

National Assembly for Wales
Annual Report and Accounts

Members' Pension Scheme

1 April 2011 to 31 March 2012



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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Contents	Page No
THE TRUSTEES' REPORT FOR THE PERIOD ENDING 31 MARCH 2012 TO THE MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES MEMBERS' PENSION SCHEME	1
THE INVESTMENT REPORT	9
ACTUARY'S STATEMENT	14
STATEMENT OF TRUSTEES' RESPONSIBILITIES	17
STATEMENT OF CONTRIBUTIONS	18
STATEMENT OF AUDITOR GENERAL FOR WALES ABOUT CONTRIBUTIONS	19
STATEMENT ON INTERNAL CONTROL	20
CERTIFICATE OF THE AUDITOR GENERAL FOR WALES	22
PENSION SCHEME ACCOUNTS	24
NOTES TO THE ACCOUNTS	26
COMPLIANCE STATEMENT	31

THE TRUSTEES' REPORT FOR THE PERIOD ENDING 31 MARCH 2012 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"), which has responsibility for setting Assembly Members' pay, allowances and pensions, is currently undertaking a review of Members' benefits, including pensions, against a background of significant changes to public sector pensions.

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.

Grant Ballantine of the Government Actuary's Department resigned as the Scheme Actuary on his retirement on 31 March 2011 and was replaced by Trevor Llanwarne of the Government Actuary's Department.

As required under legislation the retiring Scheme Actuary confirmed to the Trustees that he was not aware of any circumstances connected with his retirement which significantly affected the interests of Scheme members, or had he made, or was not aware of any reports to the Pensions Regulator.

The triennial actuarial valuation as at 1 April 2011 was signed off by the Scheme's actuary on 26 March 2012. The result of the valuation showed the Scheme to be 109.5% funded with a surplus of £1.640 million.

There have been no proposed rule changes this year

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	(Chair)
Rosemary Butler AM	(Resigned 29 June 2011)
Lord Dafydd Wigley	(Resigned 23 June 2011)
Lord Michael German	(Replaced 12 October 2011)
John Griffiths AM	(Resigned 27 June 2011)
Gareth Jones	
David Melding AM	(Appointed 12 October 2011)
Jocelyn Davies AM	(Appointed 12 October 2011)
Mike Hedges AM	(Appointed 12 October 2011)
Peter Black AM	(Appointed 12 October 2011)

At the date of approval of the annual report, the Trustees 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 26 April 2012 (at pages 14 - 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 2011	59
<i>Of which Office Holders</i> 39)	
<i>add:</i> New entrants in the year	24
<i>less:</i> Leavers in the year	22
Retirements in the year	0
Death in Service	0
Active Members at 31 March 2012	61

Deferred Members

Deferred Members at 1 April 2011	13
<i>add:</i> Members leaving with deferred rights	12
<i>less:</i> Members taking up deferred rights	0
Deferred Members at 31 March 2012	25

Pensioners in Payment

Pensioners in payment at 1 April 2011	19
<i>add:</i> Members retiring in year	9
<i>add:</i> Members taking up Deferred Rights	0
<i>add:</i> New Dependants	1
<i>less:</i> Deaths in year	0
Pensioners in Payment at 31 March 2012	29

Payments from the Scheme during the year are disclosed in Note 6 to the accounts. Pensions in payment as at 11 April 2011 were increased by 3.1% in accordance with The Pensions Increase (Review) Order 2011.

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 £1,666,872 (2010-2011 £1,445,068), and Scheme expenditure £932,507 (2010-2011 £536,914). The net assets of the Scheme at 31 March 2012 were £20,297,881 (31 March 2011 £18,784,595).

During the period a total of £904,437 was remitted to the Fund Managers for investment in the Diversified Growth Pension Fund and the Baillie Gifford Index Linked Pension Fund. 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 2012 was £19,812,289 (31 March 2011 £18,129,617).

As at 31 March 2012 a total of £389,824 (31 March 2011 £250,000) 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 2012 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 6.0% against a benchmark performance of 3.2%

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 9.4% against a benchmark performance of 9.5%.

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.

Over the last 3 years, since inception of the fund, the Diversified Growth Pension Fund has achieved a rate of return of 18.6% against a benchmark performance of 0.5%.

