

Presented to the House of Commons pursuant to Schedule 1, paragraph 17 of the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993

Parliamentary Contributory Pension Fund Account 2009-2010

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ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 7 DECEMBER 2010

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Foreword

Legislation relating to the Fund

The Fund is a statutory scheme, set up under the Parliamentary and Other Pensions Act 1987. The main governing Regulations are the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.

The following changes were made to the Fund's Regulations in the fund year

Statutory Instrument No. 1920 was laid on 20 July 2009

- i introduction of a two tier ill-health pension system and the facility for the Trustees to review ill-health pensions granted to all current and future MPs;
- ii the calculation of transfer values paid from the Fund, to reflect that HM Treasury now has responsibility for setting the discount rate. The calculation basis was advised by the Government Actuary's Department and agreed at the October 2008 Trustees' meeting;
- iii removal of the one year restriction (from the later of 6 April 2006 and date of election as an MP) on Members transferring benefits into the PCPF from a private pension plan or a free standing additional voluntary contribution (AVC) scheme. Members may now transfer at any time, subject to not having paid into the personal pension or AVC scheme since the later of 6 April 2006 and date of election as an MP;
- iv pension benefits built up under personal pensions and free standing AVC schemes whilst serving as an MP and/or Minister/Office Holder and, which have been financed from non-parliamentary earnings, are no longer to be treated as a retained benefit.

Statutory Instrument No. 3154 was laid on 3 December 2009

- i an increase to the member pension contribution rates, backdated to 1 April 2009 as agreed by the House on 25 June 2009;
- ii the introduction of a new pension build-up rate (1/60th) and a one-off opportunity for members to switch to a different pension build-up rate; and
- iii the cessation of pension build-up after age 65 for Members and Office Holders who were either elected to the House or appointed prior to 1 June 1989 and, who had reached the maximum pension limit of two thirds of salary.

Membership of the Fund

Categories	31 March 2009	31 March 2010
Active Members	657	646
Deferred Pensioners	180	164
Pensioners	864	876

Active members quoted in the accounts for 2008-2009 have been adjusted from 656 to 657 members following a retrospective amendment to records. The pensioners figure includes members in receipt of a Guaranteed Minimum Pension whilst remaining active members of the scheme.

The reduction in Actives has in part arisen as four MP's turned 75 and took their benefits (they remain MP's so will not have been replaced by new members in the scheme), whilst five Members of the Supplementary Scheme left Office at the Cabinet Reshuffle and were replaced by members already accounted for within the MP's Scheme.

Trustees of the Fund

Number

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

Method of appointment

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

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

Trustees during the current accounting year

Sir John Butterfill FRICS MP (Chairman)

Rt Hon Peter Lilley MP

Dr Howard Stoate MP

Andrew Love MP

Clive Betts MP

Nick Harvey MP

Rt Hon the Lord Naseby PC (pensioner Trustee)

Sir Graham Bright (pensioner Trustee)

Rt Hon Don Touhig MP

Jim Dowd MP

Sir John Butterfill, Dr Howard Stoate and Rt Hon Don Touhig (now The Rt Hon the Lord Touhig of Islwyn and Glansychan) all stood down as MPs at the May 2010 General Election. However, they remain as Trustees until new Trustees are appointed.

Officers of the Fund

Secretary

Terry Bird, Department of Resources (Mr Bird left employment of the House of Commons on 31 March 2010 but is continuing as secretary).

