

National Assembly for Wales
Members' Pension Scheme

Annual Report and Accounts

1 April 2009 – 31 March 2010



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

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Members' Pension Scheme

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THE TRUSTEES' REPORT FOR THE PERIOD ENDING 31 MARCH 2010 TO THE MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES MEMBERS' PENSION SCHEME

Legislative Background to the National Assembly for Wales Members' Pension Scheme (the "Scheme")

The Scheme was set up under section 18 of the Government of Wales Act 1998. Section 20 (4) of and Schedule 11 to the Government of Wales Act 2006 provides continuity for the Scheme. The Government of Wales Act 2006 has not affected the legal status of the Scheme.

During the year there were no amendments to the Scheme Rules.

Future Developments

One of the recommendations arising from the 'Getting it Right for Wales' report, published by the Independent Review Panel on Support for Assembly Members, was that the Assembly Commission should prepare and bring forward an Assembly Measure to establish a statutory Independent Review Body to make decisions in respect of all aspects of financial support for Assembly Members.

The Measure to establish an independent National Assembly for Wales Remuneration Board ("the Board") was passed by the Assembly on 26 May 2010. This measure, when it receives Royal Assent, will transfer to the Board the functions of making determinations in relation to remuneration of Assembly Members, the First Minister, Welsh Ministers, the Counsel General and Deputy Welsh Ministers, and for connected purposes. These functions would include the setting and reviewing of Assembly Members' salaries, allowances and pensions. This removes the responsibility for these functions from the National Assembly of Wales (the "Assembly"), currently conferred on the Assembly Commission.

Aim of this Report

The Scheme is exempt from the requirement as laid down in the Occupational Pensions Schemes (Disclosure of Information) Regulations 1996 to prepare a report and audited accounts within seven months of the end of the accounting year. It is the intention of the Trustees to comply with the spirit of this legislation by disclosing relevant information, including actuarial and accounting details, to all members of the Scheme within three months of the date of certification of the audited accounts in accordance with Schedule 1 paragraph 13 of the Scheme Rules.

Trustees

The Trustees for the year were:

William Graham AM	(Elected 3 June 2009; Chair 12 October 2009)
Rosemary Butler AM	(Interim Chair 19 March 2009 – 12 October 2009)
Dafydd Wigley	(14 January 2009 as Pensioner Trustee for a fixed 4 year term)
Michael German AM	(Elected 3 June 2009)
Carwyn Jones AM	(Resigned 20 January 2010)
Mohammad Asghar AM	(Resigned 27 January 2010)

At the date of approval of the annual report, the Trustees were:

William Graham (Chair of Trustees)
Rosemary Butler AM
Dafydd Wigley (Pensioner Trustee)
Michael German AM
John Griffiths AM (appointed 9 June 2010)
Gareth Jones AM (appointed 9 June 2010)

Scheme Administration

The day to day running of the Scheme is carried out by the Scheme Secretariat within the Assembly's Financial Services.

Any queries about pensions or any further information required should be sent to the Secretariat at the following address:

National Assembly for Wales Members' Pension Scheme
Financial Services
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Roger Beale Tel: 02920 898956 Fax: 02920 898059
Email: roger.beale@wales.gsi.gov.uk

Liz Calder Tel: 02920 898809 Fax: 02920 898059
Email: liz.calder@wales.gsi.gov.uk

Income of the Fund

The income of the Fund is derived from the following sources; contributions from active members and from the Assembly Commission as employers.

Members and Office-holders contribute 10% of their salaries if they accrue benefits on a fortieths basis and 6% of their salaries if they accrue benefits on a fiftieths basis. The Assembly Commission, as the employer, contributes 23.8% of pensionable salaries for both the basic Scheme and the Office Holders' Scheme. These rates have been in effect since 1 April 2009 following the third triennial valuation as at 1 April 2008.

Actuarial Valuation

The Scheme Actuary is required to make a report on the general financial position of the Fund every three years and to make recommendations on the future rate of the Assembly Commission's contribution. The third triennial valuation was completed as at 1 April 2008, and the report was laid on 13 May 2009, in accordance with the Scheme rules.

The statement from the Actuary dated 26 March 2009 recommended a contribution rate of 23.8% of Members' pensionable salary with effect from 1 April 2009. This rate represents the amount required to meet the balance of cost of the Scheme, having regard to the benefits and to the contributions payable by Members and takes into account both future and past service.

The subsequent certificate dated 26 April 2010 (at pages 15 & 16) confirms the adequacy of the Assembly Commission's contribution of 23.8% for the coming year. The current funding level is adequate to meet current benefits. These statements are based on the Scheme's assets and liabilities at the valuation date. These statements fully comply with the requirements of the Institute of Actuaries and Faculty of Actuaries Guidance Note GN9.

Membership

Active Members

Active Members at 1 April 2009	60(<i>Of which Office Holders 40</i>)
<i>add:</i> New entrants in the year	0
<i>less:</i> Leavers in the year	0
Retirements in the year	0
Death in Service	<u>0</u>

Active Members at 31 March 2010	60
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Deferred Members

Deferred Members at 1 April 2009	15
<i>add:</i> Members leaving with deferred rights	0
<i>less:</i> Members taking up deferred rights	<u>0</u>
Deferred Members at 31 March 2010	15

Pensioners in Payment

Pensioners in payment at 1 April 2009	16
<i>add:</i> Members retiring in year	0
<i>add:</i> Members taking up Deferred Rights	0
<i>add:</i> New Dependants	0
<i>less:</i> Deaths in year	<u>0</u>
Pensioners in Payment at 31 March 2010	16

Payments from the Scheme during the year are disclosed in Note 5 to the accounts. Pensions in payment as at 6 April 2009 were increased by 5.0% in accordance with The Pensions Increase (Review) Order 2009.

