

Presented pursuant to c.48, Schedule 1 of the Parliamentary and other Pensions Act 1972

Parliamentary Contributory Pension Fund 2003-2004

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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 (PCPF) under the Parliamentary and Other Pensions Act 1972. This 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 pension 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 On 15 July 2002 SI 2002 No.1807 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 the default position is that Members accrue pension at 1/40th and Members contributions increase from 6% to 9% (with associated accrual rate improvements for future service) 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 6% contributions and a 1/50th rate.
- Other changes have been 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 the 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 is increased from 3x annual salary to 4x annual salary.

Trustees and Officers of the Fund

Number

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

Method of appointment

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

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

Trustees during the current accounting year

Sir John Butterfill FRICS MP (Chairman)
John Burnett MP
Barry Gardiner MP (until 23 June 2004)
Rt Hon Peter Lilley MP
Eric Martlew MP (until 23 March 2004)
Dr Nick Palmer MP (until 23 March 2004)
Lord Stewartby
Dr Howard Stoate MP
Gisela Stuart MP (until 23 March 2004)
Andrew Love (from 24 March 2004)
Terry Rooney (from 24 March 2004)
David Borrow (from 24 March 2004)
Tony Colman (from 24 March 2004)

Secretary

Archie Cameron, Department of Finance and Administration

Assistant Secretary

Norma Norman, 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/1993 Regulations
Investment advice	Mercer Investment Consulting Ltd	Trustees
Fund management	Cazenove Fund Management Ltd (until 28 November 2003)	Trustees
	Baring Asset Management Ltd (until 27 November 2003)	Trustees
	MFS International (UK) Ltd (from 15 December 2003)	Trustees
	Liontrust Investment Services Ltd (from 15 December 2003)	Trustees
	Barclays Global Investors Ltd (from 27 November 2003 as transition manager, passive and active portfolios from 15 December 2003)	Trustees
Legal advice	CMS Cameron McKenna	Trustees
Custodian	Bank of New York	Trustees
Fund accounting and payroll duties	Capita Hartshead (until 1 July 2003)	Trustees
Third party administration and fund accounting and payroll duties	STC Pension Management Ltd (full service from 1 July 2003)	Trustees
Bankers	Nat West Bank plc	Trustees
AVC providers	Eagle Star	Trustees
	Equitable Life	Trustees

Preparation of annual accounts

Paragraph 16 of Schedule 1 to the 1993 regulations requires that annual accounts are prepared in accordance with a direction given by the Comptroller and Auditor General. The Fund is a public service pension scheme and as such exempt from the majority of the requirements of the 1995 Pensions Act including those relating to accounts. However, the accounts have been prepared, as far as appropriate, in accordance with the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes revised in November 2002, in order to conform to best practice reporting requirements. A statement of the Trustees' responsibilities with regard to the preparation of the accounts is on page 8.

Benefits payable

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

- an immediate pension of 1/40th or 1/50th of final salary for each year of service (depending on the contribution rate chosen by the Member) on retirement at age 65;
- a pension before age 65, subject to certain restrictions;
- an immediate pension on retirement at any time on the grounds of ill health;
- a widow/ers pension of 5/8ths of the Member's pension;

- children's pensions (at the rate of one quarter of the basic or prospective pension of the Member if there is one child or three eighths if there is more than one child);
- a lump sum death gratuity on death in service equal to 4 x salary, with provision for more than one nominee;
- transfer of pension rights (into and out of the scheme); and
- options to purchase added years, and/or contribute to an AVC scheme with an outside provider, subject to certain limits on overall contributions/benefits.

The numbers of beneficiaries from the Fund at 31 March 2004 were as follows

Categories	Number of awards
Active members	678
Deferred pensioners	192
Pensioners	770

The benefits payable increased from £10,048,978 in 2002-2003 to £10,437,703 in 2003-2004.