Head of Pensions

Jimmy Walker, Department of Resources

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

		Appointed by
Actuarial Advice	Government Actuary's Department; Scheme Actuary: Grant Ballantine	Section 3 1987 Act
External Auditor of Annual Accounts	Comptroller and Auditor General	Schedule 1 1972 Act/ Regulations
Investment Advice	Hymans Robertson	Trustees
Fund Management	MFS International (UK) Ltd	Trustees
	BlackRock Asset Management Pensions Ltd (Previously Barclays Global Investors Ltd)	Trustees
	PIMCO Europe Ltd	Trustees
	BlackRock Alternative Advisors (Hedge Fund)	Trustees
	Marvin & Palmer Associates Inc	Trustees
	T.T. International Funds Plc (from August 2009)	Trustees
	Morgan Stanley (Property)	Trustees
	Standard Life (Property)	Trustees
	BlackRock (Property)	Trustees
	UBS Global Asset Management (Property)	Trustees
	Schroders (Property)	Trustees
	Rockspring (Property)	Trustees
Legal Advice	CMS Cameron McKenna to 3 December 2009. Sackers from 4 December 2009.	Trustees
Custodian	Bank of New York Mellon to 30 June 2009. Northern Trust from 1 July 2009.	Trustees
Third Party Administration and Fund accounting and payroll duties	rpm Ltd	Trustees
AVC providers	Equitable Life Zurich (formerly Eagle Star)	Trustees Trustees

Preparation of annual accounts

Paragraph 16 of Schedule 1 to the 1993 regulations requires that annual accounts are prepared in accordance with a direction given by the Comptroller and Auditor General. The Fund is a public service pension scheme and as such is exempt from the majority of the requirements of the 1995 Pensions Act including those relating to accounts. However, the accounts have been prepared, as far as appropriate, in accordance with the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes revised in May 2007, in order to conform to best practice reporting requirements. A statement of the Trustees' responsibilities with regard to the preparation of the accounts is on page 8.

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 £499,000 in 2009-2010, (£1,017,000 in 2008- 2009).

During the 2009-2010 accounting period Members 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 pension build-up rate. The Exchequer Contribution for 2009-2010 was 28.7 per cent of salaries for the MP's section of the PCPF and 28.7 per cent for the Ministerial section for Ministers and Office Holders. This included 8.5 per cent in respect of the deficit.

Investment details and performance

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

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

During the 2009-2010 accounting period, TT International were appointed to manage a UK equity mandate. The Trustees also agreed to replace the BlackRock active overseas portfolio with an unconstrained global equity mandate and appointed Sarasin & Partners. Following the year end, the assets were transferred from BlackRock to Sarasin.

The current target asset allocation for the Fund is

Asset Class/Region	Total Fund Benchmark	Lower range	Upper range
	%	%	%
Total Equities	66.0	62.0	70.0
UK Equities	26.4		
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		
Bonds	21.5	17.5	25.5
Property	10.0	No lower range	No upper range
Fund of Hedge Funds	2.5	No lower range	No upper range
Total	100.0		

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

Manager	Mandate	Actual proportion %	Target proportion %
MFS International (UK) Ltd	UK Equities	13.1	12.0
MFS International (UK) Ltd	Global Equities	14.7	13.0
Marvin & Palmer Associates Inc	Emerging Markets	5.7	4.5
BlackRock Active	Overseas Equity	11.2	10.5
BlackRock Passive	Multi-Asset	20.9	25.0
TT International Funds plc	UK Equity	12.2	10.0
PIMCO Europe Ltd	UK Bonds	11.7	12.5
Multi-managers	Property	8.2	10.0
BlackRock	Hedge Funds	2.3	2.5
Total		100.0	100.0

Investment income in 2009-2010 was £9,958,000 and the market value of assets increased by £103,965,000.

The overall effect of the movements in pensions payable, income and investments, was an increase of £114,101,000 in the Net Assets of the Fund during the year.

Change of custodian

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

Actuarial position of the Fund

The Government Actuary's Department's valuation of the Fund as at 1 April 2008 was finalised in March 2009.

The Government Actuary recommended that the Exchequer contribution should be at the rate of 31.6 per cent of payroll from 1 April 2009 'adjusted to take account of any increase in members' contributions and/or benefit reductions which the previous Government announced as a consequence of cost-sharing or cost-capping' (as recommended by the Senior Salaries Review Body, and endorsed by the House in January 2008). The rate of 31.6 per cent comprises an ongoing rate of 32.2 per cent plus deficit contributions at a rate of 8.5 per cent less average member contributions of 9.1 per cent.

