

Members' Pension Scheme **Annual Report and Accounts**

1 April 2016 to 31 March 2017



National Assembly for Wales
Financial Services

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

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National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Online: **www.assembly.wales**
Email: **Contact@assembly.wales**
Tel: **0300 200 6565**

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Contents

Trustees and advisers	1
The Trustees' Report for the period ending 31 March 2017 to the Members of the National Assembly for Wales Members' Pension Scheme.....	3
Financial Development of the Scheme.....	6
Actuarial review	7
Investment Report – for the Year Ended 31 March 2017.....	12
Economic and Market Background – 12 Months to 31 March 2017	14
Statement of Trustees' Responsibilities for the Financial Statements.....	18
Governance Statement.....	20
Independent Auditor's Report to the Trustees of the National Assembly for Wales Members' Pension Scheme.....	23
Accounts for the year to 31 March 2017	24
Fund Account.....	24
Notes to the Accounts	26
Independent Auditor's Statement	36
Actuary's statement covering financial year to 31 March 2017.....	37

Trustees and advisers

The Trustee Board was replaced by a new Pensions Board on 6 May 2016. The table below shows the Trustee Board members at 1 April 2016 until they were replaced.

Role	Name	Date Appointed	End Date
Chair	William Graham AM	03 June 2009	5 May 2016
Trustee	David Melding AM	12 October 2011	5 May 2016
Trustee	Peter Black AM	12 October 2011	5 May 2016
Trustee	Jocelyn Davies AM	12 October 2011	5 May 2016
Trustee	Mike Hedges AM	12 October 2011	5 May 2016
Pensioner Trustee	Gareth Jones	09 June 2010	5 May 2016

The Remuneration Board as part of its Determination for the Fifth Assembly confirmed that, in line with the Public Service Pensions Act 2013, a Pension Board should be established to replace the Trustee Board. With effect from 6 May 2016 in accordance with section 5 of the new rules of the Scheme which came into force from that date, a new Pension Board was appointed to replace the Trustees. The new Pension Board is made up of:

Role	Name	Date Appointed	End Date
Independent Trustee (Chair)	Jill Youds	6 May 2016	
Trustee	Mike Hedges AM	6 May 2016	
Trustee	Gareth Jones	6 May 2016	
Trustee	Suzy Davies AM	6 July 2016	22 February 2017
Trustee	Nia Morgan	4 August 2016	
Trustee	Joyce Watson AM	22 February 2017	

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

At the date of approval of the annual report the Scheme Administrators were :

Donna Davies: Tel: 0300 200 6523 and email: donna.davies@assembly.wales
Scheme Secretary

Liz Calder Tel: 0300 200 6528 and email: liz.calder@assembly.wales
Assistant Secretary

Scheme Advisers Appointed by the Trustees as at 31 March 2017

Actuary Martin Clarke of the Government Actuary Department

Auditor The Auditor General for Wales

Bankers Barclays Bank plc

Investment Manager Baillie Gifford Life Limited

Legal Adviser Eversheds Sutherland LLP

Scheme Accountants Scheme Secretariat, Assembly Commission

Investment Adviser The Government Actuary Department, replaced by Quantum Advisory Limited with effect from 1 April 2017.

There have been no changes in any other appointments since the previous period.

The Trustees' Report for the period ending 31 March 2017 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 National Assembly for Wales (the "Assembly") provides a defined benefit scheme, governed by 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.

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.

A new Career Average Pension Scheme was introduced from 6 May 2016. Members aged 55 or over on 1 April 2012 are subject to 'Transitional Protection' and continue to have their benefits calculated on a final salary basis for an additional five years until 5 May 2021.

The contribution made by the Assembly is currently 15.6% of Members aggregate salaries. Members not subject to 'Transitional Protection' pay contributions at the rate of 10.5%. Those Members who are subject to 'Transitional Protection' continue to pay contributions at their existing rate of either 6% or 10% depending on whether they are accruing benefits on a 50th or 40th basis respectively.

The main features are:

- Each year members build up a pension of 1/50th of their salary for that year.
- The pension built up each year is revalued in line with the Treasury orders made under the Public Service Pensions Act 2013, currently in line with the Consumer Price Index (CPI).
- Benefits built up in the Final Salary Scheme are fully protected and will continue to be linked to any future salary increases.
- Office Holders earn an additional Office Holder CARE pension of 1/50th of the Office Holder salary they earn each year.
- Normal Retirement Age is linked to State Pension Age (or 65, whichever is higher). Any Final Salary pension accrued before 6 May 2021 will continue to be payable at a Normal Retirement Age of 65.
- Pensions-in-payment are indexed to the changes in the Pensions Increase (Review) Order.
- A lump sum death in service gratuity equal to two years' salary with provision for more than one nominee.

Rules Changes

Two rule changes were made during this period in order to seek rectification of wording that would have had unintended consequences. The changes mean that under the new rules with effect from 6 May 2016, going forward, Office Holders in the new CARE Scheme who hold office before and after an election but do not draw an Office Holder salary during dissolution, will not be required to pay Office Holder contributions to the Scheme for the period they were not drawing an Office Holder salary. In addition, the definition of service in the CARE Scheme was changed to days served rather than complete months. This is consistent with the Final Salary Scheme rules.