Preparation and Audit of Annual Accounts

The accounts are prepared in accordance with the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (revised May 2007), as far as is appropriate.

These accounts are prepared by officials of the Assembly, on behalf of the Trustees, and audited by the Auditor General for Wales. They are prepared and audited under Sections 41 (1) and (6) of the Pensions Act 1995 and in accordance with SI 1996/1975 Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations.

The audited accounts will be laid before the Assembly within three months of the Auditor's Statement being signed and subsequently published.

Copies of these accounts are available from the Secretariat on request.

Summary Financial Information

Income during the period was £1,522,828 (2008-2009 £1,314,035), and Scheme expenditure £164,392 (2008-2009 £146,029). The net assets of the Scheme at 31 March 2010 were £16,129,920 (2008-2009 £10,513,353).

During the period a total of £2,572,526 was remitted to the Fund Managers for investment in the Diversified Growth Pension Fund and the Baillie Gifford Index Linked Pension Fund. This followed a review of investment policy by Trustees and was undertaken with advice from the Scheme's Actuary. No additions were made to the Baillie Gifford Managed Pension Fund during the year. The total market value of the Funds invested at 31 March 2010 was £15,500,119 (2008-2009 £8,672,912).

As at 31 March 2010 a total of £484,259 (31 March 2009 £1,750,062) was held on deposit with the Scheme's bank earning interest based on the prevailing money market rates. This cash is held for both self insurance purposes and pending further investments decisions by Trustees.

Investments

All investments are in holdings that are permitted by the regulations of the Scheme and not prohibited by the Trustees.

The size of the Scheme's assets is not sufficient to allow a widely diversified portfolio of investments were the assets to be invested directly in bonds, stocks and shares. Therefore, until the assets have become sufficiently large, the Trustees believe that the most effective way of investing with suitable diversification and at a reasonable cost is to use unit trusts or open ended investment companies ('OEICs').

The Trustees expect the investments to deliver a return that is median or better for their sector when measured against similar pooled pension fund investments. It is also anticipated that the investment returns should exceed price inflation by a sufficient margin that the Scheme's benefits can be provided in accordance with the actuarial calculations for the Scheme.

Investment Policy

The Investment Policy for the Scheme is determined by the Trustees, and is reviewed from time to time. The policy in force at 31 March 2010 is set out in the Statement of Investment Principles, which has been adopted by the Trustees and is available to Members on request from the Scheme Secretariat. The policy does not allow for any employer-related investment.

The Trustees reviewed their investment strategy in May 2009 and following professional advice invested a lump sum of £500,000 from the cash holding in the new Baillie Gifford Diversified Growth Pension Fund (DGPF). In October following a review of the performance of the DGPF Trustees decided

to invest 15% of the regular monthly contributions in the Baillie Gifford Index Linked Pension Fund and the balance in the DGPF.

In addition Trustees decided to reduce the cash holding further by circa £1,000,000 over a period of six months by investing the difference between the investment of normal monthly contributions and £300,000 in to the DGPF.

The performance objectives for the investment funds are as follows:

Baillie Gifford Managed Pension Fund – to outperform the CAPS median Balanced Pooled Fund by 1.0-1.5% p.a. gross over rolling 3 year periods.

Over the last 5 years the Managed Pension Fund has achieved an annual rate of return of 10% against a benchmark performance of 7.9%

Baillie Gifford Index Linked Pension Fund – to outperform by 0.75% p.a. gross the return on the FT-Actuaries over 5 years Index Linked Gilt Index over rolling 3 year periods.

Over the last 5 years the Index Linked Pension Fund has slightly underachieved with an annual rate of return of 6.3% against a benchmark performance of 6.4%.

Baillie Gifford Diversified Growth Pension Fund – to outperform the UK base rate by 3.5% per annum (net of fees) over rolling five year periods.

Since inception in May 2009 the Diversified Growth Pension Fund has achieved a rate of return of 32.1% against a benchmark performance of 0.6%.

Investment Manager

The Trustees have appointed Baillie Gifford Life Ltd as Fund Managers for the Scheme and the Trustees have delegated the responsibility for investment management to them.

Investments are made through a Baillie Gifford Life Limited pension policy. The main feature of the policy is that the benefits obtained are entirely dependent on the investment performance of the assets of the Fund.

Baillie Gifford Life Limited is paid a management fee based on a percentage (0.45% for the Managed Pension Fund, 0.25% for the Index Linked Pension Fund and 0.45% for the Diversified Growth Pension Fund until 1 June 2012 when it will revert to the standard annual management charge, currently 0.65%) of the total market value of the funds per annum, which is deducted from the value of the Funds each month.

All the assets within the unit linked funds that Baillie Gifford Life Limited operates are owned by an insurance company Baillie Gifford Life and are registered in the name of Baillie Gifford Life.

The Scheme does not have a custodian as it invests in units in a life policy which does not require a custodian. The custodian for Baillie Gifford Life Limited is Bank of New York, One Canada Square, LONDON E14 5AL.

Baillie Gifford has internal policies covering Corporate Governance, Socially Responsible Investment (SRI), Company Engagement and Exercising Voting Rights. During the year Baillie Gifford had engagement with the following companies.

