b>	8,548
Change in market value of investments	9	<b>348</b>	22,565
Investment management expenses	10	<b>(1,770)</b>	(1,771)
<b>Net returns on investments</b>		<b>8,913</b>	29,342
<b>Net increase in the Fund during the year</b>		<b>7,660</b>	15,486
<b>Net assets of the Fund as at 1 April</b>		<b>420,977</b>	405,491
<b>Net assets of the Fund as at 31 March</b>		<b>428,637</b>	420,977

*The notes on pages 18 to 28 form part of these accounts*

## Net Assets Statement as at 31 March 2012

	Notes	2011-12 £000	2010-11 £000
Investment assets	11	<b>428,180</b>	421,999
Investment liabilities	11	<b>(5,227)</b>	(6,053)
Additional voluntary contribution investments	12	<b>2,503</b>	2,650
Current assets	13	<b>4,975</b>	3,561
Current liabilities	14	<b>(1,794)</b>	(1,180)
Net assets of the Fund as at 31 March		<b><u>428,637</u></b>	<u>420,977</u>

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 2011 and these financial statements should be read in conjunction with that report.

These financial statements were approved by the Trustees on: 18 October 2012

Signed on behalf of the Trustees:

*Brian H Donohoe MP*  
Chairman of Trustees

*The notes on pages 18 to 28 form part of these accounts*

# Notes to the Financial Statements

## 1 Basis of Preparation

The financial statements meet the accounting and disclosure requirements of the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes (revised May 2007) as far as is appropriate.

## 2 Accounting Policies

The principal accounting policies, which have been applied consistently, are:

- a Normal member contributions, contributions for the purchase of added years, additional voluntary contributions, and employer (Exchequer) contributions, including deficit contributions, are accounted for in the year that the contributions are 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 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 securities, index-linked securities, cash and short term deposits is accounted for on an accruals basis.

### 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 each 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 Fund 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.

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, 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 Trustees consider represents a reasonable estimate of fair value.

**3 Contributions**

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Members		
Normal	<b>5,083</b>	5,115
Added years	<b>228</b>	196
Additional voluntary contributions	<b>110</b>	79
Employer (Exchequer)		
Normal	<b>9,545</b>	9,450
Deficit	<b>4,016</b>	3,976
	<b><u>18,982</u></b>	<u>18,816</u>

The Exchequer was required to contribute 8.5 per cent of pensionable salaries over a 15 year period from 2008 to 2023 to amortise the accumulated deficit, subject to review at future actuarial valuations. From April 2012 this increases to 8.6 per cent as a result of the 2011 valuation. The next valuation is due in 2014.

**4 Individual transfers in**

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Individual transfers in	<b><u>2,730</u></b>	<u>1,558</u>
	<b>2,730</b>	1,558

**5 Benefits payable**

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Pensions	<b>17,855</b>	16,492
Lump sum retirement benefits	<b>2,676</b>	14,248
Lump sum death benefits	<b>526</b>	42
Annuities	–	137
	<b><u>21,057</u></b>	<u>30,919</u>

**6 Payments to and on account of leavers**

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Transfers out	<b><u>1,274</u></b>	<u>2,581</u>
	<b>1,274</b>	2,581



**7 Administrative expenses**

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Trustees – Secretariat	<b>142</b>	278
Third party administration and advisor fees	<b>169</b>	163
Actuarial fees	<b>169</b>	88
Legal fees	<b>123</b>	171
Audit fee	<b>31</b>	30
	<b><u>634</u></b>	<u>730</u>

Trustee Secretariat fees are lower in 2011 due to a reduction in staff numbers at the Pensions Unit. The actuarial fees are higher in 2011-12 due to the 2011 valuation.

**8 Investment income**

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Fixed interest securities	<b>2,359</b>	1,978
Index-linked securities	<b>124</b>	2
Equities	<b>5,044</b>	3,913
Derivatives	<b>152</b>	110
Pooled investment vehicles	<b>2,623</b>	1,423
	<b><u>10,302</u></b>	<u>7,426</u>
Interest on cash held on deposit	<b>33</b>	9
	<b><u>10,335</u></b>	<u>7,435</u>
Currency exchange gain	<b>-</b>	1,113
	<b><u>10,335</u></b>	<u>8,548</u>

From 2011-12 currency exchange gains are included within the change in market value in note 11.