The previous Government's proposed options to achieve the cap on the Exchequer contribution to finance future service benefits, to circa 20 per cent, were

- an increase in member contribution rates from 10.0 to 11.9 per cent of salary (for an accrual rate of 1/40th), and from 6 per cent to 7.9 per cent (for 1/50th); and
- extending the cap on MPs' accrual, which is set at 2/3rds of final salary, to include MPs over age 65 who joined the Scheme before 1 June 1989.

Both changes were agreed by the House in December 2009, and were backdated to 1 April 2009. Taken together these measures resulted in reducing the Exchequer contribution for future service of 23.1 per cent by 2.9 per cent to 20.2 per cent, which is in line with the cap recommended by the SSRB and endorsed by the House.

Annual Report

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

Contact address

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

Disclosure of information

So far as we are aware, there is no relevant audit information of which the Fund's auditor is unaware, and we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

Approved on behalf of the Trustees on: 14 October 2010 by

Sir John Butterfill FRICS
Chairman of 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 2010 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 2010 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 all of the Trustees I 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 Resources provide a full secretariat and administrative service to the Trustees. Day-to-day administration of the Fund, including operation of the pension payroll and accounting has been outsourced to rpm Ltd. Safekeeping of the Fund's assets is undertaken by Northern Trust, in their capacity as custodian to the Fund.

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.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the PCPF's assets, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. In particular, the system of internal control is designed to safeguard against fraud and minimise omissions and material errors in the payment of pensions and receipt of contributions from the Exchequer and PCPF members.

Capacity to handle risk

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

The Secretariat of the PCPF oversees the financial, accounting and administrative functions of the scheme on behalf of the Trustees of the PCPF.

The risk and control framework

The Secretariat, on behalf of the Trustees, has drafted and keeps updated a Risk Register for the Fund. This document identifies and analyses potential risks that pose a risk to the PCPF's objectives in terms of impact and probability. This document, which also contains plans to mitigate potential risks has been reviewed by the Fund's legal advisers, who have confirmed that the register incorporates all the Fund's potential risks. Where necessary, risks are brought to the attention of the Trustees, by the Secretariat.

For example, the Trustees were aware that the Fund's documentation was at risk from a failure of computer system used by, or a disaster at the offices of, the Secretariat. As a result, it was decided that all Fund documents should be stored on a secure external web based system, thereby providing security in the event of a disaster at the offices of the Secretariat.

Another key element of the PCPF's control system are regular reports on financial information. In particular, this includes quarterly administration and investment reports, which are presented to the Trustees at each meeting. The Trustees also regularly review a list of all documentation signed by the Secretariat on their behalf to minimise the risk of fraud.

In authorising our investment managers to make investments on our behalf, the Trustees receive sufficient information to make informed decisions and to understand the risks associated with those investments. Specifically, they take advice from a firm of Investment Consultants and receive regular updates as to the investment managers' performance and movement of the Fund's assets. To reduce the investment and funding risk the Trustees are considering receiving regular actuarial reports that highlight the movement of the PCPF's assets against the Fund's liabilities.

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

Fund administration

rpm Ltd has been appointed by the Trustees to undertake the day-to-day administration of the PCPF. The Trustees of the PCPF have delegated responsibility to rpm for the administration, fund accounting and the calculation and payment of all pension benefits. The Trustees also have free access to all documents and records maintained by rpm Ltd, on their behalf.

In addition to this, the PCPF Secretariat undertake regular audits of work undertaken by rpm, 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 also meets regularly with rpm Ltd (approximately six times a year), to discuss performance against the contractual service level agreements and the Internal Control Assurance Report (AAF 01/06), and agree areas where improvement by rpm Ltd is required. At each Trustee meeting, the Secretariat provides a full report on the performance of rpm Ltd and discusses any concerns they have.