Transfers

All transfer out values paid to other pension schemes were calculated and verified by the Scheme's Actuary in accordance with statutory requirements. Service credits on transfer-in are calculated in line with the rules of the Scheme and guidance issued by the Pensions Regulator.

Developments during the Year

The Remuneration Board as part of its Determination for the Fifth Assembly confirmed that, in line with the Public Service Pensions Act 2013, a Pension Board should be established to replace the Trustee Board. The new Pension Board is made up of:

- Two representatives nominated by Assembly Members.
- Two representatives appointed by the Assembly Commission.
- A professional Independent Trustee to act as Chair.

Mike Hedges, AM and Gareth Jones (retired AM) were appointed as the Member representatives on the new Pension Board. Both Mike and Gareth previously sat on the Scheme's Trustee Board.

The Commission representatives were Suzy Davies AM and Nia Morgan, the Commission's Finance Director. On the 22 February 2017 Suzy Davies was replaced by Joyce Watson as a Commission representative.

The professional Independent Chair of the Board is Jill Youds. Jill also chairs the Judicial Pensions Board and sits on the board of the Government's auto enrolment pension provider the National Employment Savings Trust (NEST).

Since their formation the Board have undertaken training on the Scheme's investments, new Trustees have had induction training and all Trustees will continue to receive ongoing training to ensure they have the knowledge and understanding they need to carry out their role and meet the requirements of the Pensions Regulator and the Public Service Pensions Act 2013.

The Board undertook a review of their investment adviser since such a review had not been conducted for a sometime. The Board felt that a review would help them consider their advisory needs and establish whether an alternative provider would be a better fit for those needs or whether GAD should continue as the Board's provider. Value for money was an important consideration in the review.

A procurement process was undertaken and the selection panel met with representatives from Quantum Advisory, GAD and JLT on 20 March. At their meeting on 27 March 2017, the Chair asked Trustees to consider whether they would be content to accept the recommendation from the selection panel to appoint Quantum Advisory or whether they felt they needed more time to

compare bids and reflect upon the panel's recommendation. The Board unanimously agreed to the appointment and Quantum Advisory were appointed the Scheme's new Investment Adviser subject to contract from 1 April 2017.

Management of the Scheme

The Trustees who served during the year are listed on Page 1.

Trustee Meetings

Trustee meetings are usually held once every Assembly session, and there are sometimes additional meetings for specific purposes. The Trustees met three times during the year.

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

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 the Scheme Secretariat.

Financial Development of the Scheme

Preparation and Audit of Annual Accounts

These accounts have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) on Financial Reports of Pension Scheme Accounts, revised in November 2015.

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.

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

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Member related income	1,347,784	1,400,449
Member related payments	(2,073,905)	(821,093)
Net additions from dealings with members	(726,121)	579,356
Net returns on investments	4,770,414	61,397
Net increase/(decrease) in fund	4,044,293	640,753
Net assets at start of year	29,668,998	29,028,245
Net assets at end of year	33,713,291	29,668,998

Summary Financial Information

Income during the period was £1,347,784 (2015-16 £1,400,449), and Scheme expenditure £2,073,905 (2015-2016 £821,093). The net assets of the Scheme at 31 March 2017 were £33,713,291 (31 March 2016 £29,668,998).

During the period a total of £501,524 of new investment was remitted to the Fund Managers for investment in the Diversified Growth Pension Fund and the Baillie Gifford Managed Pension Fund. The total market value of the Funds invested at 31 March 2017 was £33,282,185 (31 March 2016 £28,010,662).

As at 31 March 2017 the Scheme no longer holds funds in the Treasury deposit account (31 March 2016 £323,276).

Actuarial review

Actuary's statement - covering financial year to 31 March 2017

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

The Financial Statements set out on pages 24 to 25 do not take into account the liabilities to provide pension benefits which fall due after the year end. These liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable.

A formal actuarial assessment of the Scheme was carried out with an effective date of 1 April 2014, 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. The next valuation is due as at 1 April 2017.

The formal Actuarial certificate is included on page 37.

Membership

The membership of the Scheme at the beginning and end of the year and changes during the year are set out below.

Active members	
Contributory membership at start of year 1 April 2016 (60 Assembly Members, and the Counsel General. Of the 60 members there are 36 Office Holders posts.)	60
New entrants in year	22
Leavers in the year ¹	(8)
Retirements in the year	(15)
Death in service	0
Contributory membership at 31 March 2017	59

¹ This includes one member who is no longer contributing as they reached the maximum entitlement in the Members' Pension Scheme

Pensioners	
In payment at 1 April 2016 ¹	36
Members retiring from active service in year ²	16
Members retiring from deferred status	3
New Dependants	-
Deaths in year	-
Pensioners in Payment at 31 March 2017	55

¹ Restated to exclude one member who didn't draw his pension when it became due and remains deferred.

² This includes one active member who is in receipt of the Guaranteed Minimum Pension (GMP) element only.

Deferred members	
At 1 April 2016¹	21
Members leaving with deferred rights	7
Members retiring from deferred status	(3)
Members transferring benefits out of the Scheme	-
Deferred Members at 31 March 2017	25

¹ Restated to include one member who didn't draw their deferred pension when it became due and remains deferred.