**9 Change in market value of investments**

	Note	<b>2011-12</b>	2010-11
		<b>£000</b>	£000
Defined benefit assets	11	<b>295</b>	22,409
Additional voluntary contribution assets	12	<b>53</b>	156
		<b><u>348</u></b>	<u>22,565</u>

**10 Investment management expenses**

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Investment management basic fees	<b>667</b>	620
Investment management performance fees	<b>908</b>	970
Custody fees	<b>80</b>	86
Investment consultancy	<b>115</b>	95
	<b><u>1,770</u></b>	<u>1,771</u>

**11 Investments**

	Market value 1 April 2011	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Market value	Market value at 31 March 2012
	£000	£000	£000	£000	£000
Fixed Interest	48,285	95,416	(98,928)	938	<b>45,711</b>
Index Linked	5,100	33,506	(35,886)	492	<b>3,212</b>
Derivatives	(628)	297,094	(296,328)	(398)	<b>(260)</b>
Equities	157,280	46,004	(43,357)	432	<b>160,359</b>
Pooled Investment vehicles	203,908	20,279	(22,925)	(1,195)	<b>200,067</b>
	<u>413,945</u>	<u>492,299</u>	<u>(497,424)</u>	<u>269</u>	<u><b>409,089</b></u>
Cash and cash equivalents	315			26	<b>12,292</b>
Accrued income		1,686		–	<b>1,572</b>
	<u>415,946</u>			<u>295</u>	<u><b>422,953</b></u>

Included within the above purchases and sales figures are transaction costs of £124,832 (2011: £199,477). 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 and are not separately identifiable.

	2011-12 £000	2010-11 £000
<b>Investment assets</b>		
<b>Fixed Interest Securities</b>		
UK public sector quoted	<b>4,961</b>	1,889
UK quoted	<b>20,243</b>	24,412
Overseas public sector quoted	<b>5,132</b>	2,028
Overseas quoted	<b>15,375</b>	19,956
	<u><b>45,711</b></u>	<u>48,285</u>
<b>Index Linked Securities</b>		
UK Public Sector quoted	<b>3,212</b>	5,100
<b>Derivative contracts</b>		
Swaps – OTC	<b>509</b>	313
Options – OTC	<b>5</b>	–
FX contracts – OTC	<b>126</b>	114
	<u><b>640</b></u>	<u>427</u>
<b>Equities</b>		
UK quoted	<b>59,592</b>	61,125
Overseas quoted	<b>100,767</b>	96,155
	<u><b>160,359</b></u>	<u>157,280</u>

<b>Pooled investment vehicles</b>	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
UK – equity	<b>52,638</b>	52,569
UK – bond	<b>29,421</b>	32,833
UK – property	<b>36,844</b>	30,822
Overseas – equity	<b>44,865</b>	49,305
Overseas – other	<b>36,299</b>	38,379
	<b><u>200,067</u></b>	<u>203,908</u>
<b>Other investment assets</b>		
Cash and cash equivalents	<b>4,932</b>	5,313
Reverse Repo	<b>7,500</b>	–
Pending sales	<b>4,187</b>	–
Accrued income	<b>1,572</b>	1,686
	<b><u>18,191</u></b>	<u>6,999</u>
	<b><u>428,180</u></b>	<u>421,999</u>
<b>Investment liabilities</b>		
<b>Derivative contracts</b>		
Swaps – OTC	<b>(527)</b>	(152)
Options – OTC	<b>(282)</b>	(66)
FX contracts – OTC	<b>(53)</b>	(725)
Futures – exchange traded	<b>(38)</b>	(68)
Forward Contracts	<b>–</b>	(44)
	<b><u>(900)</u></b>	<u>(1,055)</u>
<b>Other investment liabilities</b>		
Pending purchases	<b>(4,327)</b>	(4,832)
Cash margin	<b>–</b>	(166)
	<b><u>(4,327)</u></b>	<u>(4,998)</u>
	<b><u>(5,227)</u></b>	<u>(6,053)</u>

## Derivative contracts

### Objectives and policies

The Trustees have authorised the use of derivatives, where they are specifically permitted in the investment management agreement, as part of their investment strategy for the pension fund.

### 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	Asset value	Liability
		amount	at year end	value at year end
		£000	£000	£000
Credit default	1 to 3	7,290	16	(1)
Credit default	3 to 5	15,300	227	(53)
Credit default	5 to 10	10,200	187	(34)
Credit Default	Over 10	6,400	79	(439)
			<u>509</u>	<u>(527)</u>

Collateral deposited by counterparties in respect of swap contracts at the year end date amounted to £346,000. 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	Asset value
		exposure	at year end
		at year end	£000
		£000	£000
Currency rate future	3 months	6,955	(38)
			<u>(38)</u>

Included within cash balances is negative £51,000 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 £000	Asset value at year end £000	Liability value at year end £000
<b>OTC options</b>					
Interest rate swap	Jun 12	Call	5,800	–	26
Interest rate swap	Jun 12	Put	5,800	–	47
Interest rate swap	Aug 12	Call	9,100	–	1
Interest rate swap	Aug 12	Put	9,100	–	9
Interest rate swap	Sep 12	Put	8,000	5	3
Interest rate swap	Oct 12	Call	2,700	–	9
Interest rate swap	Oct 12	Put	2,700	–	2
Interest rate swap	Nov 12	Call	1,200	–	4
Interest rate swap	Nov 12	Put	1,200	–	1
Interest rate swap	Mar 13	Call	9,100	–	40
Interest rate swap	Mar 13	Put	9,100	–	131
Interest rate swap	Jul 13	Call	3,000	–	5
Interest rate swap	Jul 13	Put	3,000	–	4
				<u>5</u>	<u>282</u>

