

National Assembly for Wales
Members' Pension Scheme

Annual Report and Accounts

1 April 2012 to 31 March 2013



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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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THE TRUSTEES' REPORT FOR THE PERIOD ENDING 31 MARCH 2013 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.

Developments during the Year

The National Assembly for Wales Remuneration Board ("the Board") has responsibility for setting Assembly Members' pay, allowances and pensions. The Board's review of Members' pensions continues and is expected to be published in the spring of 2014.

The Trustees and their professional advisers have engaged with the Board throughout the year and will continue to do so throughout the period of the review.

The Trustees proposed the following rule changes to Part J of the Scheme rules in 2012-13:

- To introduce a two tier ill health provision by replacing the existing rules
- An amendment to clarify the position on ill health pensioners standing for re-election to the Assembly after the Scheme pension age.

The Board considered the proposed rule changes on 15 February 2013 and agreed the changes which will come in to effect on 1 April 2013.

The Trustees reviewed their investment policy during the year with advice being received from the Scheme's Actuary. They switched £3,750,000 from the Baillie Gifford Managed Pension Fund to the Baillie Gifford Diversified Growth Pension Fund to reduce the volatility and risks of the Scheme's investments whilst seeking to maintain appropriate rates of return.

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 and at the date of approval of the annual report were:

William Graham AM	(Chair of Trustees)
David Melding AM	
Jocelyn Davies AM	
Mike Hedges AM	
Peter Black AM	
Gareth Jones	(Pensioner Trustee)

Scheme Administration

The day to day running of the Scheme is carried out by the Scheme Secretariat within the Assembly Commission'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.gov.uk

Liz Calder Tel: 02920 898809 Fax: 02920 898059
Email: liz.calder@wales.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 and following the fourth triennial valuation as at 1 April 2011 will continue until 2014.

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 fourth triennial valuation was completed as at 1 April 2011, and the report was laid on 4 April 2012, in accordance with the Scheme rules.

The statement from the Actuary dated 26 March 2012 recommended a contribution rate of 23.8% of Members' pensionable salary with effect from 1 April 2012. 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 13 May 2013 (at pages 15 - 17) 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 2012 <i>(60 Assembly Members, and the Counsel General. Of the 61 members there are 39 Office Holders.)</i>	61
<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	0
Active Members at 31 March 2013	61

Deferred Members

Deferred Members at 1 April 2012	25
<i>add:</i> Members leaving with deferred rights	0
<i>less:</i> Members taking up deferred rights	1
Deferred Members at 31 March 2013	24

Pensioners in Payment

Pensioners in payment at 1 April 2012	29
<i>add:</i> Members retiring in year	1
<i>add:</i> Members taking up Deferred Rights	0
<i>add:</i> New Dependants	0
<i>less:</i> Deaths in year	0
Pensioners in Payment at 31 March 2013	30

Payments from the Scheme during the year are disclosed in Note 6 to the accounts. Pensions in payment as at 9 April 2012 were increased by 5.2% in accordance with The Pensions Increase (Review) Order 2012.

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 £1,413,635 (2011-2012 £1,666,872), and Scheme expenditure £420,590 (2011-2012 £932,507). The net assets of the Scheme at 31 March 2013 were £23,961,960 (31 March 2012 £20,297,881).

During the period a total of £981,620 of new investment was remitted to the Fund Managers for investment in the Diversified Growth Pension Fund and the Baillie Gifford Index Linked Pension Fund. The Baillie Gifford Managed Pension Fund holding was reduced by £3,750,000 during the year following the investment review with these funds added to the Baillie Gifford Diversified Growth Fund. The total market value of the Funds invested at 31 March 2013 was £23,464,191 (31 March 2012 £19,812,289).

As at 31 March 2013 a total of £385,080 (31 March 2012 £389,824) was held on a Treasury deposit account with the Scheme's bank earning interest based on the prevailing money market rates. This cash is held for self-insurance purposes.