Pension increases

Payments from the Scheme during the year are disclosed in Note 6 to the accounts. Pensions in payment are reviewed each year in line with the Pensions Increase (Review) Order. The 2017 order was laid before Parliament on 16 March 2017 and came into force on 10 April 2017.

There were no increases in deferred pensions other than statutory ones.

Custody

The Scheme's investment in the Managed Pension Fund 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 Mellon, One Canada Square, London E14 5AL. The Scheme's investments in the Diversified Growth Fund and the Active Index-Linked Gilt Plus Fund are invested in shares in an Open-Ended Investment Company (hereafter, "OEIC"). The Depository for the OEIC, National Westminster Bank, have appointed Bank of New York Mellon as custodian.

Investment management

The Trustees have appointed Baillie Gifford Life Ltd as Fund Managers for the Scheme's investment in the Managed Pension Fund 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.

On 3 October 2016, Baillie Gifford made changes to the policy and contractual agreement with the Trustees and Baillie Gifford Life Limited. The change affected the portion of the policy that relates to the Baillie Gifford Diversified Growth Fund (DGF) and the Baillie Gifford Active Index-Linked Gilt Plus Pension Fund (AIL). These changes were in response to the increasing regulatory and compliance burden as a result of the requirements that have been imposed under Solvency II.

After taking the appropriate legal and investment advice, the Trustees agreed to Baillie Gifford transferring the portion of the Trustees' policy held in the DGF and the AIL from BG Life (a life company subsidiary) to BG & Co Ltd.'s open ended investment company (OEIC) a pooled investment vehicles that is structured as a limited company in which investors can buy and sell shares.

Following the transfer the Trustees are now contracted with BG & Co Ltd and not BG Life and hold shares directly in an OEIC fund rather than units in a Life Company. The units held in the DGF and AIL were exchanged for a different number of shares in the underlying OEIC, and these shares are registered in the Trustees name.

Baillie Gifford confirmed that there would be no detriment to the underlying investment as a consequence of the move away from a policy held by a life company structure to the Trustees holding shares directly in the underlying OEIC funds. The investment strategies and the ultimate funds have remained the same and there were no costs incurred by the transition. The VAT position remained the same in connection with the investment management fees.

Baillie Gifford Life Limited is paid a management fee based on a percentage of 0.45% for the Managed Pension Fund, and Baillie Gifford & Co. is paid a management fee of 0.25% for the Active Index Linked Gilt Plus Fund and 0.65% for the Diversified Growth Fund which is deducted from the value of the Funds each month.

The cost of fund management in 2016-17 was £159,584 with 'Other Expenses' of £28,831 (2015-16 £147,879 with 'Other Expenses' of £32,814).

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 has beneficial ownership of a share of the underlying assets of the OEIC funds in which it invests.

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 their 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.

As signatories to both the UK Stewardship Code and the UN principles for Responsible Investment (UNPRI), Baillie Gifford support effective dialogue between investors and companies on governance and strategic issues and by adhering to them, encourage the incorporation of ESG issues into mainstream investment decision making and ownership practices.

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 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.

The Trustees have prepared a Statement of Investment Principles in accordance with section 35 of the Act which sets out their policies on investment and their strategy for achieving them, a copy of which is available on request from the Scheme Secretariat.

Day to day responsibility for the management of investments has been delegated to Baillie Gifford Life Limited, which operates in accordance with guidelines and restrictions set out in the Life Policy Agreement in respect of the investment in the Managed Pension Fund and with instructions given by the Trustees from time to time. Day to day responsibility for the management of investments has been delegated to Baillie Gifford & Co, which operates in accordance with guidelines and restrictions set out in the OEIC Terms and Conditions in respect of the investment in the Diversified Growth Fund and Active Index-Linked Gilt Plus Fund and with instructions given by the Trustees from time to time.

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

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 2017 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 IA Mixed Investment 40%-85% Shares Sector Median by 1.0-1.5% p.a. gross over rolling 3 year periods.

Over the last 3 years the Managed Pension Fund has achieved an annual rate of return of 11.4% (net of fees) against a benchmark performance of 9.5%. Major equity and bond markets delivered positive returns over the 12 months to 31 March, buoyed by signs of economic growth in areas including the UK and US. Equities in particular performed well, most notably for sterling investors who benefitted from a weaker pound.

Baillie Gifford Index Linked Gilt Plus Fund - to outperform the FTSE-Actuaries UK Index- Linked Gilts over 5 years Index by 1.5% p.a. (gross) over rolling 3 year periods. The Baillie Gifford Active Index Linked Gilt Plus Fund delivered positive absolute performance over the 12 months to 31 March 2017, and it was in line with the benchmark in relative terms. Bond markets have been dominated by

central bank actions and politics over the past year, notably Britain's vote to exit the European Union and Donald Trump's victory in the US presidential election. Britain's vote prompted further support from central banks through interest rates cuts and bond purchases. In the US, interest rates have risen and there may be further rises as it is thought likely that the Trump victory will mean increased government spending and an anticipation of higher inflation. Over the last 3 years the Index Linked Pension Fund is behind the benchmark with an annual rate of return of 13.6% (net of fees) against a benchmark performance of 14.6%.

Baillie Gifford Diversified Growth Fund - to outperform the UK base rate by at least 3.5% per annum (net of fees) over rolling five year periods with an annualised volatility of less than 10%.