Income

Income to the Fund is derived from three main sources

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

In addition, transfers of pension benefits into the Fund amounted to £1,217,711 in 2003-2004 (£1,454,937 in 2002-2003)

During the accounting period in question Members and Office-holders contributed either 6% or 9% of their salaries, depending on their chosen accrual rate. The Exchequer Contribution for 2003-2004 was 24% for the basic scheme and 24% for the supplementary scheme.

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 Leaders Office.

The Trustees delegated responsibility for the investment management of the Fund entirely to Cazenove Fund Management Ltd until July 1999. After this date Baring Asset Management were given control of half of the Fund with the other half remaining under Cazenove's control. As indicated earlier in this report, new fund managers have been selected and assumed responsibility for the Fund's assets during 2003.

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% equity allocation and a 40% bond allocation and have since resolved to move from the previous 80% equity allocation over a period of three years.

After consultation with Mercer Investment Consulting Ltd it was agreed to appoint new investment managers. 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 Ltd on 15 December 2003 to manage the assets of the Fund. In addition 5% of the Fund remains invested in property through a series of unit trusts held with the Bank of New York for custody purposes.

The initial allocations to each fund manager were agreed as follows

Manager	Benchmark proportion of of assets %	Mandate
Liontrust Investment Services Limited	15.0	UK Equity
MFS International (UK) Limited	15.0	UK Equity
MFS International (UK) Limited	15.0	Overseas Equity
Barclays Global Investors	15.0	Overseas Equity
Barclays Global Investors	35.0	Multi-Asset (passive)
Various unit trusts	5.0	Property
Total	100.0	

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. The Fund Managers each report quarterly on their own performance. Combined Actuarial Performance Services produce overall reports on a quarterly basis, comparing the Fund Managers' performance against a background portfolio of 1,656 UK Pension Funds.

Investment income in 2003-2004 was £22,685 (0.4% less than in 2002-2003).

The overall effect of the movements in pensions payable, income and investments was an increase of £50, 888,350 in the Net Assets of the Fund during the year.

Actuarial position of the Fund

The Government Actuary's last completed report, which detailed the financial position of the Fund as at 1 April 2002, was laid before Parliament on 24 March 2003. The report noted that a shortfall of assets relative to liabilities had arisen since the previous actuarial valuation. The shortfall was assessed as £25.2 million.

The report recommended that the Exchequer rate payable on behalf of both Members and Office holders be increased to 24% from 1 April 2003.

A copy of this report is available from the Secretariat.

Post balance sheet events

Following the publication of the Senior Salaries Review Body's report on Parliamentary pay in October 2004 which was debated in the House of Commons on 3 November 2004 the following changes to the PCPF have been agreed

- a Pensions for unmarried partners and the continuance of pensions to widow/ers who remarry or cohabit (to be introduced without incurring any cost to the Treasury);
- b To increase Members' contributions for 1/40th accrual by 1% of pay to 10% of pay and this increase to be back dated to 1 April 2004;

- c To alter the favourable terms for early retirement of long serving Members 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 right to the favourable terms on benefits earned to the date of change if, by the date of the change, they have fulfilled the necessary service requirement; and
- d To establish a transfer club between the Fund and the pension Schemes of the devolved assemblies and the European Parliament.

Details of these changes are to be worked out and introduced by changes to the Regulations as soon as practicable.

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 of the compliance of the Fund with relevant laws and regulations. This provides fuller information on the Fund than is provided by this Foreword. A copy of the Report is sent to all active members, deferred members and pensioners of the Fund.

Contact address

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

Approved on behalf of the Trustees on 17 March 2005 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 2004 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 2004 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 operates within a legislative framework. Officials from the House of Commons' Department of Finance and Administration provide a full secretariat and administrative service to the Managing Trustees; accounting and payroll provision are dealt with by STC Pension Management Ltd and the Bank of New York acts as the Custodian.

The purpose of the system of internal control

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

Managing 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.