- **Corporate Governance** - AMEC, Asahi Breweries, BHP Billiton, BHP Billiton (UK), China National Building Material Co, Cobham, Dragon Oil, Homeserve, Itau Unibanco., James Hardie, Rio Tinto, Rio Tinto (AU), Royal Dutch Shell, Samsung Electronics Co, Standard Chartered, Tesco (UK), Ultra Electronics Holdings, Vodafone Group, Whole Foods Market
- **Corporate Social Responsibility** - ABB, BG Group, British American Tobacco, Bunzl, CNOOC, China National Building Material Co, Diamond Offshore Drilling, Esprit Holdings, Foster's Group, Gazprom OAO, GlaxoSmithKline, Imperial Tobacco Group, Japan Tobacco Inc., Meggitt, Naspers, OGX, Petrofac Limited, Royal Dutch Shell, Scottish & Southern Energy, Seadrill Ltd, Standard Chartered, Total SA, Ultra Electronics Holdings, Wal-Mart de Mexico S.A.B. de C.V., Wellstream
- **Executive Remuneration** - Cairn Energy, Experian, Genus, GlaxoSmithKline, Greggs, Hays, Intermediate Capital Group, James Hardie, Johnson Matthey, Lloyds Banking Group, Man Group, Michael Page International, Petrofac Limited, Provident Financial, Rolls-Royce Group, Royal Dutch Shell, Serco Group, Tesco (UK), Weir Group, Wesfarmers
- **AGM or EGM Proposals** - AMEC, Aeon Co. Ltd, Amlin, Asahi Breweries, BG Group, BOC Hong Kong (Holdings), Cairn Energy, Canon, China Resources Enterprise, Deere & Company, Dragon Oil, IG Group Holdings, Imperial Tobacco Group, Inchcape, Japan Tobacco Inc., Linear Technology Corporation, Lonmin, Michael Page International, Novozymes, Petrobras, Reed Elsevier (UK), Rohm, SABMiller, Sage Group (UK), Serco Group, Shaftesbury, Standard Chartered, Tesco (UK), Thames River Hedge, Ultra Electronics Holdings, VCA Antech, Wellstream, Wood, John Group, Woolworths

An investment report concerning the investment policies during the year and a review of the investment performance of the Fund during the year and the nature, disposition, marketability and security of assets is reported on pages 9 to 13. The market value of the Managed Fund as at 31 March 2010 was £11,511,308 a gain of £3,798,455 over the year; the market value of the Index Linked Pension Fund as at 31 March 2010 was £1,267,165, a gain of £110,734; the market value of the Diversified Growth Pension Fund was £2,721,646, a gain of £345,492. These values are disclosed in Note 7 of the accounts.

Against a background of economic uncertainty affecting stock markets the Scheme's funds as at the close of business on 18 June 2010, based on the units held as at 31 March 2010, were as follows:

Managed Fund:	£11,170,681
Index Linked Pension Fund	£ 1,271,312
Diversified Growth pension Fund	<u>£ 2,685,506</u>
Total Value	£15,127,499

This represents a reduction in value of 2.4%

William Graham
Assembly Member
Chair of Trustees
(On behalf of the Trustees)

Rosemary Butler
Assembly Member
Trustee

Date: 21 June 2010

The Trustees have prepared a Statement of Investment Principles which sets out their policies on investment and their strategy for achieving them, a copy of which is available on request.

Day to day responsibility for the management of investments has been delegated to Baillie Gifford & Co, who operate in accordance with guidelines and restrictions set out in the Life Policy Agreement and with instructions given by the Trustees from time to time.

The units held by the pension fund are part of an agreement between the Trustees and Baillie Gifford Life Ltd, which is in the form of an Insurance Policy. The policy itself is the “asset” that the Trustees own and the units within the funds provide an easy method of valuation of the benefits under the policy.

All the assets within the fund that BGL operate are owned by BGL, the insurance company, and are registered in this name. BGL has contracted the parent undertaking within BG&Co, to perform the Investment Management of the assets within the Insurance Company and this function is regulated by an Investment Management Agreement between the two companies.

Investment Target

The Trustees have set a performance objective for the investment managers which takes account of the liability profile of the Scheme and the level of risk that the Trustees believe appropriate. The scheme invests in the Baillie Gifford Managed, Index Linked and Diversified Growth Pension Funds.

Investment Authority

The assets are invested in pooled fund units, which represent a pooling of assets, by various pension funds. As such, investors are unable to impose restrictions, but instead grant full discretion to the manager.

In turn, the manager works to establish a well-diversified portfolio both within stock markets and also geographically. The benchmark asset allocation is the CAPS pooled fund average asset distribution, for the Managed Pension Fund, the Fund also invests in the Index Linked Pension Fund which operates to its own specific benchmark. The investment philosophy and objectives of BGL’s Managed, Index Linked and Diversified Growth Pension Funds are consistent with the authority signed by the Trustees.

Baillie Gifford Managed Pension Fund

The present target of the Baillie Gifford Managed Pension Fund is to outperform the CAPS median Balanced Pooled Fund by 1.0 - 1.5% per annum (gross) over rolling 3 year periods.

Baillie Gifford Diversified Growth Pension Fund

The present target of the Baillie Gifford Diversified Growth Pension Fund is to outperform the UK base rate by 3.5% per annum (net) over rolling 5 year periods.

Baillie Gifford Index Linked Pension Fund

The present target of the Baillie Gifford Index Lined Pension Fund is to outperform by 0.75% per annum (gross), the return on the FT-Actuaries over 5 years Index Linked Gilt Index over rolling 3 year periods.