**Forward Foreign Exchange (FX)**

The Fund had open FX contracts at the year end as follows:

<b>Buy/Sell currency</b>	<b>Amount bought Currency 000</b>	<b>Amount sold Currency 000</b>	<b>Value at year end £000</b>
<b>Assets</b>			
Euro/Danish Krone	5	35	-
Sterling Australian Dollar	1,715	2,541	76
Sterling/Swiss Franc	243	350	1
Euro/Sterling	1,220	1,016	1
Sterling/Euro	14,277	17,097	20
Sterling/Japanese Yen	82	10,090	5
Sterling/US Dollar	2,324	3,676	23
Singapore Dollar/US dollar	3	3	-
US dollar/Brazilian Real	6	11	-
			<u>126</u>
<b>Liability</b>			
Australian Dollar/Sterling	440	297	(13)
Brazilian Real/US Dollar	6	3	-
Chinese Yuan/US Dollar	5,429	861	(2)
Euro/Sterling	3,080	2,578	(10)
Euro/US Dollar	2	3	-
Sterling/US Dollar	104	166	-
Mexican Peso/Sterling	1,855	91	-
Malaysian Ringgit/US Dollar	1,186	391	(3)
US Dollar/ Euro	65	49	-
US Dollar/Sterling	1,737	1,103	(15)
US Dollar/Malaysian Ringgit	371	1,186	(10)
			<u>(53)</u>
<b>Total</b>			<u><b>73</b></u>

All FX contracts settle within 3 months of the year end.

**Reverse Repo**

This is where money is lent out in order to generate a better return on any excess cash. At the year end the contract details and collateral are as follows:

<b>Nature of asset</b>	<b>Underlying Investment</b>	<b>Counterparty</b>	<b>Maturity Date</b>	<b>Notional Value</b>	<b>£000's</b>
Reverse repo	UK Gilt	Barclays	2 April 2012	7,700k	7,500

Rolling contracts are in place in respect of these monies. As at 31 March 2012 the trustees had committed to a similar trade commencing 2 April 2012, maturing 3 April 2012 for £7.6 million with BZW Securities based on the same collateral holding.

## 12 Additional Voluntary Contributions (AVCs)

The Trustees are responsible for administering an AVC Scheme whereby active members may make contributions to secure additional benefits to those provided by the 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. Although the Trustees withdrew the option for Active members to pay AVCs to Equitable, a number of years ago, some members still retain their funds with them. Scheme members who have AVCs invested with Equitable and Zurich, receive an annual statement confirming the amounts held in their accounts and the movements in the year. The aggregate movements and amounts of AVC investments are as follows:

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
AVC investments as at 1 April	<b>2,650</b>	2,842
AVC contributions purchases	<b>89</b>	104
AVC sales	<b>(289)</b>	(452)
Change in market value	<b>53</b>	156
AVC investments as at 31 March	<b><u>2,503</u></b>	<u>2,650</u>
Market value of AVC investments by provider		
Equitable Life	<b>1,291</b>	1,421
Zurich	<b>1,212</b>	1,229
	<b><u>2,503</u></b>	<u>2,650</u>

AVCs are held in with-profits, unit-linking and deposit balances.

## 13 Current assets

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Contributions due to Fund:		
Member normal contributions	<b>410</b>	422
Employer normal contributions	<b>930</b>	943
Employer deficit contributions	<b>192</b>	194
Member added years	<b>18</b>	15
	<b><u>1,550</u></b>	<u>1,574</u>
Balance at bank	<b>3,401</b>	1,956
Cash in transit	-	-
Provision for overpaid Guaranteed Minimum Pension (GMP) owed by members to the Fund	<b>21</b>	31
Prepayment subscriptions	<b>3</b>	-
	<b><u>4,975</u></b>	<u>3,561</u>

**14 Current liabilities**

(amounts due within one year)

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Lumps sums and taxation	<b>(518)</b>	(401)
Administrative expenses	<b>(124)</b>	(191)
Investment management expenses	<b>(1,130)</b>	(458)
Unpresented cheques	<b>(10)</b>	(118)
Provision for GMP owed to members	<b>(12)</b>	(12)
	<b><u>(1,794)</u></b>	<u>(1,180)</u>

**15 Related Party Transactions**

The Exchequer contribution taking into account recommendations by the Actuary is paid from the House of Commons Members Estimate.

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.

**16 Employer Related Investments**

There were no employer related investments during the period.

**17 Concentration of investment**

The Fund held the following investments which had a value exceeding 5 per cent of the total value of net assets as at 31 March 2012.

	<b>Market Value</b>	<b>% of Net Assets</b>	Market Value	% of Net Assets
	<b>2011-12</b>	<b>2011-12</b>	2010-11	2010-11
	<b>£000</b>		£000	
<b>Pooled Investment Vehicles</b>				
TT UK Equity Fund	43,615	10.3	43,433	10.3
BlackRock Pensions Management Aquila Life	29,421	7.0	28,559	6.8
BlackRock active selection currency hedging	26,793	6.3	23,627	5.6



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