In particular, it includes

- all pension awards are ratified by the Managing Trustees from information provided by the designated House of Commons' officers appointed by the Managing Trustees, and are reflected in the minutes of the Trustees' meetings;
- STC Pension Management Ltd makes payment of all awards;
- the Bank of New York is appointed International Master Custodian of assets directly held on the Trustees' behalf. Securities are registered in the name of the custodian's nominee name (wherever the local market permits) and identified as investments of the Fund. Cash with the Bank of New York is held in bank accounts held in the Fund's name. Regular reconciliations are performed with the active investment managers appointed by the Trustees;
- the Custodian of the assets underlying the pooled funds in which the Trustees invest is appointed by Barclays Global Investors, the manager of the pooled funds;
- 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.

Review of effectiveness

The House of Commons, the Custodian and STC Pension Management Ltd are subject to review by internal audit units, which operate to standards defined in the Government Internal Audit Manual. The work of the internal audit units 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.

Approved on behalf of the Trustees on 17 March 2005

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 on pages 13 to 20 under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 and directions made thereunder. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 15.

Respective responsibilities of the Trustees and Auditor

As described on page 8, the Trustees are responsible for obtaining financial statements and for ensuring the regularity of financial transactions. The Trustees have delegated the preparation of the financial statements to an agent, the SAUL Trustee Company. It is my responsibility to form an independent opinion, based on my audit, on those financial statements and report my opinion to you.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 and directions made thereunder, and 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if proper accounting records are not kept for the Fund, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 9 and 10 reflects the Fund's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Fund's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In my opinion

- the financial statements give a true and fair view of the financial transactions of the Fund for the year ended 31 March 2004 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay benefits after the end of the Fund year, and have been properly prepared in accordance with the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 and directions made thereunder; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

22 March 2005

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Victoria
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Fund Account for the year to 31 March 2004

	Notes	2004 £	2003 £
Contributions and benefits			
Exchequer contributions receivable	3	9,821,484	3,259,183
Members contributions receivable	4	3,740,369	4,199,536
Individual transfers in from other schemes		1,217,711	1,454,937
		14,779,564	8,913,656
Benefits payable	5	10,437,703	10,048,978
Payments to and on account of leavers	6	283,246	140,133
Administrative expenses	7	752,118	680,727
Statutory withdrawal fee	8	0	264,375
		11,473,067	11,134,213
Net additions/(withdrawals) from dealings with members		3,306,497	(2,220,557)
Returns on investments			
Investment income	9	5,063,373	5,086,058
Change in market value of investments	10	43,152,398	(67,132,319)
Investment management expenses	11	(633,918)	(484,552)
Net returns on investments		47,581,853	(62,530,813)
Net increase/(decrease) in the fund during the year		50,888,350	(64,751,370)
Net assets of the scheme as at 1 April		202,431,984	267,183,354
Net assets of the scheme as at 31 March		253,320,334	202,431,984

The notes on pages 15 to 20 form part of these accounts.

Net Assets Statement as at 31 March 2004

	Notes	2004 £	2003 £
Investments at market value	12		
Fixed interest securities		0	12,821,736
Index-linked securities		0	15,230,855
Equities		107,446,861	73,461,561
Pooled investment vehicles		137,305,230	94,634,218
		244,752,091	196,148,370
Cash deposits	12	1,635,383	2,054,113
Other investment balances	12	832,017	1,374,210
Additional voluntary contribution investments	13	2,184,771	1,922,901
		4,652,171	5,351,224
Net current assets	14	4,332,072	1,740,390
Provisions for liabilities and charges	15	(416,000)	(808,000)
Net assets of the scheme as at 31 March		253,320,334	202,431,984

These financial statements were approved by the Trustees on 17 March 2005

Signed on behalf of the Trustees

The notes on pages 15 to 20 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 2002 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 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; and
- f Investments are stated at market value. Quoted securities have been valued at middle market price at the close of business at the year end. The market value of unit trusts is taken as the average of the bid and offer prices at the accounting date as advised by the investment manager.