Distribution of Assets

The distribution of assets in the Fund at 31 March was as follows:

	2009 %	2010 %
Diversified Growth Pension Fund	-	17.6
Managed Pension Fund	88.9	74.2
Index Linked Pension Fund	11.1	8.2
TOTAL	100.0	100.0

The distribution of assets in the Managed Pension Fund at 31 March was as follows:

	2009 %	2010 %
UK Equities	28.9	30.8
Overseas Equities		
North America	13.1	15.0
Europe	17.3	19.7
Dev Asia Pacific	11.4	12.9
Emerging Markets	10.8	12.7
	52.6	60.3
Fixed Interest		
UK Bonds	8.4	4.3
Overseas Bonds	5.5	4.2
	13.9	8.5
Index Linked		
Overseas	0.3	-
Cash & Deposits	4.2	0.4
Forward Currency Contracts	0.1	-
TOTAL	100.0	100.0

The distribution of assets in the Index Linked Pension Fund at 31 March was as follows:

	2009	2010
	%	%
UK Bonds	4.7	4.0
Overseas Bonds	1.4	2.1
Index Linked		
UK	87.6	89.8
Overseas	5.8	2.1
	<hr/> 93.4	<hr/> 91.9
Cash & Deposits	0.4	1.8
Forward Currency Contracts	0.1	0.2
TOTAL	<hr/> 100.0	<hr/> 100.0

The distribution of assets in the Diversified Growth Pension Fund at 31 March was as follows:

	2010
	%
Listed Equity	10.5
Private Equity	7.3
Property	5.3
High Yield Bonds	9.4
Investment Grade Bonds	9.6
Structured	4.0
Forestry	2.2
Commodities	1.9
Emerging Market Bonds	13.3
Infrastructure	4.2
Infrastructure Bonds	5.1
Absolute Return	7.7
Litigation Finance	3.2
Insurance Linked	11.6
Active currency overlay	0.3
Cash	4.4
Total	<hr/> 100.0

Economic and Market Background – 12 Months to 31 March 2010

During the period under review, economies around the world regained some stability. This helped investment markets to stage a recovery, and most rallied strongly over the 12 months to the end of March.

The UK equity market rose 52% and overseas equity markets also fared well. Europe delivered a return of around 49% for UK-based investors, while the US posted a 43% rise and Developed Asia (including Japan) ended the period 45% higher. However, the best performing area by a considerable margin was Emerging Markets which returned almost 75% in sterling terms.

In bond markets, optimism grew that measures adopted by governments to stimulate economies were proving effective. This helped corporate bonds to recover strongly from the weakness caused by concerns that defaults would reach historically high levels. Liquidity in credit markets improved markedly. Credit spreads – the additional yield investors receive on corporate bonds compared with equivalent government bonds – fell, most notably in the financial sector.

Although some developed economies continued to display mixed signals, there was growing optimism that the worst was over in the US and in some of the Eurozone member states. However, despite the improving data and the massive economic stimulus deployed by governments in the west, concerns persist that the recovery from here will be slow as a result of the massive levels of debt that have been built up.

Among the faster-growing economies, Australia raised interest rates on four occasions during the period, and announced a fifth increase in early April. There were signs of strength in Poland, which managed to stave off recession, while the extent of economic growth in India created concerns over inflation, and Brazil introduced measures to halt speculative short-term investments from overseas.

Meanwhile, growth was particularly strong in China. Capital projects, which had been interrupted the previous year when the government introduced measures to slow the economy amid growing concerns about overheating, were restarted and bank lending soared. Indeed, the measures proved so successful that some observers believed the property market was in danger of overheating. In response, the Chinese government took further steps to control the pace of expansion, raising the reserve ratio and imposing restrictions on new lending. We continue to believe that China is emerging as a dominant force in the global economy and will create attractive opportunities for long-term investors.

At a portfolio level, our main focus is still on the bottom-up analysis of companies to ensure as far as possible that the businesses in which we invest have good prospects for earnings growth. We are finding attractive investment opportunities in companies that are either based in emerging markets or benefiting from the growth that is taking place there. We also hold positions in several companies which we believe have excellent long term prospects, but did not participate fully in the equity market rally and are now, on a relative basis, looking attractive. In fixed income markets, we continue to favour corporate bonds over government bonds.

Performance (net of fees)

For the year ended 31 March 2010, the Funds provided the following returns:

	1 Year %	3 Year % p.a	5 Year % p.a
Managed Pension Fund	49.2	5.4	10.0
<i>CAPS Balanced Pooled Median</i>	<i>39.1</i>	<i>2.7</i>	<i>7.9</i>
Diversified Growth Pension Fund	47.4	-	-
<i>UK Base Rate</i>	<i>0.5</i>	-	-
Index Linked Pension Fund	10.7	6.9	6.3
<i>FTA Index linked</i>	<i>10.4</i>	<i>6.8</i>	<i>6.4</i>

Marketability

Investments comprise units in collective investment vehicles managed by Baillie Gifford, the holdings of which are regarded as being readily marketable.

Largest Holdings

As of 31 March 2010 the ten largest holdings, which accounted for 29.0% of the total value of the Managed Pension Fund, were:

	% of Portfolio
Baillie Gifford Emerging Markets Growth Fund	11.5
Svenska Handelsbanken	2.4
Atlas Copco	2.2
Royal Dutch Shell	2.1
Baillie Gifford Global Bond Fund	2.0
GBL	1.9
BHP Billiton	1.8
Baillie Gifford British Smaller Companies Fund	1.8
Total	1.7
BG Group	1.6
	29.0

Baillie Gifford Environmental, Social and Governance Policy

Baillie Gifford recognises that owning a company's shares on behalf of clients confers certain rights and responsibilities. At the same time, environmental, social and governance (ESG) issues, and the management thereof, are integral to the sustainability of a business. For this reason, Baillie Gifford considers ESG issues when analysing and reviewing a company, and there is a dedicated Corporate Governance Team who also takes on the share-ownership responsibilities for our clients.