Over the last 5 years the Diversified Growth Pension Fund has achieved a rate of return of 5.6% (net of fees) against a benchmark performance of 4.0%. The Fund delivered strong performance over the 12 months, returning 10.3% net of fees.

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 12-17. The market value of the Managed Pension Fund as at 31 March 2017 was £15,561,160. The market value of the Active Index-Linked Gilt Plus Fund as at 31 March 2017 was £3,508,343; the market value of the Diversified Growth Pension Fund as at 31 March 2017 was £14,212,682. These values are disclosed in Note 13 of the accounts.

Signature

Signature

Jill Youds

Chair of Trustees
(On behalf of the Trustees)

Nia Morgan

Trustee

Investment Report – for the Year Ended 31 March 2017

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 from the Scheme Secretary.

Day to day responsibility for the management of the investments has been delegated to Baillie Gifford Life Limited, which operates in accordance with guidelines and restrictions set out in the Life Policy and the Key Features Document and with instructions given by the Trustees from time to time.

Investment comprise units in pooled funds managed by Baillie Gifford, the holdings of which are regarded as being readily marketable.

Portfolio Valuation

	31 March 2017 GBP	31 March 2016 GBP
Baillie Gifford Managed Pension Fund	15,561,160	12,526,052
Baillie Gifford Diversified Growth Fund	14,212,682	0
Baillie Gifford Active IL Gilt Plus Fund	3,508,343	0
Baillie Gifford Diversified Growth Pension Fund		12,594,172
Baillie Gifford Active IL Gilt Plus Pension Fund		2,890,438
TOTAL	33,282,185	28,010,662

The Scheme transferred from the Baillie Gifford Diversified Growth Pension Fund and the Baillie Gifford Active Index-Linked Gilt Plus Pension Fund into the underlying Baillie Gifford Diversified Growth Fund (OEIC) and Baillie Gifford Active Index-Linked Gilt Plus Fund (OEIC) on 03 October 2016.

Distribution of Assets

The distribution of assets was as follows:

	31 March 2017 %	31 March 2016 %
Baillie Gifford Managed Pension Fund	46.8	44.7
Baillie Gifford Diversified Growth Fund	42.7	0
Baillie Gifford Active IL Gilt Plus Fund	10.5	0
Baillie Gifford Diversified Growth Pension Fund	0.0	45.0
Baillie Gifford Active IL Gilt Plus Pension Fund	0.0	10.3
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 2017 (%)

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.

From 1 July 2016, the Fund is measured against the IA Mixed Investment 40%-85% Shares Sector Median.

Five Years (p.a.)	11.7	9.6
Three Years (p.a.)	11.4	9.5
One Year	22.8	20.0

Baillie Gifford Active Index Linked Gilt Plus Pension Fund	Fund (Net)	Benchmark
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Five Years (p.a.)	9.3	9.9
Three Years (p.a.)	13.6	14.6
One Year	21.5	22.0

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

Five Years (p.a.)	5.6	4.0
Three Years (p.a.)	5.4	4.0
One Year	10.3	3.8

Source: Baillie Gifford

Summary Risk Statistics

Baillie Gifford Diversified Growth Pension Fund

Delivered volatility	4.1
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Annualised volatility, calculated over 5 years to end of March 2017.

Source: Baillie Gifford

Economic and Market Background – 12 Months to 31 March 2017

Source: Baillie Gifford

Balanced

Major equity and bond markets delivered positive returns over the 12 months to 31 March, buoyed by signs of economic growth in areas including the UK and US. Equities in particular performed well, most notably for sterling investors who benefitted from a weaker pound. This was despite periods of uncertainty, as the spotlight fell on political change in the West.

Throughout the period, the focus in the US was on the Presidential election campaign, culminating in Donald Trump's inauguration in January. The surprise election result saw equities, bond yields and the dollar all higher. In December, the US Federal Reserve announced that they would be raising rates for only the second time in a decade, from 0.5% to 0.75%. This was quickly followed by a second rise in March, reflecting the continued pick up in the US economy.

In Japan, Prime Minister Shinzo Abe's government claimed an election victory in July before announcing a 4.6 trillion yen stimulus package, including funding for welfare and infrastructure. Towards the end of the period, the Bank of Japan surprised markets by announcing its plan to purchase an unlimited amount of two and five year bonds to control yields.

Having initiated an increase in the bond purchases made as part of their quantitative easing (QE) programme to 80 billion euros per month in March 2016, the European Central Bank (ECB) subsequently scaled this back to 60 billion euros as the year ended. Interest rates were held at -0.4%.

The main event in the UK was the vote to leave the EU. The result led to increased volatility in the immediate aftermath, but equity markets have subsequently performed well. The most notable impact has been on sterling which fell sharply following the result - reaching a 31-year low against the dollar and has failed to show any significant recovery since. In August, the Bank of England announced measures to stimulate growth in the UK economy, including a cut in interest rates from 0.5% to a new record low of 0.25%. In March 2017, inflation surpassed the Bank of England's target and the government triggered Article 50, initiating the UK's formal withdrawal from the EU. This process is due to be completed in 2019.