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

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

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

- g Acquisition costs are capitalised within investment holdings in the Net Assets Statement. The exception is that rebates received on the holdings of Cazenove and Barings unit trusts are treated as part of investment income; it is not considered cost-effective to credit these amounts to the relevant holdings as amounts are not material.

3 Exchequer contributions receivable

	2004	2003
	£	£
Exchequer contributions are receivable from the House of Commons		
Members Supply Estimate		
Ministerial	1,269,912	407,266
Members of Parliament	8,551,572	2,851,917
	<u>9,821,484</u>	<u>3,259,183</u>

4 Members contributions receivable

	2004 £	2003 £
Ministerial	464,554	482,650
Members of Parliament	3,108,278	3,361,574
	3,572,832	3,844,224
Purchase of added years	77,105	133,490
AVC's	90,432	221,822
Total contribution income	3,740,369	4,199,536

5 Benefits payable

	2004 £	2003 £
<i>Pensions</i>		
Retired members	7,208,363	7,344,942
Widows and widowers	2,151,451	1,929,826
Children	9,762	23,129
	9,369,576	9,297,897
Lump sum retirement benefits	454,851	615,412
Lump sum death benefits	613,276	103,644
Lump sum AVC benefits	0	32,025
Total benefits payable	10,437,703	10,048,978

6 Payments to and on account of leavers

	2004 £	2003 £
Transfers out	265,756	42,606
Refunds of contributions	0	7,306
AVC refunds	9,278	0
AVC transfers out	0	69,221
AVC annuity purchases	8,212	21,000
	283,246	140,133

7 Administrative expenses

	2004 £	2003 £
Managing Trustees - Secretariat	499,062	545,122
Third Party Administration fees	143,930	33,481
Actuarial fees	81,876	77,124
Audit fee	27,250	25,000
Total	752,118	680,727

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

8 Statutory withdrawal fee

The Public Trustee ceased acting as Custodian Trustee to the Fund with effect from 28 March 2001. Under the terms of the Public Trustee (Fees) order, SI 1999 No. 855, a withdrawal fee was payable. After negotiation with the Fund's Trustees, a one-off fee of £225,000 plus VAT was agreed and paid during the year ended 31 March 2003.

9 Investment income

	Notes	2004 £	2003 £
Fixed interest securities		462,789	842,559
Index- linked securities		242,820	452,878
Equities		3,093,035	2,614,164
Pooled investment vehicles		624,575	227,795
		4,423,219	4,137,396
Interest on cash held on deposit		180,878	199,910
		4,604,097	4,337,306
Currency exchange losses		(28,021)	0
Underwriting commission		0	1,053
Baring unit trust rebates	2g	337,121	424,936
Cazenove unit trust rebates	2g	150,176	322,763
		5,063,373	5,086,058

10 Changes in market value of investments

Gains realised on sales of investments		18,616,420	2,478,172
Losses realised on sales of investments		(30,776,875)	(12,148,572)
Net realised (loss) for the period		(12,160,455)	(9,670,400)
Net unrealised gain/(loss) for the period		55,123,925	(57,352,851)
Gains/(losses) on investments during the year		42,963,470	(67,023,251)
Gains/(losses) on AVC investments during the year		188,928	(109,068)
		43,152,398	(67,132,319)

11 Investment management expenses

Baring asset management fee		137,716	202,342
Cazenove fund management fee		93,736	195,381
Liontrust investment services fee		31,559	0
MFS International fee		58,879	0
Barclays global investors fee		71,170	0
Performance measurement service		10,041	10,082
Bank of New York custodian fee		85,852	39,490
Investment consulting fees		144,965	37,257
		633,918	484,552