As active managers, a key part of our investment strategy is to assess the quality of company management, in particular, management attitudes to shareholders. When combined with financial information, non-financial business information can provide valuable insight into the overall quality of management. Given that significant ESG issues play-out over the medium to longer term and that our clients are invested for the longer term, it is important that companies' approaches to ESG issues are considered on a case by case basis.

Our approach to the social and environmental aspects of share ownership is based on engagement and dialogue rather than exclusion. Using in-house and external research, we identify key issues relating to our clients' shareholdings and discuss them with the companies concerned. In this way, we encourage companies to monitor and address the material social and environmental risks and opportunities facing their businesses. We believe that this process can contribute to the long term value of our clients' investments.

21 May 2010

NATIONAL ASSEMBLY FOR WALES MEMBERS' PENSION SCHEME

ACTUARY'S STATEMENT - COVERING FINANCIAL YEAR TO 31 MARCH 2010

Actuarial Assessment

A formal actuarial assessment of the Scheme was carried out with an effective date of 1 April 2008, with the principal objective of making a recommendation to the Trustees of the Scheme about the appropriate level of the employer contribution rate after that date. Whilst the level of members' contributions is specified in the Rules, the employer contribution rate is calculated as a percentage of salary required to meet the balance of cost to ensure that Scheme benefits are paid for during active service with the National Assembly.

Method

The liabilities expected to accrue under the Scheme during the three years following the valuation date were valued as at that date using the standard actuarial technique known as the *Projected Unit Method*. The *Standard Contribution Rate* of the Projected Unit Method is expressed as the value of the benefits accrued during this three year period divided by the present value of the members' earnings during the same period. This rate is dependent on the distribution of Scheme members by age and sex. In order to determine the recommended Employer's contribution rate, the value of the liabilities accrued up to the valuation date is compared with the value of the assets built up to that date. Any surplus (or shortfall) of the value of the assets over that of the accrued liabilities is then reflected in an adjustment to the Standard Contribution Rate.

Assumptions

In order to calculate the cost of the Scheme benefits, certain actuarial assumptions have to be made. The Standard Contribution Rate is such that it would be just sufficient to finance the benefits accruing following the valuation date provided that experience is in line with the assumptions made. Adjustments to the contribution rate may be required in future to take account of departures between Scheme experience and the funding assumptions.

Principal assumptions used for valuing the liabilities

Investment return, net of expenses, in excess of salary inflation 2 % a year

Investment return, net of expenses, in excess of price inflation 3½ % a year

Mortality – Standard tables of mortality published by the actuarial profession (the “PMA 92” Tables with future improvements in line with principal 2006-based population projections)

Further details of the methods and assumptions used are set out in the report on the actuarial valuation as at 1 April 2008, dated 26 March 2009.

Contribution Rate

Members pay contributions at the rate of 10% of pensionable salary if they accrue at the rate of one-fortieth of final pensionable pay per year of service, or at the rate of 6% of pensionable pay if they accrue at the rate of one-fiftieth. The recommended employer contribution rate determined using the method and assumptions described above was assessed as 23.8% of pensionable salary with effect from 1 April 2009. The rate includes full provision for death benefits, including improvements in these benefits since the Scheme's inception, and also an allowance for administration expenses.

Security of Prospective Rights

In my opinion, the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. In giving this opinion, I have assumed that employer contributions will be paid to the Scheme as described in the paragraph titled "Contribution Rate" above (subject to review at the 2011 valuation), in addition to Member contributions at the rates described in the paragraph titled "Contribution Rate" above.

Next Actuarial Assessment

The next formal actuarial valuation of the Scheme is being undertaken with an effective date of 1 April 2011. The main purpose of that valuation is to assess the adequacy of the recommended rate of employer contributions, taking account of all relevant factors since the preceding valuation.

D G Ballantine
Fellow of Faculty of Actuaries
26 April 2010

Government Actuary's Department
Finlaison House
15-17 Furnival Street
London
EC4A 1AB

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The financial statements are the responsibility of the Trustees. The Trustees are not required by statute to comply with pension scheme regulations, but have agreed to do so wherever possible on grounds of good practice. The regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year, and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are responsible for ensuring compliance with the Scheme rules and recommendations of the Actuary in respect of contributions payable towards the Scheme or by, or on behalf of, the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the recommendations of the Scheme's Actuary.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

National Assembly for Wales Members' Pension Scheme
Summary of Contributions paid in the year

During the year, the contributions paid to the Scheme by the Employer in accordance with the Actuary's recommendations were as follows:

	2009-10 £	2008-09 £
Employer normal contributions	969,406	941,906
Employee normal contributions	392,806	398,359
Employee additional voluntary contributions to purchase Added Years	13,198	11,340
Total Contributions	<u>1,375,410</u>	<u>1,351,605</u>

William Graham
Assembly Member
Chair of Trustees

Rosemary Butler
Assembly Member
Trustee

(On behalf of the Trustees)

Date: 21 June 2010

Reconciliation between contributions paid shown above and contributions reported in the financial statements:

	2009-10 £	2008-09 £
Contributions paid:	1,375,410	1,351,605
Less Opening Debtor:	(109,678)	(157,374)
Add Closing Debtor:	<u>115,122</u>	<u>109,678</u>
Contributions reported in the financial statements:	<u>1,380,854</u>	<u>1,303,909</u>

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees and Members of the National Assembly for Wales Members' Pension Scheme.

I certify that I have examined the summary of contributions to the National Assembly for Wales Members' Pension Scheme for the scheme year ended 31 March 2010, which is set out on page 18.