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 2013 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 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 9.2% against a benchmark performance of 6.8%

Baillie Gifford Index Linked Pension Fund – to outperform by 1.5% 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 outperformed the benchmark with an annual rate of return of 9.5% against a benchmark performance of 9.2%, but has not met its performance objective.

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 of the fund, 31 December 2008, the Diversified Growth Pension Fund has achieved a rate of return of 7.9% against a benchmark performance of 4.0%.

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 reverted to the standard annual management charge of 0.65% of the total market value of the funds per annum, which is deducted from the value of the Funds each month.

The estimated cost of fund management in 2012-13 was £104,289 (2011-12 £79,446)

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 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.

Their 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, they identify key issues relating to their clients' shareholdings and discuss them with the companies concerned. In this way, they encourage companies to monitor and address the material social and environmental risks and opportunities facing their businesses. They believe that this process can contribute to the long term value of their clients' investments.

In addition the list of companies Baillie Gifford has had engagement with for the year to 31 March 2013 is as follows:

- **Corporate Governance** - Aggreko, Asahi Holdings, Bunzl, GMO Internet Inc, Helical Bar, James Hardie, Namco Bandai Holdings Inc., Nintendo, Olympus Corporation, Peugeot, Rakuten, Rio Tinto, Standard Total SA, Woolworths
- **Corporate Social Responsibility** - BHP Billiton, CNOOC, Royal Dutch Shell, Xilinx
- **Executive Remuneration** - Aggreko, BHP Billiton, Hargreaves Lansdown, Helical Bar, IG Group Holdings, Intermediate Capital Group, John Wood Group PLC, Jupiter Fund Management, Michael Page International, Pepsico, Provident Financial, Prudential, Seattle Genetics Inc., Terna Spa, US Bancorp, Xilinx

- **AGM or EGM Proposals** – Apple, Aristocrat Leisure, Aspect Diversified Trends Fund, Balfour Beatty, Bellway, Brambles Limited, Bridgestone Corp, Brown Forman Corp, Bunzl, Canon, Carador Income Fund, Coca Cola Hellenic Bottling Co. [Coca Cola HBC], DBS Group Holdings, DIA, Dexion Absolute, Diploma, EOG Resources, Fortescue Metals group, GCP Infrastructure, GMO Internet Inc., Google Inc., Gree, Home Depot, IMI (UK), IG Group Holdings, IMI (UK), Inchape, Intermediate Capital Group, Intertek Group, Japan Tobacco Inc., Johnson & Johnson, Johnson Matthey, Jyske Bank AS, Keyence Corp, Komatsu, Konecranes, Life Technologies, London & Stamford, Meggitt, Mesoblast Ltd, Mettler Toledo International, Michael Page International, Mitsubishi Estate, Monsanto Company, Moody’s Corp, Nomura Holdings Inc., Olympus Corporation, Oracle Corporation, Pepsico, Reed Elsevier (UK), Scottish & Southern Energy, Serco Group, Shin-Etsu Chemical, Spirax Sarco Engineering, Standard Chartered, Suruga Bank, Ltd., Terra Catalyst Fund, Treasury Wine Estates, Trend Micro, United Overseas Bank, Ushio, Inc., Victrex, Waters Corporation, Weir Group, Wellpoint, Wesfarmers, Xilinx, Yamaha Motor, eBay

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 14. The market value of the Managed Fund as at 31 March 2013 was £10,825,655 a gain of £1,426,500 over the year; the market value of the Index Linked Pension Fund as at 31 March 2013 was £2,345,540, a gain of £271,999; the market value of the Diversified Growth Pension Fund was £10,292,996, a gain of £971,783. These values are disclosed in Note 8 of the accounts.



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



Gareth Jones
Trustee

Date: 17 June 2013

Investment Report — for the Year Ended 31 March 2013

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 Life Limited, 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.