Fortunes were mixed for the Emerging Market economies. Slowing growth, collapsing commodity prices and currency sell-offs had all affected sentiment prior to the period, as did a range of political factors in Brazil and South Africa. A recovery in the price of oil and other commodities, however, helped drive returns as markets rallied to end the period substantially higher.

The UK equity market ended the period 22% higher. North America posted an 18% rise in local currency terms, but dollar strength meant that this converted to a 35% gain for sterling investors. Europe ended 18% higher, a 28% gain after conversion to sterling. Meanwhile, Emerging Markets rose 17% and Developed Asia (including Japan) rose 17% in local currencies, representing rises of 36% and 35% for sterling investors.

Fixed interest markets delivered strong performance, with UK corporate bonds up 9% and UK gilts up 7%, while those issued by governments overseas gained 11% in sterling terms.

Diversified Growth

Investment markets around the world finished 12 months in positive territory. Signs of a general improvement in the global economic backdrop and continued low interest rates in many developed countries proved helpful. However, market volatility increased in the second half of last year amid a number of surprising political outcomes. The UK referendum on membership of the European Union (EU) proved unsettling and the result - the so-called Brexit - took markets largely by surprise, while the last few months of 2016 were dominated by the US presidential election. Markets weakened ahead of the vote but subsequently rallied to finish the year on a high, which has continued into the first quarter of 2017.

The Fund delivered strong performance over the 12 months, returning 10.3% net of fees. The main positive contributors to performance were economically-exposed asset classes, with listed equities, high yield credit and emerging market bonds all delivering strong returns. Our allocation to infrastructure also boosted performance as did active currency where selected positions in emerging market currencies and the US dollar helped.

The Fund remained broadly diversified. Within emerging market government bonds, we invested in a basket of hard currency (US-dollar denominated) bonds. Further, we sold our Greek bonds, which had performed well, reinvesting some of the proceeds in Argentinian bonds, where a positive reform story is underway.

In our credit exposure, we trimmed our high yield and structured finance weightings as prospective returns became less attractive. We kept some of the proceeds of these reductions in cash and short-term T-Bills, anticipating future opportunities. We also made an investment in US index-linked government bonds, looking to achieve a better rate of interest than we receive on cash and aiming to benefit from any pick-up in US inflation.

In commodities, we decided to sell palladium, which had experienced a sharp price rally despite little change in its fundamentals. Finally, we removed the remainder of our short sterling position, which had been established prior to the UK's referendum on EU membership as a partial hedge for the portfolio in case the decision in the referendum was to leave the EU.

Our outlook for the global economy remains moderately optimistic. This view is based on both developed and emerging economies continuing on their upward growth trajectory. Having said this, valuations are at or above their long-term fair value across a broad range of assets. Therefore, despite reasonably robust growth figures, in the face of interest rate normalisation and political uncertainties, higher levels of market volatility than we have seen in the past few years appears likely. As a result, we maintain a well-diversified portfolio invested across a range of attractive asset classes.

Government

Bond markets have been dominated by central bank actions and politics over the past year. European growth has remained subdued and central banks have sought to stimulate the economy through interest rate cuts and bond purchases. Britain's vote to exit the European Union in June also impacted markets, and this prompted further support from central banks to reassure investors. Donald Trump's unexpected victory in the US presidential election is thought likely to boost the US economy and raise inflation. US interest rates have risen, and it may be that the Federal Reserve brings forward further increases, both in anticipation of higher inflation and because higher government spending will replace monetary stimulus in sustaining economic growth.

Meanwhile, both the European Central Bank and Bank of Japan increased monetary stimulus during the course of the year. Uncertainty over the implications of the UK's vote to leave the EU in June led the Bank of England to cut interest rates and increase its quantitative easing bond purchase program in August. It can be expected that 'Brexit' will continue to affect markets as more details of the separation settlement emerge.

Against this backdrop, government bonds around the world increased in value, with yields, which move in the opposite direction to bond prices, ending the period lower. UK gilts gained 7% over the 12 months, while overseas government bonds rose 11% in sterling terms, with sterling weak against other major currencies in the wake of the vote to leave the European Union.

Largest Holdings - Top Ten Largest Holdings

Baillie Gifford Managed Pension Fund	% of Portfolio
Baillie Gifford Emerging Mkts Growth Bond Fund	6.6
BG Worldwide Global Credit Fund	6.4
Baillie Gifford Global Bond Fund	3.5
Baillie Gifford Emerging Mkts Growth Fund	3.2
BG Worldwide Active Cash Plus Fund	2.3
Amazon.com	1.6
Tesla Inc	1.3
Prudential	1.1
Baillie Gifford Active Gilt Plus Fund	1.1
British American Tobacco	1.1

Baillie Gifford Active IL Gilt Plus Pension Fund	% of Portfolio
UK Treasury 1.25% IL 2055	12.4
UK Treasury 0.5% IL 22/03/2050	10.8
UK Treasury 0.625% IL 22/11/2042	10.4
UK Treasury 0.75% IL 22/11/2047	9.8
UK Treasury 0.125% IL 22/3/2068	8.5
UK Treasury 1.25% IL 22/11/2032	7.8
UK Treasury 0.375% IL 22/11/2062	7.3
UK Treasury 0.125% IL 22/03/2024	7.3
UK Treasury 4.125% IL 22/07/2030	6.5
UK Treasury 2% IL 26/01/2035	5.6

Baillie Gifford Diversified Growth Pension Fund	% of Portfolio
Baillie Gifford Emerging Mkts Bond Fund	7.0
Baillie Gifford Global Alpha Growth Fund	5.3
Baillie Gifford Global Income Growth Fund	5.2
US TII 0.625% 15/1/2026	5.0
Baillie Gifford Worldwide Global Credit Fund	4.8
Galene Fund	4.4
BG Worldwide Japanese Fund	3.6
Baillie Gifford EM Government Bonds (Hard Currency)	3.0
Allianz Merger Arbitrage Strategy	2.7
Baillie Gifford LTGG Fund	2.6

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Statement of Trustees' Responsibilities for the Financial Statements

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 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 ensuring 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.