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** - BG Group, Brambles Limited, CNOOC, Electra Private Equity, Japan Tobacco Inc., Lonmin, Meggitt, Monsanto Company, Olympos Corporation, Osaka Securities Exchange Co Ltd, Petrofac Limited, Prudential, Reed Elsevier (UK), Terna Spa, Tesco PLC, Total SA, Wood, John Group
- **Corporate Social Responsibility** – BHP Billiton, CNOOC, Cairn Energy, Enquest, Heineken Holding, Provident Financial, Rio Tinto, Tesco PLC, Wal Mart Stores
- **Executive Remuneration** – Ashtead Group, Cairn Energy, Hansteen Holdings (UK), Jupiter Fund Management, Michael Page International, Petrofac Limited, Royal Dutch Shell, Standard Chartered, Travis Perkins, Weir Group, Wood, John Group
- **AGM or EGM Proposals** – Alfa Laval, Billabong International, Burberry Group, CatCo, Celesio AG, Deutsche Boerse, Foster's Group, Graphite Enterprise Trust, Hargreaves Lansdown, Hong Kong Exchanges & Clearing, IG Group Holdings, IMI (UK), Jyske Bank AS, Linear Technology Corporation, Monsanto Company, Oracle Corporation, Prudential, Rakuten, Reed Elsevier (UK), Rio Tinto, Sage Group (UK), Sinotruk (Hong Kong) Limited, Travis Perkins, Trend Micro, Unilever, Victrex, Wesfarmers,

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 2012 was £13,149,155 a gain of £305,056 over the year; the market value of the Index Linked Pension Fund as at 31 March 2012 was £1,926,872, a gain of £305,285; the market value of the Diversified Growth Pension Fund was

£4,736,262, a gain of £167,894. These values are disclosed in Note 8 of the accounts.

Against a background of economic uncertainty affecting stock markets the Scheme's funds as at the close of business on 15 June 2012, based on the units held as at 31 March 2012, were as follows:

Managed Fund:	£12,558,855
Index Linked Pension Fund:	£ 1,940,359
Diversified Growth pension Fund:	<u>£ 4,711,447</u>
Total Value	£ 19,210,661

This represents a reduction in value of 3.0%



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



Gareth Jones
Trustee

Date: 18 June 2012

Investment Report — for the Year Ended 31 March 2012

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.

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, Active Index Linked Gilt Plus and Diversified Growth Pension Funds.

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% p.a. gross over rolling 3 year periods.

Baillie Gifford Active Index Linked Gilt Plus Pension Fund

The present target of the Baillie Gifford Active Index Linked Gilt Plus Pension Fund is to outperform the FT-Actuaries over 5 years Index Linked Gilt Index by 1.5% per annum (gross) over rolling 3 year periods. Prior to 10th December 2010 it was to outperform the FT-Actuaries over 5 years Index Linked Gilt Index by 0.75% 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 of fees) over rolling five year periods with an annual volatility of less than 10%.

Distribution of Assets

The Scheme's distribution of assets at 31 March were as follows:

	2011	2012
	%	%
Managed Pension Fund	70.5	66.4
Active Index Linked Gilt Plus Pension Fund	8.3	9.7
Diversified Growth Pension Fund	21.2	23.9
TOTAL	100	100

Economic and Market Background – 12 Months to 31 March 2012

During much of the 12 month period to March 31, the overriding sentiment among investors was uncertainty, as a solution to problems in the Eurozone remained elusive and concerns persisted over the possibility of further weakness in the global economy. Meanwhile, confidence among consumers remained muted. This was reflected in poor retail sales and further weakness in house prices, especially in the UK, where several retailers closed for business.

However, during the early part of 2012, the European Central Bank made its latest attempt to stabilise the situation in the single currency area, and improving economic data began to emerge from the United States. Both of these factors had a generally positive impact on investment markets. Elsewhere, the outlook for China remained positive overall and spending by wealthy consumers in parts of Asia and the Middle East was buoyant.

Given the mixed backdrop, it is unsurprising that stock markets around the world enjoyed mixed fortunes. The UK ended the period around 1% higher, and the US posted a rise of 7%, but Emerging Markets lost 9% in sterling terms, Europe's woes were reflected in a decline of 11%, and Developed Asia (including Japan) ended the period 2% lower.

UK Government bond markets benefited from their perceived status as a safe haven in times of extreme turbulence and were up 14% over the period, while overseas government bonds advanced 5% in local currency terms. Corporate bond returns were more diverse but, taken as a whole, finished the period substantially higher, with UK corporate bonds performing particularly well to post a rise of 9%,

Market movements during the period offered us the opportunity to increase exposure to some stocks which appear to have been unfairly hit by the negative mood. We also hold positions in several companies we believe have an excellent

long-term outlook that is not fully reflected in their share price. On a longer-term view, we prefer equities over bonds.