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

Portfolio Valuation

	31 March 2012 GBP	31 March 2013 GBP
Baillie Gifford Managed Pension Fund	13,149,155	10,825,655
Baillie Gifford Diversified Growth Pension Fund	4,736,262	10,292,996
Baillie Gifford Active IL Gilt Plus Pension Fund	1,926,872	2,345,540
TOTAL	19,812,289	23,464,191

Distribution of Assets

The distribution of assets as at 31 March 2013 was as follows:

	31 March 2012 %	31 March 2013 %
Baillie Gifford Managed Pension Fund	66.4	46.1
Baillie Gifford Diversified Growth Pension Fund	23.9	43.9
Baillie Gifford Active IL Gilt Plus Pension Fund	9.7	10.0
TOTAL	100.0	100.0

Performance Objective

The Trustees have set a performance objective for the investment managers which takes account of the liability profile of the fund and the level of risk that the Trustees believe appropriate.

Performance to March 2013 (%)

Baillie Gifford Managed Pension Fund	Fund (Net)	Benchmark
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To outperform the CAPS median Balanced Pooled Fund by 1.0 – 1.5% p.a. gross over rolling 3 year periods.

Five years (p.a.)	9.6	6.8
Three years (p.a.)	10.2	7.1
One Year	17.2	13.8
Quarter	12.3	9.5

Baillie Gifford Active Index Linked Gilt Plus Pension Fund	Fund (Net)	Benchmark
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To outperform the FT-Actuaries over 5 year Index Linked Gilt Index by 1.5% per annum (gross) over rolling 3 year periods. Prior to 10 December 2010 it was to outperform the FT-Actuaries over 5 year Index Linked Gilt Index by 0.75% per annum (gross) over rolling 3 year periods.

Five years (p.a.)	9.5	9.2
Three years (p.a.)	13.4	13.0
One Year	13.3	11.7
Quarter	9.2	9.0

Baillie Gifford Diversified Growth Pension Fund	Fund (Net)	Benchmark
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To outperform the UK base rate by 3.5% per annum (net of fees) over rolling five year periods with an annual volatility of less than 10%

Three years (p.a.)	7.9	4.0
One Year	10.8	4.0
Quarter	5.0	1.0

Source: Statpro

Summary Risk Statistics (%) p.a.

Delivered volatility*	6.9
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*Since inception of the Baillie Gifford Diversified Growth Pension Fund, 31 December 2008

Source: Baillie Gifford, Barrie & Hibbert

Multi Asset

During the 12 months to March 31, confidence returned to many stock markets around the world, leading to strong returns for investors in most areas. Even in economies where uncertainty persisted, market performance was generally positive.

The European Central Bank implemented a series of measures which brought some stability to the Eurozone. However, underlying issues persisted, with Greece and Spain in particular remaining some way from reaching a resolution to their economic woes, while Cyprus – despite its size and limited economic impact – became the latest source of concern. An inconclusive election in Italy added to the nervousness.

Nevertheless, strong returns from European shares over the period suggested that investors were becoming less fearful of a catastrophic breakup of the single currency. Meanwhile, confidence in US growth returned gradually, underpinned by signs of recovery in the housing market and a partial solution to the problem of the so-called ‘fiscal cliff’.

US equities ended the period at record levels after posting a rise of 19% in sterling terms. The UK also fared well, recording a 17% increase, and the generally more positive mood in Europe led markets to advance 18%. Developed Asia (including Japan) gained 17% and Emerging Markets ended 7% higher in sterling terms.

UK government bonds rose by more than 5% over the year, and overseas government bonds posted an increase of 4%, measured in local currency. Corporate bond markets were generally strong, with the extra yield proving attractive to investors seeking to improve their returns in a low interest rate environment. UK corporate bonds gained 12%.

During the year, we made selective reductions to positions in businesses that the market considered ‘safer’, and whose share prices have done relatively well as a result. Some of the money was re-invested in companies whose long-term prospects are more exciting, if more uncertain in the shorter term. We still have a preference for equities over bonds.

While there will be further political and economic challenges as 2013 progresses, we are generally optimistic on the outlook for the global economy. Share prices may be volatile in the short term, but our primary focus is still investing in companies with excellent long-term growth prospects.