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:

	2016-17	2015-16
	£	£
Employer normal contributions	737,113	971,226
Employee normal contributions	452,307	400,051
Employee additional voluntary contributions	905	10,853
Total	1,190,325	1,382,130

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

	2016-17	2015-16
	£	£
Contributions paid	1,191,464	1,382,130
Less opening debtor	(115,270)	(115,430)
Add closing debtor	98,847	115,270
Total Contributions reported in the Financial Statements	1,175,041	1,381,970

Signature

Jill Youds
Chair of Trustees
(On behalf of the Trustees)
Date: 10 July 2017

Signature

Nia Morgan
Trustee

Governance Statement

Scope of Responsibility

We acknowledge our responsibility as Trustees for maintaining a sound system of governance to safeguard the public funds and assets connected with the National Assembly for Wales Members' Pension Scheme (NAfW MPS). The responsibilities of the Trustees are clearly defined in the Statement of Trustees' responsibilities on Page 18.

The NAfW MPS is a statutory scheme and is a registered pension scheme under the Finance Act 2004. The Pension Scheme Tax Reference (PSTR) is 00462258RW.

The Pensions Team within the Financial Services of the National Assembly for Wales provide secretarial and administrative services to the Trustees and this arrangement is covered by a Memorandum of Understanding between the National Assembly for Wales Remuneration Board (the Board), the National Assembly for Wales Commission (the Commission) and the Trustees. The Memorandum of Understanding sets out the respective roles and responsibilities of the Board, the Commission and the Trustees with regard to the management and administration of the NAfW MPS. There is also a Pension Board Terms of Reference which sets out those responsibilities specific to the Board covering their remit, the requirements for Board members and the appointment process.

Governance Framework

During the year there were three Trustee meetings in July, November and March. The attendance below shows the proportion of all meetings attended by Trustees.

Name	Percentage of Meetings Attended
Jill Youds Chair	100%
Mike Hedges AM Member Representative	100%
Gareth Jones Member Representative	100%
Suzy Davies AM Commission Representative	100% during her term until 22 February 17
Joyce Watson AM Commission Representative	100% during her term since 22 February 17
Nia Morgan Commission Representative	100%

During the year the Trustees considered the following detailed reports:

- The legacy report provided by the previous Trustee Board,
- The Auditor's report on the Financial Statements,
- A review of the Scheme's governance arrangements,
- A review of the Scheme's investments, performance, outlook and benchmarking options,
- A review of member communications including the member newsletter and new look annual benefit reports.

This information together with additional briefing papers prepared by the Secretariat provided good quality data which allowed the Trustees to exercise their functions effectively over the period of this report.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the NAFW MPS aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. It is based on a framework of regular management information, financial regulations, administrative procedures including the segregation of duties, and a system of delegation and accountability. This system of internal control has been in place in NAFW MPS for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

Significant Internal Control Problems

There were no significant Internal Control problems noted during the year.

Capacity to Handle Risk

The Scheme's day-to-day administration and accounting responsibility is administered on behalf of the Trustees by Secretariat staff within Financial Services of the National Assembly for Wales Commission, with responsibility for the development and maintenance of the control framework.

Personal Data Incidents

There have been no personal data related incidents or data losses during the year.

Risk Management

During the period of this report the risk register for the Scheme was reviewed, updated and agreed with the Trustees as part of the medium term business plan. Each risk is identified and assessed into three categories, high/medium/low, based on factors such as likelihood of the risk materialising, the impact that the risk might have if it did occur and the controls currently in place to manage each identified risk. The risk register is reviewed at least annually by the Trustees.

The resulting register was used to identify any additional measures considered necessary to effectively manage the risks. The following are examples of the risks that have been identified and the measures put in place to minimise their impact:

- **Investment:** Risk of investments not producing sufficient return with a resulting impact of the funding position of the Scheme. Investment performance is reviewed by Trustees on a quarterly basis with the Scheme's investment consultant producing an annual report on investment performance;
- **Pension Scheme Records:** Risk of incomplete or inaccurate records leading to incorrect/unauthorised payments or decisions being taken with incomplete information. Accurate records have been maintained of past and present members, transactions into and out of the Scheme and of Trustees meetings;
- **Scheme Administration:** Trustees monitor the steps taken by the administrative staff to manage risks in their areas of responsibility at each Trustee meeting;
- **Members:** There is a procedure in place to resolve disputes about the Scheme with members. Information is provided to Scheme members on a regular basis through newsletters and in group meetings;

Review of effectiveness

We are assisted in the development and maintenance of the internal controls by the senior managers within the National Assembly for Wales who have responsibility for the development and maintenance of the internal control framework and which is reviewed each year by the Assembly Commission's Internal Auditors.