Respective responsibility of Trustees and Auditors

As described on page 17 the scheme's Trustees are responsible for ensuring that there is a prepared, maintained and from time to time revised schedule of contributions which sets out the rates and due dates on certain contributions payable towards the scheme or by or on behalf of the employer and the active members of the scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the recommendations of the Actuary as set out in the Actuary's Statement on 15 and 16. It is my responsibility to provide a statement about contributions paid in accordance with the recommendations of the Actuary and to report my opinion to you.

Basis of statement about contributions

I planned and performed my work so as to obtain the information and explanations which I considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. For this purpose the work that I carried out included examination, on a test basis, of evidence relevant to the amounts of contributions paid to the scheme and the timing of those payments under the schedule of contributions. My statement about contributions is required to refer to those breaches of the schedule of contributions, which come to my attention in the course of my work.

Statement about contributions

In my opinion contributions for the scheme year ended 31 March 2010, as reported in the summary of contributions have been paid in accordance in the Actuary's Statement certified by the scheme Actuary on 26 April 2010.

Gillian Body
Auditor General for Wales
23 June 2010

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

The maintenance and integrity of the National Assembly for Wales website is the responsibility of the Assembly; the work carried out by the auditor does not involve consideration of these matters and accordingly the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

We acknowledge our responsibility as Trustees for ensuring that a sound and effective system of internal control is maintained and operated that supports the achievement of the Scheme's objectives whilst safeguarding the Scheme's assets.

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 is based on an ongoing process designed to identify the principal risks to the achievement of the Scheme's aims and objectives, to evaluate the nature and extent of those risks and to manage them. It is based on a framework of regular management information including independent advice from the Fund's professional advisors, appropriate administrative procedures and a system of delegation and accountability. All appropriate procedures were in place during 2009-10.

Capacity to Handle Risk

Day to day administration and accounting responsibility has been delegated to the Secretariat and the Trustees rely upon the Assembly's internal control procedures which form part of the system of internal control operated by the Assembly Commission.

Risk and Control Framework

We require regular reports from the secretariat on the steps they are taking to manage risks in their areas of responsibility, including progress reports.

During 2009-10, we have:

- maintained a risk register which is kept under regular review at each Trustee meeting;
- arranged for reports from the secretariat on internal control activities; and
- reviewed the independent report on Baillie Gifford's Internal Controls for the period to 30 April 2009 to provide assurance that the fund manager's internal controls meet the required standard.

- received quarterly reports from Baillie Gifford which are discussed at Trustee meetings. These reports include a fund manager's report; details of investment performance; a list of current holdings; and accounting and corporate governance information.
- reviewed the continued effectiveness of information security.

Review of Effectiveness

We are assisted in the development and maintenance of the internal controls by the work of the Assembly Commission's Internal Auditors and our review of the effectiveness of these controls is informed by the work of the external auditors. Comments made by the external auditors in their management letter and other reports are taken into account.

William Graham
Assembly Member
Chair of Trustees
(On behalf of the Trustees)

Rosemary Butler
Assembly Member
Trustee

Date: 21 June 2010

Independent Auditor's Report to the Trustees and Members of the National Assembly for Wales Members' Pension Scheme

I certify that I have audited the financial statements of the National Assembly for Wales Members' Pension Scheme for the year ended 31 March 2010, which comprise the fund account, the net assets statement and the related notes. These financial statements have been prepared under the accounting policies set out in the related notes.

Respective responsibilities of Trustees and Auditors

As described in the Statement of Trustee's responsibilities, the Scheme's Trustees are responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

My responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements show a true and fair view and contain the information specified in the schedule to the occupational Pension Schemes (Requirement to obtain Audited Accounts and a statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. I also report to you if, in my opinion, I have not received all the information and explanations I require for my audit, or if the information specified by law is not disclosed.

I review whether the statement on pages 20 to 21 reflects the Trustees' compliance with HM Treasury's guidance and I report if it does not. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Scheme's corporate governance procedures or its risk and control procedures. I read the other information contained in the Trustees' report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Trustees' Report, the Investment Report, the Actuarial Statement, the Schedule of Contributions and the Actuarial Certificate, the Compliance Statement and Members' Information. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with International Auditing Standards (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements:

- show a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the year ended 31 March 2010, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- contain the information specified in Regulation 3 of and the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

Gillian Body
Auditor General for Wales
Date: 23 June 2010

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

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The National Assembly for Wales Members' Pension Scheme Accounts for the year to 31 March 2010

<u>Fund Account</u>		2009-10	2008-09
		£	£
Scheme Income			
Contributions receivable	4	1,380,854	1,303,909
Transfers In		141,937	9,840
Interest Received		37	286
		<u>1,522,828</u>	<u>1,314,035</u>
Scheme Expenditure			
Benefits Payable	5	94,283	89,226
Professional Fees	6	65,498	55,170
Other Administration Costs		4,611	1,633
		<u>164,392</u>	<u>146,029</u>
Net Additions from dealings with Members		<u>1,358,436</u>	<u>1,168,006</u>
Investments			
Change in market value of Managed Fund	7	3,798,455	(2,023,501)
Change in market value of Index Linked Fund		110,734	(17,703)
Change in market value of Diversified Growth Fund		345,492	0
Cash Deposit Interest	8	<u>3,450</u>	<u>36,219</u>
Net Increase in the Fund during the year		5,616,567	(836,979)
Net Assets of the Scheme at 1 April 2009		10,513,353	11,350,332
Net Assets of the Scheme at 31 March 2010		<u><u>16,129,920</u></u>	<u><u>10,513,353</u></u>

<u>Net Assets Statement</u>		As at 31 March 2010 £	As at 31 March 2009 £
Investments			
Managed Fund	7	11,511,308	7,712,853
Index Linked Fund		1,267,165	960,059
Diversified Growth Fund		2,721,646	0
Treasury Investment Deposit	8	484,259	1,750,062
Current Assets	9	163,208	116,433
Current Liabilities	10	(17,666)	(26,054)
Net Assets of the Scheme at 31 March 2010		<u>16,129,920</u>	<u>10,513,353</u>

The accounts only summarise the transactions and net assets of the Scheme and do not take account of liabilities to pay pensions and other benefits after the Scheme year end.