Diversified Growth

During the 12 months to March 31, confidence returned to many stock markets around the world, leading to strong returns for investors in most areas. Even in economies where uncertainty persisted, market performance was generally positive.

The European Central Bank implemented a series of measures which had some success, although underlying issues persisted in the Eurozone. Greece and Spain in particular remained some way from reaching a resolution to their economic woes, while Cyprus – despite its size and limited economic impact – became the latest source of concern. An inconclusive election in Italy added to the nervousness.

Nevertheless, strong returns from European shares over the period suggested that investors were becoming less fearful of a catastrophic breakup of the single currency. Towards the end of the period, the credit agency Moody's downgraded the UK's rating, a move which temporarily halted the steady rise in investment markets. Meanwhile, confidence in US growth returned gradually, underpinned by signs of recovery in the housing market and a partial solution to the problem of the so-called 'fiscal cliff'.

In this environment, the Diversified Growth Pension Fund produced a strong performance over the 12 months. The returns were delivered with low volatility. Signs of improvement in the economic tone prompted rebounds in the value of many assets, particularly the more economically sensitive areas. Against a backdrop of increasingly expensive safe haven assets and the potential for bouts of uncertainty in investment markets, the fund's cash levels were allowed to increase towards the end of 2012. We subsequently reduced them in early 2013, investing in listed equities and emerging market bonds.

We increased the fund's exposure to credit markets early in the period, particularly in the high yield bond, investment grade bond and structured finance asset classes, where return prospects were particularly attractive. There appears to be a demand and supply imbalance in credit markets, largely because of reduced supply of capital from banks. This improves the reward to investors allocating capital to these areas.

In broad terms, most investment markets appear to be reasonably valued, and most asset classes appear to offer positive returns over cash and inflation. We are encouraged by evidence that the world economy and the western banking system are slowly healing, accordingly the chances of experiencing a big dislocation in the near term are diminishing.

Developing economies continue to benefit from a strong structural position and prospects are much better than for the developed world where high debt levels, fiscal austerity programmes and fragile banking systems may impede growth. However, the picture is perhaps becoming more nuanced in that growth in some developing economies has slowed while there are signs of recovery in the US. We believe our broadly diversified portfolio should continue to prove robust to a wide variety of potential scenarios.

Largest Holdings

Top Ten Largest Holdings

Baillie Gifford Managed Pension Fund	% of Portfolio
Baillie Gifford Emerging Mkts Gwth Fund C Accum	9.0
BG Worldwide Global Credit C GBP Acc	4.9
Baillie Gifford British Smaller Cos C Fund Accum	2.1
Baillie Gifford Emerging Mkts Bond Fd C Gross Acc	2.0
Baillie Gifford Global Bond Gross C Acc	1.8
BG Worldwide Active Cash Plus Fund C Acc	1.5
British American Tobacco	1.3
Svenska Handelsbanken	1.3
Investor B	1.3
Standard Chartered	1.2

Baillie Gifford Diversified Growth Pension Fund	% of Portfolio
Baillie Gifford Emerging Mkts Bond Fd C Gross Acc	10.9
BG Worldwide Active Cash Plus Fund C Acc	6.6
Baillie Gifford Global Alpha Growth Fund C Acc	6.3
Baillie Gifford Global Income Fund C Accum	6.2
BG Worldwide Global Credit C USD Acc	5.4
ETFS Physical Gold	4.8
Galene Fund GBP	3.6
Baillie Gifford Hi. Yld. Gross C Acc	3.3
Aspect Diversified Trends Fund	2.7
Amundi Volatility World Equities (USD)	2.1

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.

23 April 2013

NATIONAL ASSEMBLY FOR WALES MEMBERS' PENSION SCHEME

ACTUARY'S STATEMENT - COVERING FINANCIAL YEAR TO 31 March 2013

The National Assembly for Wales Members' Pension Scheme is exempt from the requirement as laid down in the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 to prepare a report and audited accounts within seven months of the end of the accounting year. However it is the intention of the Trustees to comply with the spirit of the legislation, and as such this statement has been prepared as if the legislation applied.