12 Investments

	Market value at 1 April 2003 £	Purchases at cost £	Sales proceeds £	Change in market value £	Transfer £	Market value 31 March 2004 £
Fixed interest securities	12,821,736	9,189,300	(8,265,382)	(189,575)	(13,556,079)	0
Index-linked securities	15,230,855	4,544,010	(5,486,688)	396,817	(14,684,994)	0
Equities	73,461,561	87,978,964	(92,318,603)	18,011,567	20,313,372	107,446,861
Pooled investment vehicles	94,634,218	29,279,480	(19,280,830)	24,744,661	7,927,701	137,305,230
	<u>196,148,370</u>	<u>130,991,754</u>	<u>(125,351,503)</u>	<u>42,963,470</u>	<u>0</u>	<u>244,752,091</u>
Cash deposits	2,054,113					1,635,383
Outstanding dividend entitlements, Unit trust rebates and recoverable with-holding tax	1,374,210					832,017
	<u>199,576,693</u>					<u>247,219,491</u>
					2004 £	2003 £
Fixed interest securities						
UK public sector quoted					0	<u>12,821,736</u>
Index-linked securities						
UK public sector quoted					0	<u>15,230,855</u>
Equities						
UK quoted				72,249,633		73,461,561
Overseas quoted				35,197,228		<u>0</u>
				107,446,861		<u>73,461,561</u>
Pooled investment vehicles						
<i>Unit trusts</i>						
UK - property				10,990,006		10,431,834
UK - other				64,307,483		7,075,402
Overseas - other (UK registered)				62,007,741		<u>77,126,982</u>
				137,305,230		<u>94,634,218</u>

In December 2003 the scheme restructured its investment portfolio.

13 Additional Voluntary Contributions (AVC's)

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 Scheme. These contributions are invested separately from the Fund, with outside providers (Equitable Life and/or Eagle Star) 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 to their account and the movements in the year. The aggregate movements and amounts of AVC investments are as follows

	2004 £	2003 £
AVC investments as at 1 April	1,922,901	1,814,808
AVC contributions (net of withdrawals)	90,432	339,279
AVC benefits	(17,490)	(122,118)
Gains/(losses) on AVC investments	188,928	(109,068)
AVC investments as at 31 March	<u>2,184,771</u>	<u>1,922,901</u>
Market value of AVC investments, by provider		
Equitable Life	1,550,266	1,446,094
Eagle Star	634,505	476,807
	<u>2,184,771</u>	<u>1,922,901</u>

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

14 Net current assets

	2004 £	2003 £
Current assets		
<i>Contributions and benefits</i>		
Contributions	1,135,090	523,321
Contributions for added years	5,954	0
	<u>1,141,044</u>	<u>523,321</u>
Other	20,740	2,410
Balance at bank	4,313,375	3,245,070
	<u>5,475,159</u>	<u>3,770,801</u>
Current liabilities		
Creditors due within one year		
<i>Contributions and benefits</i>		
Pensions	(642,516)	(618,486)
Exchequer contributions	0	(910,089)
Administrative expenses	(140,516)	(260,268)
Investment management expenses	(324,324)	(213,030)
Other	(35,731)	(28,538)
	<u>(1,143,087)</u>	<u>(2,030,411)</u>
Net current assets	<u>4,332,072</u>	<u>1,740,390</u>

15 Provision for liabilities and charges

A provision has been established to reflect the amount of deferred Guaranteed Minimum Pension (GMP) owed to a group of Members who have received pensions from the Fund. During the year payments totalling £392,000 were made, leaving a balance of £416,000 outstanding. It is anticipated that all remaining outstanding balances will be paid before the end of the 2004-2005 financial year.

	2004 £
Balance at 1 April 2003	808,000
Provision release in year	<u>(392,000)</u>
Balance at 31 March 2004	<u>416,000</u>

16 Related party transactions

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

All the investment management companies who provided services to the Fund during the year are regarded as related parties. The fees payable to them are disclosed in Note 11. Additionally, the fund invested in unit trusts managed by Barclays Global Investors had a market value of £126,315,224 as at 31 March 2004 (2003: £nil).

Other than the related party transactions disclosed above, none of the Trustees, key management staff nor any other 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.

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