A separation of duties exists at rpm Ltd 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 rpm Ltd.

Subsequent to the accounting period, further automation of some previously manual processes has been introduced. For some complex work areas which require interpretation of Fund regulations (for example, death benefit cases), interpretation of the regulations is agreed between rpm and the PCPF Secretariat prior to payment.

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 PCPF 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 equity and bond pooled funds (BlackRock, Marvin and Palmer and TT 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 Fund Managers and Custodian respectively.

Review of effectiveness

I acknowledge that the Trustees have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors at the House, and, the PCPF Secretariat who have responsibility for the development and maintenance of the control framework.

Significant internal control issues

The Secretariat and the Trustees have raised concerns about the monthly reconciliation of the member and Exchequer contributions not being undertaken. The failure to undertake on a monthly basis a complete reconciliation of Exchequer and member contributions, has resulted in incorrect contributions being paid by some Government Departments.

Since the 2008-2009 Accounts were laid, the Secretariat has been working closely with the administrators to ensure that a reconciliation of contributions was completed as a matter of urgency. A reconciliation of contributions paid since 31 March 2010 is now complete and a reconciliation of 2009-2010 and 2008-2009 contributions will follow in the next couple of months.

To avoid this situation arising again, the Secretariat have put in place extra controls, including weekly updates between Secretariat and rpm. The monthly reconciliations undertaken by rpm are also checked thoroughly by the Secretariat, to ensure that contributions collected are correct and any amendments are made the following month.

The Trustees have produced a Statement of Investment Principles (SIP) which states target asset allocations for the Fund's investments, with specified tolerances. This version was discussed with the Leader of the House of Commons (in accordance with the PCPF Regulations) in 2006. Subsequently, the Trustees have changed their asset allocation and produced a revised draft SIP. The original draft was sent to the Cabinet Office (who advise the Leader on Parliamentary pension issues) in early 2009 to begin the consultation process.

Further changes to the Fund's asset allocation resulted in a new draft SIP being sent to the Cabinet Office on 18 June 2010. The Secretariat is currently liaising with the Cabinet Office to attempt to complete the consultation with the Leader of the House. The Trustees are keen for the SIP to be finalised, but in the meantime, are acting in accordance with the latest draft SIP.

There are no other significant internal control issues for the PCPF

Approved on behalf of the Trustees on 14 October 2010 by

Sir John Butterfill FRICS
Chairman of Trustees

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

I certify that I have audited the financial statements of the Parliamentary Contributory Pension Fund for the year ended 31 March 2010 under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 and directions made thereunder. These comprise the Fund Account, 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 Accounting Officer 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 Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 and directions made thereunder and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and 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 Parliamentary Contributory Pension Fund; and
- the overall presentation of the financial statements.

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 state of the Parliamentary Contributory Pension Fund's affairs as at 31 March 2010, other than the liabilities to pay pensions and benefits after the end of the Fund year, and of the financial transactions for the year then ended; and
- the financial statements have been properly prepared in accordance with directions issued under the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.

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
- 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 Statement on Internal Control 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

29 October 2010

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

Fund Account for the year to 31 March 2010

	Notes	2009-2010 £000	2008-2009 £000
Contributions and Benefits			
Contributions	3	18,820	17,042
Individual transfers in from other schemes	4	499	1,017
		<u>19,319</u>	<u>18,059</u>
Benefits payable	5	16,172	14,108
Payments to and on account of leavers	6	496	716
Administrative expenses	7	839	701
		<u>17,507</u>	<u>15,525</u>
Net additions from dealings with members		<u>1,812</u>	<u>2,534</u>
Returns on investments			
Investment income	8	9,958	7,182
Change in market value of investments	9	103,965	(85,875)
Investment management expenses	10	(1,634)	(2,239)
Net returns on investments		<u>112,289</u>	<u>(80,392)</u>
Net increase/(decrease) in the Fund during the year		114,101	(78,398)
Net assets of the Fund as at 1 April		291,390	369,788
		<u>405,491</u>	<u>291,390</u>