Actuarial Assessment

A formal actuarial assessment of the National Assembly for Wales Members' Pension Scheme (the Scheme) was carried out with an effective date of 1 April 2011, 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 with the aim of ensuring that Scheme benefits are paid for during members' expected active service with the National Assembly.

Method

For the 2011 actuarial valuation, the liabilities expected to accrue under the Scheme during the year following the valuation date were valued using the actuarial valuation approach known as the *Projected Unit Method*. The *Standard Contribution Rate* under the Projected Unit Method was expressed as the value of the benefits accrued during this one year period divided by the value of the members' earnings during the same period. The valuation method is expected to produce a broadly stable Standard Contribution Rate at successive actuarial valuations as long as the age/sex/salary distribution of Scheme members remains broadly unchanged.

The value of the liabilities accrued up to the valuation date was then compared to the value of the Scheme's assets at the same date. The surplus of £1.64m could have been reflected as an adjustment to the Standard Contribution Rate.

However following discussions with the Trustees, the recommended employer’s contribution rate is the same as that payable following the 2008 valuation. This is lower than the full Standard Contribution Rate less member contributions, but higher than it would have been had the Standard Contribution Rate been adjusted to eliminate the surplus in the scheme over 15 years.

Assumptions

In order to calculate the cost of the Scheme’s benefits, certain actuarial assumptions have to be made about future expected income to, and benefit payments from, the Scheme. The Standard Contribution Rate is such that it would be just sufficient to finance the benefits accruing following the valuation date provided that the Scheme’s actual 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 assumptions adopted.

The principal assumptions used in the 2011 actuarial valuation for calculating the cost of the Scheme’s benefits are shown in the table below.

Investment return, net of expenses, in excess of salary inflation	1 ¼ % a year
Investment return, net of expenses, in excess of price inflation (based on the Consumer Prices Index)	3½ % a year
Pensioner longevity – Based on standard tables published by the Continuous Mortality Investigation (the SAPS light tables) with future improvements in line with principal 2010-based population projections produced by the Office for National Statistics	

Further details of the methods and assumptions used are set out in the report on the actuarial valuation as at 1 April 2011, dated 26 March 2012.

Contribution Rate

Members pay contributions to the Scheme at the rate of 10% of pensionable salary if they accrue pension benefits 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 pension benefits 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 2012, being the same rate as payable from 1 April 2009 to 1 April 2012. 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 both member and employer contributions will be paid to the Scheme as described in the paragraph titled "Contribution Rate" above, subject to review at successive actuarial valuations.

Next Actuarial Assessment

The next formal actuarial valuation of the Scheme will be undertaken with an effective date of 1 April 2014. The main purpose of that valuation will be to assess the adequacy of the recommended rate of employer contributions, taking account of all relevant factors since the preceding valuation.



I A Boonin
Fellow of the Institute and Faculty of Actuaries
13 May 2013

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.

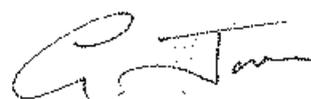
**National Assembly for Wales Members' Pension Scheme
Summary of Contributions paid in the year**

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

	2012-13 £	2011-12 £
Employer normal contributions	964,370	930,456
Employee normal contributions	397,973	383,787
Employee additional voluntary contributions to purchase Added Years	9,409	3,934
Total Contributions	<u>1,371,752</u>	<u>1,318,177</u>



**William Graham
Assembly Member
Chair of Trustees**



**Gareth Jones
Trustee**

(On behalf of the Trustees)

Date: 17 June 2013

Reconciliation between contributions paid shown above and contributions reported in the Financial Statements:

	2012-13 £	2011-12 £
Contributions paid:	1,371,752	1,318,177
Less Opening Debtor:	(112,835)	(113,128)
Add Closing Debtor:	<u>115,025</u>	<u>112,835</u>
Contributions reported in the Financial Statements:	<u>1,373,942</u>	<u>1,317,884</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 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 2013, which is set out on page 19.