Our review of the effectiveness of these controls is informed by the work of the Auditor General for Wales. Comments made by the Auditor General for Wales in his management letter and other reports are taken into account.

We are satisfied that the internal controls in place have proved effective during the period covered by this report.

Approved on behalf of the Trustees on 10 July 2017 by:

Signature

Signature

Jill Youds

Chair of Trustees

(On behalf of the Trustees)

Nia Morgan

Trustee

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 2017 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 Financial Reporting Council'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 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2017, 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: 11 July 2017

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.

Accounts for the year to 31 March 2017 Fund Account

Contributions and benefits	Note	2016-17	2015-16
		£	£
Employer Contributions	4	715,413	971,123
Employee Contributions	4	459,628	410,847
Total Contributions		1,175,041	1,381,970
Transfers in	5	172,395	18,329
Interest Receivable		348	50
Other income		0	100
		1,347,784	1,400,449
Benefits paid or payable	6	(1,961,240)	(463,373)
Professional Fees	12	(105,471)	(130,825)
Administration expenses	10	(7,194)	(2,072)
Payments to and on account of leavers		0	(224,823)
		(2,073,905)	(821,093)
Net Additions from dealings with Members		(726,121)	579,356
Investment income			
Change in market value of Investments	13	4,958,414	241,370
Cash Deposit Interest	7	191	720
Investment management expenses	14	(188,415)	(180,693)
Net returns on investments		4,770,190	61,397
The net amount of increase in the fund		4,043,893	640,753
Opening net assets of the scheme		29,668,998	29,028,245
Closing net assets of the scheme		33,712,891	29,668,998

Statement of Net Assets	Notes	As at 31 March 2017	As at 31 March 2016
		£	£
Investment assets			
Pooled investment	13	33,282,185	28,010,662
Treasury Deposit Account	7	0	323,276
Total investments		33,282,185	28,333,938
Current Assets	8	471,406	1,364,607
Current Liabilities	9	(40,700)	(29,547)
Total Net Assets of the Scheme		33,712,891	29,668,998

The Financial Statements summarise the transactions and net assets of the Scheme and do not take account of obligations to pay pension and benefits which fall due after the end of the Scheme year. The actuarial position, which does take account of such obligations is dealt with in the Report on Actuarial Liabilities included on page 37 and these Financial Statements should be read in conjunction with that Report.

Approved by the Trustees on 10 July 2017:

Signature

Signature

Jill Youds

Chair of Trustees
(On behalf of the Trustees)

Nia Morgan

Trustee

The notes on pages 26-35 form part of these accounts.

Notes to the Accounts

01. Basis for Preparation

These accounts have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) on Financial Reports of Pension Scheme Accounts, revised in November 2015. This is the first year FRS 102 and the Revised SORP have applied to the Scheme’s financial statements.

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

The actuarial report does take these liabilities into account (an actuarial statement can be found at pages 37 to 38).

02. Accounting Policies

The Scheme’s principal accounting policies are:

Investment Income

- Income from cash and short term deposits is accounted for on an accruals basis.
- Investment income arising from the underlying investments of the pooled investment vehicles is rolled up in the investment fund and reflected in the value of the units/and shares is not separately reported in the Scheme’s financial statements.
- Cash deposit Interest is accrued on a daily basis.

Contributions

- Employee contributions, including AVC’s are accounted for when they are deducted from members’ pay.
- Added voluntary contributions are invested with normal contributions in the Scheme funds in accordance with the agreement under which they are paid.
- Employer normal contributions are accounted for on the same basis as employee contributions.

Transfers

- All transfer out values paid on a cash basis to other pension schemes were calculated and verified by the Scheme’s Actuary in accordance with the Pension Schemes Act 1993. In 2008 the regulatory requirements for transfers-in fell away and so service credits on transfer-in are calculated in line with the rules of the Scheme and guidance issued by the Pensions Regulator.

Payments to members

- Benefits are accounted for in the period in which they fall due for payment and refunds of contributions are accounted for when they are made.
- Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted /discharged.

Expenses

– Expenditure is accounted for in the period to which it relates.

Tax

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. The Scheme is therefore exempt from taxation. The Pension Scheme Tax Reference (PSTR) is 00462258RW.

Valuation of investments

Investments are valued at their fair value at the date of the Statement of Net Assets in line with the following fair value hierarchy:

Category (a) The quoted price for an identical asset in an active market.

Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.

Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique which uses:

- c (i) observable market data; or
- c (ii) non-observable data.

Pooled investments are valued at fair value 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.

03. 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 £95,428.45 (2015-16 £103,793) for the period covered by these accounts.

04. Contributions Receivable

	2016-17	2015-16
Employer Contributions:	£	£
Normal	715,413	971,123
Employee Contributions:		
Normal	459,628	399,985
Additional voluntary contributions	0	10,862
Total	1,175,041	1,381,970

Members of the final salary Scheme contributed 10% to accrue benefits on a fortieths basis and 6% to accrue benefits on a fiftieths basis with the Assembly Commission contributing 15.6% of pensionable salaries to the Scheme.