Approved by the Trustees on 21 June 2010:

William Graham
Assembly Member
Chair of Trustees

Rosemary Butler
Assembly Member
Trustee

The notes on 26 to 30 form part of these accounts.

Notes to the Accounts

1. Basis for Preparation

These accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) on Financial Reports of Pension Scheme Accounts, revised in May 2007.

The accounts summarise the transactions and net assets of the Scheme. They do not take account of liabilities to pay pensions and other benefits in the future.

The actuarial report does take these liabilities into account (an actuarial statement can be found at pages 15 and 16).

2. Accounting Policies

The Scheme's principal accounting policies are:

- normal contributions and voluntary contributions for the purchase of added years are accounted for in the year they are due.
- benefits are accounted for on the date that they fall due and refunds of contributions are accounted for when they are made.
- 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.
- all other expenditure is accounted for in the period to which it relates.
- investments are stated at the closing single price which is calculated at the closing price of the underlying securities on 31 March each year. This may differ from the price used for buying and selling units.

3. Secretariat

The cost of providing staff for the Scheme's secretariat continues to be met directly by the Assembly Commission under the terms of the Memorandum of Understanding agreed between the Assembly Commission and the Trustees. The costs were estimated to be £66,000 (2008-09 £67,000) for the period covered by these accounts.

4. Contributions Receivable

	<u>2009-10</u>	<u>2008-09</u>
Contributions comprise:	<u>£</u>	<u>£</u>
Employer: normal contributions	974,342	908,280
Members: normal contributions	393,299	383,992
: purchase of Added Years	13,213	11,637
	<u>1,380,854</u>	<u>1,303,909</u>

Members contributed 10 % to accrue benefits on a fortieths basis and 6% to accrue benefits on a fiftieths basis with the Assembly Commission contributing 23.8% of superannuable salaries to the Scheme.

Added years increased as one member purchased added years by lump sum during the year.

5. Benefits Payable

	<u>2009-10</u>	<u>2008-09</u>
	<u>£</u>	<u>£</u>
Pensions	94,283	89,226
Lump Sum Retirement Benefits	-	-
Death Benefit Lump Sum	-	-
	<u>94,283</u>	<u>89,226</u>

6. Professional Fees

	<u>2009-10</u>	<u>2008-09</u>
	<u>£</u>	<u>£</u>
Actuarial Fees	36,015	33,389
Audit Fee	9,624	9,875
Legal Fees	19,859	11,906
	<u>65,498</u>	<u>55,170</u>

Actuarial and legal fees increased as papers were required to cost the ideas put forward by the Independent Review Panel in its report 'Getting it Right for Wales' which put forward a number of changes to reduce the cost of the Scheme to the Assembly Commission and to reduce Scheme benefits to members. Also during the period Trustees made a thorough review of their investment strategy and required papers relating to investment, in particular ethical investment.

7. Investments

All investments are held in Baillie Gifford Managed Funds.

a) Baillie Gifford Managed Pension Fund		<u>31 March 2010</u>	<u>31 March 2009</u>
	Units	<u>£</u>	<u>£</u>
Market value at 1 April	2,251,336	7,712,853	9,736,354
Purchases at cost	-	-	-
Disposals	-	-	-
Change in market value		3,798,455	(2,023,501)
Market value at 31 March	2,251,336	<u>11,511,308</u>	<u>7,712,853</u>
Cost at 31 March		6,842,442	6,842,442
b) Baillie Gifford Index Linked Pension Fund		<u>31 March 2010</u>	<u>31 March 2009</u>
	Units	<u>£</u>	<u>£</u>
Market value at 1 April	608,788	960,059	779,924
Purchases at cost	118,757	196,372	197,838
Disposals	-	-	-
Change in market value		110,734	(17,703)
Market value at 31 March	727,545	<u>1,267,165</u>	<u>960,059</u>
Cost at 31 March		1,157,289	960,917
c) Baillie Gifford Diversified Growth Pension Fund		<u>31 March 2010</u>	<u>31 March 2009</u>
	Units	<u>£</u>	<u>£</u>
Market value at 1 April	-	-	-
Purchases at cost	1,922,338	2,376,154	-
Disposals	-	-	-
Change in market value		345,492	-
Market value at 31 March	1,922,338	<u>2,721,646</u>	<u>-</u>
Cost at 31 March		2,376,154	-

The distribution of assets is shown in the Fund Managers Investment Report on pages 10 and 11.

There are no distributions from the fund, all income and any tax recoveries being rolled up so increasing the value of the units.

The management charges are 0.45% per annum for the Managed Pension Fund and the Diversified Growth Pension Fund and 0.25% for the Index Linked Pension Fund. The total expenses including direct trading costs are 0.56% for the Managed Pension Fund and the Diversified Growth Pension Fund and 0.26% for the Index Linked Pension Fund and are deducted from the value of the funds and are reflected in the unit price of the funds.