Respective responsibility of Trustees and Auditors

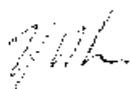
As described on page 18 the scheme's Trustees are responsible for ensuring that there is a prepared, maintained and from time to time revised schedule of contributions which sets out the rates and due dates on certain contributions payable towards the scheme or by or on behalf of the employer and the 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 pages 15 to 17. It is my responsibility to provide a statement about contributions paid under the schedule of contributions and 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 2013, as reported in the summary of contributions have been paid in accordance in the Actuary's Statement certified by the scheme Actuary on 13 May 2013.



Huw Vaughan Thomas
Auditor General for Wales

Date: 15 July 2013

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the National Assembly for Wales website is the responsibility of the Accounting Officer; the work carried out by Auditors does not involve consideration of these matters and accordingly auditors accept 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 on-going 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 2012-13.

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 2012-13, 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 2012 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)



Gareth Jones
Trustee

Date: 17 June 2013

Independent Auditor's Report to the trustees of the National Assembly for Wales Members' Pension scheme

I have audited the Financial Statements of the National Assembly for Wales Members' Pension Scheme for the year ended 31 March 2013 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 18, the scheme's trustees are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice 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 National Assembly for Wales Members' Pension Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the scheme during the year ended 31 March 2013, 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;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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, made under the Pensions Act 1995.



Huw Vaughan Thomas
Auditor General for Wales
Date: 15 July 2013

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 2013

<u>Fund Account</u>		2012-13	2011-12
		£	£
Scheme Income			
Contributions receivable	4	1,373,942	1,317,884
Transfers In		35,838	341,032
Interest Receivable		26	77
Sundry Income	5	3,829	7,879
		<hr/>	<hr/>
		1,413,635	1,666,872
Scheme Expenditure			
Benefits Payable	6	363,208	826,884
Professional Fees	7	46,864	100,376
Other Administration Costs	12	10,518	5,247
		<hr/>	<hr/>
		420,590	932,507
Net Additions from dealings with Members		<hr/>	<hr/>
		993,045	734,365
Investments			
Change in market value of Managed Fund	8	1,426,500	305,056
Change in market value of Index Linked Fund		271,999	305,285
Change in market value of Diversified Growth Fund		971,783	167,894
Cash Deposit Interest	9	752	686
		<hr/>	<hr/>
Net Increase in the Fund during the year		3,664,079	1,513,286
Net Assets of the Scheme at 1 April 2012		20,297,881	18,784,595
Net Assets of the Scheme at 31 March 2013		<hr/> <hr/>	<hr/> <hr/>
		23,961,960	20,297,881

<u>Net Assets Statement</u>		As at 31 March 2013	As at 31 March 2012
		£	£
Investments			
Managed Fund	8	10,825,655	13,149,155
Index Linked Fund		2,345,540	1,926,872
Diversified Growth Fund		10,292,996	4,736,262
Treasury Deposit Account	9	385,080	389,824
Current Assets	10	134,139	132,036
Current Liabilities	11	(21,450)	(36,268)
Net Assets of the Scheme at 31 March 2013		<u>23,961,960</u>	<u>20,297,881</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 17 June 2013:



William Graham
Assembly Member
Chair of Trustees



Gareth Jones
Trustee

The notes on pages 27 to 31 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 to 17).

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 £75,600 (2011-12 £67,000) for the period covered by these accounts.

4. Contributions Receivable

	<u>2012-13</u>	<u>2011-12</u>
	<u>£</u>	<u>£</u>
Contributions comprise:		
Employer: normal contributions	964,965	930,473
Members: normal contributions	398,223	384,598
: purchase of Added Years	10,754	2,813
	<u>1,373,942</u>	<u>1,317,884</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 reduced as regular contribution contracts came to an end during the financial year and there were no purchases by lump sum.

5. Sundry Income

When the Trustees decided to invest in Baillie Gifford's Diversified Growth Pension Fund part of the agreement was a rebate of 0.20% on the standard annual management charge until 1 June 2012. It will then 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.