The notes on pages 16 to 26 form part of these accounts

Net Assets Statement as at 31 March 2010

	Notes	2009-2010 £000	2008-2009 £000
Investment assets	11	401,615	295,874
Investment liabilities	11	(376)	(7,932)
Additional voluntary contribution investments	12	2,842	2,447
Current assets	13	3,484	3,159
Current liabilities	14	(2,074)	(2,158)
Net assets of the Fund as at 31 March		<u>405,491</u>	<u>291,390</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 2008 and these financial statements should be read in conjunction with that report.

These financial statements were approved by the Trustees on 14 October 2010.

Signed on behalf of the Trustees

Sir John Butterfill FRICS
Chairman of Trustees

The notes on pages 16 to 26 form part of these accounts

Notes to the Financial Statements

1 Basis of preparation

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

2 Accounting policies

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

- a Normal contributions, employer contributions including deficit contributions, contributions for the purchase of added years and additional voluntary contributions are accounted for in the year that the employee deductions are made.
- b Benefits are accounted for on the date that they fall due and refunds of contributions are accounted for when they are made.
- c Transfer values from and to other pension funds represent the amounts received and paid during the year for members who either joined or left the Fund.
- d All other expenditure is accounted for in the period to which it relates.
- e Investment income.

Income from equities and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest.

The income from equities is received into the income statement at the security 'pay date' in line with contractual settlement arrangements. This date may differ as to when the monies are actually received in custody.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

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

- f Investments.

Quoted investments are stated at the bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

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

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

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published, or if single priced, at the closing single price.

Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the 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.

Derivative contracts' changes in fair value are included in change in market value where the economic purpose of the contracts relates to assets. Where the economic purpose relates to income, the change in fair value is included in investment income.

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

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

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

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

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

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

Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end.

Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

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

Loans and deposits and net current assets/liabilities are included at book costs which the Trustees consider represents a reasonable estimate of fair value.

3 Contributions

	2009-2010	2008-2009
	£000	£000
Members		
Normal	4,930	4,251
Added years	240	184
Additional voluntary contributions	130	160
Employers		
Normal	9,516	8,406
Deficit	4,004	4,041
	<u>18,820</u>	<u>17,042</u>

The Exchequer is required to contribute 8.5 per cent of payroll over a 15 year period from 2008 to 2023 to amortise the accumulated deficit, subject to review at future actuarial valuations.

4 Individual transfers in

	2009-2010	2008-2009
	£000	£000
Individual transfers in	499	1,017
	<u>499</u>	<u>1,017</u>

5 Benefits payable

	2009-2010	2008-2009
	£000	£000
Pensions	13,923	12,678
Lump sum retirement benefits	1,674	986
Lump sum death benefits	575	444
	<u>16,172</u>	<u>14,108</u>

6 Payments to and on account of leavers

	2009-2010	2008-2009
	£000	£000
Transfers out	496	716
	<u>496</u>	<u>716</u>

7 Administrative expenses

	2009-2010	2008-2009
	£000	£000
Trustees – Secretariat	286	273
Third party administration and advisor fees	212	162
Actuarial fees	77	158
Legal fees	235	76
Audit fee	29	32
	<u>839</u>	<u>701</u>

The 2010 administrative expenses are higher than the prior year mainly due to the legal fees incurred in reviewing the pensions provisions of the Constitutional Reform and Governance Bill.