8. Cash Deposit

	<u>31 March 2010</u>	<u>(Restated)</u> <u>31 March 2009</u>
	<u>£</u>	<u>£</u>
Deposit as at 1 April	1,750,062	681,832
Add Interest earned during the year	3,450	36,219
	<u>1,753,512</u>	<u>718,051</u>
(Withdrawals)/deposits	(1,269,306)	1,031,560
Movement in accrued interest	53	451
Total Cash Deposit	<u>484,259</u>	<u>1,750,062</u>

9. Current Assets

	<u>31 March 2010</u>	<u>31 March 2009</u>
	<u>£</u>	<u>£</u>
Cash at Bank	47,712	6,256
Contributions due from the employer	115,122	109,678
Other debtors and prepayments	374	499
	<u>163,208</u>	<u>116,433</u>

Contributions due from the employer relate to the month of March 2010 and were paid in full to the Scheme before the statutory deadline.

10. Current Liabilities

	<u>31 March 2010</u>	<u>31 March 2009</u>
	<u>£</u>	<u>£</u>
Creditors: amounts payable within one year	(17,666)	(26,054)
	<u>(17,666)</u>	<u>(26,054)</u>

‘Creditors: amounts payable within one year’ represent liabilities for work done, where invoices were not received by the year-end.

11. Related Party Transactions

During the period of account the Scheme has had material transactions with the Assembly Commission Commission, which is regarded as a related party.

These transactions are disclosed in Note 4 to these accounts.

None of the Trustees, Managers of the Scheme, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year.

Compliance Statement

The purpose of this compliance statement is to disclose some additional information required by law.

What is The National Assembly for Wales Members' Pension Scheme?

The Scheme provides benefits for Assembly Members and Office Holders. All Assembly Members are members of the Scheme from the date they enter the Assembly unless they opt specifically not to be.

The main benefits of the Scheme are:

- a pension of one fortieth or one fiftieth of final salary for each year of service on retirement at age 65;
- for members joining before 6 April 2006 an early pension payable on retirement before age 65, if the member has attained age 50 (the pension may be abated depending upon age/length of service);
- for members joining after 6 April 2006 an early pension payable on retirement before age 65, if the member has attained age 55 (the pension will be abated);
- a pension on retirement at any time on the grounds of ill health;
- a widow/ers'/partners' pension equal to 5/8ths of the member's pension (based on prospective service if death occurs while an Assembly Member);
- childrens' pensions (at the rate of one quarter of the basic or prospective pension of the Member if there is one child or three eighths for two or more children);
- pensions-in-payment are indexed to the changes in the Pensions Increase (Review) Order;
- a lump sum death in service gratuity equal to four years salary with provision for more than one nominee;

Optional benefits are:

- the purchase of added years;
- transfer of pension rights (into and out of the Scheme);

Relationship with State Retirement Scheme

- The Scheme is contracted out of the State Second Pension Scheme and Members will therefore pay a lower rate of National Insurance Contribution.
- The pension retired members receive from this Scheme is in addition to any entitlement to State Retirement benefits.

How the Trustees of the Scheme Are Appointed

- Schedule 1 of the Scheme Rules state that there shall be 'no more' than six Trustees.
- At any point in time, one of the six Trustees shall be a pensioner, if anyone is prepared to stand. Where more than one nomination is received, a ballot to select the individual with the highest number of votes will be held amongst the pensioner category membership of the Scheme.
- No other person shall be appointed to be a Trustee unless he or she is a member of the National Assembly for Wales but a person shall not cease to be a Trustee merely because he or she ceases to be a member of the National Assembly for Wales. The National Assembly for Wales may appoint or dismiss any Trustee to or from that office. A Trustee may resign from office by notice in writing to the Presiding Officer of the National Assembly for Wales.

Trustee Meetings

Trustee meetings are usually held once every Assembly session, and there are sometimes additional meetings for specific purposes. During the year three normal Trustee meetings were held.

The Trustees may act by a majority of those present at any meeting of the Trustees at which a quorum is present and the quorum for any meeting of the Trustees shall be three.

Internal Dispute Resolution

The Trustees have implemented an Internal Dispute Resolution procedure in accordance with the requirements of the Pensions Act 1995. Details of the procedure can be obtained from Financial Services.

Scheme Advisers Appointed by the Trustees in Connection with the Fund as at 31 March 2010

Actuary	Grant Ballantine of The Government Actuary's Department
Auditor	The Auditor General for Wales
Bankers	Barclays Bank plc
Investment Manager	Baillie Gifford Life Limited
Legal Adviser	Eversheds
Scheme Accountants	Scheme Secretariat, Assembly Commission

There have been no changes in the appointments since the previous period

Funding Standard

The Scheme is exempt from the requirements of The Occupational Pension Schemes (Scheme Funding) Regulations 2005. However, the Trustees have decided, with advice from the Scheme's professional advisers, to adopt relevant regulations as a matter of good practice where practicable.

Tax Status of the Scheme

The Scheme is a statutory pension scheme under Section 611A of the Income and Corporation Taxes Act 1988, as amended by Schedule 12 of the Finance Act 1999, and is a deemed registered scheme under the Pensions Act 2004 and is an 'approved scheme' for the purposes of accepting transfer values.

Investment Managers

Baillie Gifford's responsibilities include:

- (i) carrying out all the day-to-day functions relating to the management of the Fund;
- (ii) the allocations of the balanced portfolio between categories of investments and for the selection of individual stocks within each category of investment;
- (iii) deciding whether it is appropriate to retain or realise individual investments within the portfolio; and

- (iv) exercising the investment powers in such a way that will give effect to the principles contained in the Statement of Investment Principles (SIP), so far as is reasonably practicable, and in particular will have regard to the suitability and diversification of the investments within the guidelines set by the Trustees.

Additional Voluntary Contributions (AVCs)

Added years contributions are invested with normal contributions in the Scheme funds.