Performance (net of management fees)

For the year ended 31 March 2012, the Funds provided the following net returns:

	1 Year %	3 Year % pa	5 Year % pa
Managed Pension Fund	2.4	19.5	6.0
<i>CAPS Median Balanced Pooled Fund</i>	<i>0.0</i>	<i>14.7</i>	<i>3.2</i>
Active Index Linked Gilt Plus Pension Fund	20.0	12.5	9.4
<i>FTA Gov't Index-Linked over 5 years</i>	<i>21.1</i>	<i>12.6</i>	<i>9.5</i>
Diversified Growth Pension Fund	3.7	18.6	-
<i>UK Base Rate</i>	<i>0.5</i>	<i>0.5</i>	-

Largest Holdings

As of 31 March 2012 the ten largest holdings, which accounted for 26.1 % of the total value of the Managed Pension Fund, were:

	% of Portfolio
Baillie Gifford EM Growth Fund	9.9
Baillie Gifford EM Leading Co Fund	2.7
Baillie Gifford Investment Grade Bond Fund	2.3
Baillie Gifford Smaller Co Fund	2.2
Baillie Gifford Global Bond Fund	1.9
BG Worldwide Active Cash Plus Fund	1.6
British American Tobacco	1.6
BG Group	1.5
Imperial Tobacco	1.2
Svenska Handelsbanken	1.2

EM = Emerging Markets

As of 31 March 2012 the ten largest holdings, which accounted for 27.9% of the total value of the Diversified Growth Pension Fund, were:

	% of Portfolio
Baillie Gifford EM Bond Fund	9.2
Metreta Fund	2.9
ETFS Physical Gold	2.8
Aspect Diversified Trends Fund	2.6
Commerzbank European Defensive Premia Fund	2.5
Baillie Gifford Corporate Bond Fund	2.4
Brazil CPI Linked 15/05/2045	1.7
HICL Infrastructure	1.3
HICL Infrastructure	1.3
Winton Futures Fund	1.2

EM = Emerging Markets

Marketability

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

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.

18 May 2012

NATIONAL ASSEMBLY FOR WALES MEMBERS' PENSION SCHEME

ACTUARY'S STATEMENT - COVERING FINANCIAL YEAR TO 31 March 2012

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	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
26 April 2012

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:

	2011-12 £	2010-11 £
Employer normal contributions	930,456	965,621
Employee normal contributions	383,787	388,841
Employee additional voluntary contributions to purchase Added Years	3,934	13,442
Total Contributions	<u>1,318,177</u>	<u>1,367,904</u>



**William Graham
Assembly Member
Chair of Trustees**



**Gareth Jones
Trustee**

(On behalf of the Trustees)

Date: 18 June 2012

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

	2011-12 £	2010-11 £
Contributions paid:	1,318,177	1,367,904
Less Opening Debtor:	(113,128)	(115,122)
Add Closing Debtor:	<u>112,835</u>	<u>113,128</u>
Contributions reported in the Financial Statements:	<u>1,317,884</u>	<u>1,365,910</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 2012, which is set out on page 18.

Respective responsibility of Trustees and Auditors

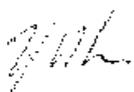
As described on page 17 the scheme's Trustees are responsible for ensuring that there is a prepared, maintained and from time to time revised schedule of contributions which sets out the rates and due dates on certain contributions payable towards the scheme or by or on behalf of the employer and the 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 14 to 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 2012, 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 2012.



Huw Vaughan Thomas
Auditor General for Wales
20 June 2012

24 Cathedral Road
Cardiff
CF11 9LJ

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 2011-12.

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 2011-12, 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 2011 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: 18 June 2012

Independent Auditor's Report to the trustees 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 2012 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 17, 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

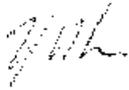
An audit involves obtaining evidence about the amounts and disclosures in the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Assembly for Wales Members' Pension 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.

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 2012, 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: 20 June 2012

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.

The National Assembly for Wales Members' Pension Scheme Accounts for the year to 31 March 2012

<u>Fund Account</u>		2011-12 £	2010-11 £
Scheme Income			
Contributions receivable	4	1,317,884	1,365,910
Transfers In		341,032	71,928
Interest Receivable		77	33
Sundry Income	5	7,879	7,197
		<hr/> 1,666,872	<hr/> 1,445,068
Scheme Expenditure			
Benefits Payable	6	826,884	428,081
Professional Fees	7	100,376	104,981
Other Administration Costs		5,247	3,852
		<hr/> 932,507	<hr/> 536,914
Net Additions from dealings with Members		<hr/> 734,365	<hr/> 908,154
Investments			
Change in market value of Managed Fund	8	305,056	1,332,791
Change in market value of Index Linked Fund		305,285	98,526
Change in market value of Diversified Growth Fund		167,894	313,619
Cash Deposit Interest	9	686	1,585
Net Increase in the Fund during the year		<hr/> 1,513,286	<hr/> 2,654,675
Net Assets of the Scheme at 1 April 2011		<hr/> 18,784,595	<hr/> 16,129,920

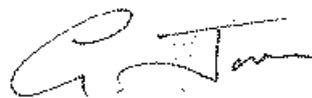
Net Assets of the Scheme at 31 March 2012		20,297,881	18,784,595
		As at 31	As at 31
<u>Net Assets Statement</u>		March 2012	March 2011
		£	£
Investments			
Managed Fund	8	13,149,155	12,844,099
Index Linked Fund		1,926,872	1,487,096
Diversified Growth Fund		4,736,262	3,798,422
Treasury Deposit Account	9	389,824	250,000
Current Assets	10	132,036	643,404
Current Liabilities	11	(36,268)	(238,426)
Net Assets of the Scheme at 31 March 2012		20,297,881	18,784,595

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 18 June 2012:



William Graham
Assembly Member
Chair of Trustees



Gareth Jones
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 14 to 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 £67,000 (2010-11 £67,000) for the period covered by these accounts.