8 Investment income

	2009-2010	2008-2009
	£000	£000
Fixed interest securities	2,530	2,960
Index-linked securities	(36)	176
Equities	3,218	3,976
Pooled investment vehicles	1,930	1,616
	7,642	8,728
Interest on cash held on deposit	(202)	544
	7,440	9,272
Currency exchange gain/(losses)	2,518	(2,090)
	9,958	7,182

9 Change in market value of investments

	Note	2009-2010	2008-2009
		£000	£000
Defined benefit assets	11	103,602	(85,667)
Additional voluntary contribution assets	12	363	(208)
		103,965	(85,875)

10 Investment Management expenses

	2009-2010	2008-2009
	£000	£000
Investment management basic fees	602	760
Investment management performance fees	808	1,074
Custody fees	76	232
Investment accounting fees	22	18
Investment consultancy	126	155
	1,634	2,239

11 Investments

	Market value 1 April 2009	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Market value	Market value at 31 March 2010
	£000	£000	£000	£000	£000
Fixed Interest	59,262	81,729	(100,064)	3,998	44,925
Index-Linked	8,293	3,840	(11,847)	(286)	0
Derivatives	(414)	745,917	(746,592)	1,528	439
Equities	83,296	38,998	(41,342)	38,245	119,197
Pooled Investment vehicles	138,343	134,187	(99,775)	60,117	232,872
	<u>288,780</u>	<u>1,004,671</u>	<u>999,620</u>	<u>103,602</u>	<u>397,433</u>
Cash and cash equivalents	(2,156)				2,434
Accrued income	1,318				1,372
	<u>287,942</u>				<u>401,239</u>

Included within the above purchases and sales figures are transaction costs of £221,284 (2009: £302,427). Costs are also borne by the Fund in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments are not separately identifiable.

	2009-2010	2008-2009
	£000	£000
Investment assets		
Fixed Interest Securities		
UK public sector quoted	5,077	15,820
UK quoted	17,576	8,088
Overseas public sector quoted	4,124	8,999
Overseas quoted	18,148	26,355
	44,925	59,262
Index-Linked Securities		
UK public sector quoted	0	3,239
Overseas public sector quoted	0	5,054
	0	8,293
Derivative contracts		
Swaps – OTC	100	1,797
Futures – exchange traded	252	64
FX contracts – OTC	217	331
	569	2,192
Equities		
UK quoted	52,687	29,320
UK unquoted	9,250	7,280
Overseas quoted	57,260	46,696
	119,197	83,296
Pooled investment vehicles		
UK – equity	107,828	61,689
UK – bond	29,856	4,201
UK – property	26,606	21,223
UK – other	0	1
Overseas – equity	41,191	49,023
Overseas – other	27,391	2,206
	232,872	138,343
Other investment assets		
Cash margin	0	361
Cash deposits	2,424	2,809
Cash due from broker	256	0
Accrued income	1,372	1,318
	4,052	4,488
	401,615	295,874

Investment liabilities**Derivative contracts**

Swaps – OTC	(3)	(785)
Options – OTC	(20)	(1)
Options – exchange traded	(39)	(33)
FX contracts – OTC	(68)	(1,787)
	<u>(130)</u>	<u>(2,606)</u>
Other investment liabilities		
Cash due to brokers	0	(5,326)
Cash margin	(246)	0
	<u>(376)</u>	<u>(7,932)</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 cash flows for another. The details of swap contracts in place at the year end date are as follows

Type of swap	Duration Years	Nominal amount £000	Asset value	Liability
			at year end year end £000	value at £000
Credit default	Up to 1	659	5	0
Credit default	1 to 3	209	0	2
Credit default	3 to 5	1,787	67	1
Credit default	5 to 10	264	2	0
Interest rate	1 to 3	2,623	26	0
			<u>100</u>	<u>3</u>

Collateral deposited by counterparties in respect of swap contracts at the year end date amounted to £171,000. 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 exposure at year end £000	Asset value
			at year end £000
Interest rate future	9 months	40,050	238
Long gilt	3 months	1,377	14
			<u>252</u>