The £3,829 is the rebate received during 2012-13 (2011-12 £7,879)

6. Benefits Payable

	<u>2012-13</u>	<u>2011-12</u>
	<u>£</u>	<u>£</u>
Pensions	314,685	301,852
Lump Sum Retirement Benefits	48,523	525,032
Death Benefit Lump Sum	-	-
	<u>363,208</u>	<u>826,884</u>

7. Professional Fees

	<u>2012-13</u>	<u>2011-12</u>
	<u>£</u>	<u>£</u>
Actuarial Fees	21,726	62,453
Audit Fee	12,600	12,600
Legal Fees	12,538	25,323
	<u>46,864</u>	<u>100,376</u>

Actuarial and Legal fees reduced during the year reflecting lower professional activity. Actuarial fees include £11,368 (2011-12 £19,234) in relation to investment consultancy provided by GAD.

8. Investments

All investments are held in Baillie Gifford Managed Funds.

a) Baillie Gifford Managed Pension Fund		<u>31 March 2013</u>	<u>31 March 2012</u>
	Units	£	£
Market value at 1 April	2,251,336	13,149,155	12,844,099
Purchases at cost	-	-	-
Disposals	(669,332)	(3,750,000)	-
Change in market value		1,426,500	305,056
Market value at 31 March	1,582,004	<u>10,825,655</u>	<u>13,149,155</u>
Cost at 31 March		4,808,154	6,842,442
b) Baillie Gifford Index Linked Pension Fund		<u>31 March 2013</u>	<u>31 March 2012</u>
	Units	£	£
Market value at 1 April	859,022	1,926,872	1,487,096
Purchases at cost	64,237	146,669	134,491
Disposals	-	-	-
Change in market value		271,999	305,285
Market value at 31 March	923,259	<u>2,345,540</u>	<u>1,926,872</u>
Cost at 31 March		1,559,855	1,413,186
c) Baillie Gifford Diversified Growth Pension Fund		<u>31 March 2013</u>	<u>31 March 2012</u>
	Units	£	£
Market value at 1 April	2,954,255	4,736,262	3,798,422
Purchases at cost	2,840,698	4,584,951	769,946
Disposals	-	-	-
Change in market value		971,783	167,894
Market value at 31 March	5,794,953	<u>10,292,996</u>	<u>4,736,262</u>
Cost at 31 March		8,494,208	3,909,257

The distribution of assets is shown in the Fund Managers Investment Report on page 9.

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 0.54% for the Managed Pension Fund, 0.63% for 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.

The cost of fund management in 2012-13 is estimated at £104,289 (2011-12 £79,446)

9. Cash Deposit

	<u>31 March 2013</u>	<u>31 March 2012</u>
	£	£
Treasury Deposit Account as at 1 April	389,824	250,000
Add Interest earned during the year	752	686
	<hr/> 390,576	<hr/> 250,686
(Withdrawals)/deposits	(5,465)	139,136
Movement in accrued interest	(31)	2
Total Treasury Deposit Account	<hr/> <hr/> 385,080	<hr/> <hr/> 389,824

10. Current Assets

	<u>31 March 2013</u>	<u>31 March 2012</u>
	£	£
Cash at Bank	18,682	18,814
Contributions due from the employer	115,025	112,835
Other debtors and prepayments	432	387
	<hr/> 134,139	<hr/> 132,036

Contributions due from the employer relate to the month of March 2013 and were paid in full to the Scheme before the statutory deadline of 19 April 2013.

11. Current Liabilities

	<u>31 March 2013</u>	<u>31 March 2012</u>
	£	£
Creditors: amounts payable within one year	(21,450)	(36,268)
	<hr/> (21,450)	<hr/> (36,268)

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

12. Administration Costs

	<u>31 March 2013</u>	<u>31 March 2012</u>
	<u>£</u>	<u>£</u>
Training	6,157	2,101
Other Administration	4,361	3,146
	<u>10,518</u>	<u>5,247</u>

13. Related Party Transactions

During the period of account the Scheme has had material transactions with the Assembly 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 2013

Actuary	Trevor Llanwarne 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.