4. Contributions Receivable

	<u>2011-12</u>	<u>2010-11</u>
	<u>£</u>	<u>£</u>
Contributions comprise:		
Employer: normal contributions	930,473	964,205
Members: normal contributions	384,598	388,254
: purchase of Added Years	2,813	13,451
	<u>1,317,884</u>	<u>1,365,910</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 £7,879 is the rebate received during 2011-12 (2010-11 £7,197)

6. Benefits Payable

	<u>2011-12</u>	<u>2010-11</u>
	<u>£</u>	<u>£</u>
Pensions	301,852	111,263
Lump Sum Retirement Benefits	525,032	101,410
Death Benefit Lump Sum	-	215,408
	<u>826,884</u>	<u>428,081</u>

7. Professional Fees

	<u>2011-12</u>	<u>2010-11</u>
	<u>£</u>	<u>£</u>
Actuarial Fees	62,453	60,297
Audit Fee	12,600	10,920
Legal Fees	25,323	33,764
	<u>100,376</u>	<u>104,981</u>

Actuarial fees increased slightly due to the costs associated with the triennial valuation whilst the increase in the Audit fee reflects the additional work

required during an election year. Legal fees reduced due to reduced need for legal advice.

8. Investments

All investments are held in Baillie Gifford Managed Funds.

a) Baillie Gifford Managed Pension Fund		<u>31 March 2012</u>	<u>31 March 2011</u>
	Units	<u>£</u>	<u>£</u>
Market value at 1 April	2,251,336	12,844,099	11,511,308
Purchases at cost	-	-	-
Disposals	-	-	-
Change in market value		305,056	1,332,791
Market value at 31 March	2,251,336	<u>13,149,155</u>	<u>12,844,099</u>
Cost at 31 March		6,842,442	6,842,442
b) Baillie Gifford Index Linked Pension Fund		<u>31 March 2012</u>	<u>31 March 2011</u>
	Units	<u>£</u>	<u>£</u>
Market value at 1 April	795,707	1,487,096	1,267,165
Purchases at cost	63,315	134,491	121,405
Disposals	-	-	-
Change in market value		305,285	98,526
Market value at 31 March	859,022	<u>1,926,872</u>	<u>1,487,096</u>
Cost at 31 March		1,413,186	1,278,695
c) Baillie Gifford Diversified Growth Pension Fund		<u>31 March 2012</u>	<u>31 March 2011</u>
	Units	<u>£</u>	<u>£</u>
Market value at 1 April	2,457,253	3,798,422	2,721,646
Purchases at cost	497,002	769,946	763,157
Disposals	-	-	-
Change in market value		167,894	313,619
Market value at 31 March	2,954,255	<u>4,736,262</u>	<u>3,798,422</u>
Cost at 31 March		3,909,257	3,139,311

The distribution of assets is shown in the Fund Managers Investment Report on page 10.

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.

9. Cash Deposit

	<u>31 March 2012</u>	<u>31 March 2011</u>
	£	£
Treasury Deposit Account as at 1 April	250,000	484,259
Add Interest earned during the year	686	1,585
	<hr/> 250,686	<hr/> 485,844
(Withdrawals)/deposits	139,136	(235,864)
Movement in accrued interest	2	20
Total Treasury Deposit Account	<hr/> <hr/> 389,824	<hr/> <hr/> 250,000

10. Current Assets

	<u>31 March 2012</u>	<u>31 March 2011</u>
	£	£
Cash at Bank	18,814	529,910
Contributions due from the employer	112,835	113,128
Other debtors and prepayments	387	366
	<hr/> 132,036	<hr/> 643,404

Contributions due from the employer relate to the month of March 2012 and were paid in full to the Scheme before the statutory deadline of 19 April 2012.

11. Current Liabilities

	<u>31 March 2012</u>	<u>31 March 2011</u>
	£	£
Creditors: amounts payable within one year	(36,268)	(238,426)
	<hr/> (36,268)	<hr/> (238,426)

‘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. 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 2012

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

Grant Ballantine of the Government Actuary's Department resigned on 31 March 2011 and was replaced by Trevor Llanwarne of the Government Actuary's Department

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.