Included within cash balances is negative £246,000 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
OTC options					
Interest rate swap	April 10	Call	2,059	0	1
Interest rate swap	April 10	Put	2,059	0	0
Interest rate swap	May 10	Call	1,891	0	4
Interest rate swap	May 10	Put	1,891	0	5
Interest rate swap	Jun 10	Call	1,400	0	3
Interest rate swap	Jun 10	Put	1,400	0	1
Interest rate swap	Aug 10	Call	659	0	2
Interest rate swap	Aug 10	Put	1,912	0	4
Interest rate swap	Sep 10	Put	4,500	0	0
Interest rate swap	Dec 10	Put	4,500	0	0
					20
Exchange traded options					
Interest rate option	Sep 10	Call	45,488	0	13
US government bonds	May 10	Call	923	0	7
US government bonds	May 10	Put	1,121	0	3
US government bonds	Jun 10	Call	1,912	0	9
US government bonds	Jun 10	Put	1,912	0	7
				0	39
				0	59

Forward Foreign Exchange (FX)

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

Buy/Sell currency	Amount bought Currency £000	Amount sold Currency £000	Value at year end £000
Assets			
Euro/ US dollar	336	331	5
Sterling/ US dollar	14,519	14,420	99
South Korea won/ US dollar	683	662	21
Singapore Dollar/ US dollar	137	137	0
US dollar/ Brazilian Real	245	245	0
US dollar/ Chinese Yuan	409	407	2
US dollar/ Euro	12,205	12,116	89
US dollar/ Japanese Yen	12	12	0
US dollar/ Singapore dollars	244	243	1
			217
Liability			
Brazilian Real/ US dollar	488	493	5
Chinese Yuan/ US dollar	1,102	1,108	6
Euro/ Swiss Franc	35	35	0
Euro/ US dollar	983	992	9
Sterling/ Swiss Franc	634	663	29
Sterling/ Euro	448	455	7
Singapore dollars/US dollar	106	106	0
US dollar/ Euro	448	449	1
US dollar/Sterling	461	464	3
US dollar/ South Korea won	196	204	8
			68
Total			149

The majority of FX contracts will settle within four months of the year end, and the remainder within ten months.

12 Additional Voluntary Contributions (AVCs)

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

	2009-2010	2008-2009
	£000	£000
AVC investments as at 1 April	2,447	2,638
AVC contributions purchases	105	200
AVC sales	(73)	(183)
Change in market value	363	(208)
AVC investments as at 31 March	<u>2,842</u>	<u>2,447</u>
Market value of AVC investments by provider		
Equitable Life	1,637	1,507
Zurich	1,205	940
	<u>2,842</u>	<u>2,447</u>

AVCs are held in with-profits, unit-linking and deposit balances. At 31 March 2010 there was £25,000 cash in transit between the Fund and the AVC provider.

13 Current assets

	2009-2010	2008-2009
	£000	£000
Contributions due to Fund		
Member normal contributions	575	341
Employer normal contributions	1,608	700
Employer deficit contributions	331	336
Member added years	26	18
	<u>2,540</u>	<u>1,395</u>
Balance at bank	865	1,671
Cash in transit	25	0
Provision for GMP owed by members to the Fund	54	93
	<u>3,484</u>	<u>3,159</u>

14 Current liabilities (amounts due within one year)

	2009-2010	2008-2009
	£000	£000
Lumps sums and taxation	(504)	(335)
Administrative expenses	(360)	(184)
Investment management expenses	(1,156)	(1,469)
Unpresented cheques	(34)	(150)
Provision for GMP owed to members	(20)	(20)
	<u>(2,074)</u>	<u>(2,158)</u>

15 Related party transactions

The House of Commons Members Supply Estimate provides an Exchequer contribution taking into account recommendations by the Actuary.

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

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

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 2010.

	Market value	% of net
	2009-2010	assets
	£000	2009-2010
Pooled investment vehicles		
TT UK Equity Fund	48,997	12.1
Aquila Life UK Equity Fund	25,872	6.4
Marvin and Palmer Equity Fund	22,814	5.6
BlackRock active selection currency hedging	21,616	5.3
Ascent Life European Equity	21,054	5.2

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DG Ref: 009491

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ISBN 978-0-10-296884-2



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