Members of the CARE Scheme contributed 10.5% to accrue benefits on a 1/50th career average basis.

05. Transfer in

The transfer in of £172,395 (2015-16 £18,329) represents the assets transferred to the Scheme in respect of two members who transferred in during the year.

06. Benefits Payable

	2016-17	2015-16
Contributions comprise:	£	£
Pensions	605,111	389,191
Lump Sum Retirement Benefits	1,356,129	74,182
Death Benefit Lump Sum	-	-
	1,961,240	463,373

07. Treasury Deposit Account

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Treasury Deposit Account as at 1 April	323,276	352,573
Add Interest earned during the year	191	720
	323,467	353,293
(Withdrawals)/deposits	(323,500)	(29,994)
Movement in accrued interest	(33)	(23)
Total Treasury Deposit Account	0	323,276

08. Current Assets

	31 March 2017 £	31 March 2016 £
Cash at Bank	372,310	1,249,055
Contributions due from the employer and employee	98,847	115,270
Other debtors and prepayments	249	282
Total	471,406	1,364,607

Contributions due from the employer and employee relate to the month of March 2016 and were paid in full to the Scheme before the statutory deadline of 19 April 2016.

09. Current Liabilities

	31 March 2017 £	31 March 2016 £
Creditors: amounts payable within one year	(40,700)	(29,547)
Total	(40,700)	(29,547)

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

10. Administration Costs

	2016-17 £	2015-16 £
Training	5,357	-
Other Administration	1,837	2,072
Total	7,194	2,072

11. Pooled Investment Vehicles

	31 March 2017 £	31 March 2016 £
Baillie Gifford Managed Pension Fund	15,561,160	12,526,052
Baillie Gifford Diversified Growth Pension Fund	14,212,682	12,594,172
Baillie Gifford Active IL Gilt Plus Pension Fund	3,508,343	2,890,438
Total	33,282,185	28,010,662

12. Professional fees

	2016-17 £	2015-16 £
Actuarial Fees	40,681	60,824
Independent Trustee	9,638	-
Investment Consultancy	20,279	14,429
Audit Fees	10,899	13,079
Legal Fees	23,974	42,493
Total	105,471	130,825

Investment Consultancy fees increased during the year reflecting the work carried out for benchmarking the Scheme's investment performance relative to other schemes. The actuarial fee this year includes an element of cost capping and this will continue into the following year. The legal fee is lower this year reflecting the fact that the new rules are now in place and the review of the Scheme's governance arrangements complete. Work carried out by the Government Actuary's Department (GAD) was provided by the Scheme Actuary and by the Investment and Risk Team.

13. Investment reconciliation

	Managed Pension Fund	Index Linked Funds ¹	Diversified Growth Funds ¹	Net Investment assets
	£	£	£	£
Value at 1 April 2016	12,526,052	2,890,438	12,594,172	28,010,662
Purchases at cost	162,190		339,334	501,524
Disposal and Sales	-	-	-	-
Change in Market Value	2,940,434	626,967	1,391,013	4,958,414
Investment Manager Expenses including Other Expenses	(67,516)	(9,062)	(111,837)	(188,415)
Net change in market value	2,872,918	617,905	1,279,176	4,769,999
Market value at 31 March 2017	15,561,160	3,508,343	14,212,682	33,282,185
Book cost at 31 March 2017	4,765,486	3,557,853	13,724,188	22,047,527

¹The Scheme transferred from the Baillie Gifford Diversified Growth Pension Fund and the Baillie Gifford Active Index-Linked Gilt Plus Pension Fund into the underlying Baillie Gifford Diversified Growth Fund (OEIC) and Baillie Gifford Active Index-Linked Gilt Plus Fund (OEIC) on 03 October 2016. The fund value, investment strategies and the ultimate funds remained the same and there were no costs incurred by the transition. The VAT position remained the same in connection with the investment management fees.

In February adjustments were made to the book costs for the Diversified Growth Pension Fund and the Active Index Link Gilt Plus Fund. The adjustments relate to the first distribution from the OEIC holdings following the unwrapping process on 3 October 2016. The new OEIC holdings are in *Accumulation* shares, which essentially means that the price of the shares held will increase following each distribution period. This is reflected in the increase to book cost at 31 March 2017.

	Managed Pension Fund	Index Linked Pension Fund	Diversified Growth Pension Fund	Net Investment assets
	£	£	£	£
Value at 1 April 2015	12,832,902	2,942,770	12,804,432	28,580,104
Purchases at cost	-	29,806	532,075	561,881
Disposal and Sales	(536,400)	(119,200)	(536,400)	(1,192,000)
Change in Market Value	288,642	44,975	(92,247)	241,370
Investment Manager Expenses including Other Expenses	(59,092)	(7,913)	(113,688)	(180,693)
Net change in market value	229,550	37,062	(205,935)	60,677
Market value at 31 March 2016	12,526,052	2,890,438	12,594,172	28,010,662
Book cost at 31 March 2016	4,603,297	1,776,417	10,066,872	16,446,586

The distribution of assets is shown in the Fund Managers Investment Report on page 12. Investment income for the underlying funds that National Assembly for Wales Members' Pension Scheme invests in can't be determined as there are no distributions from the fund, all income and any tax recoveries being rolled up so increasing the value of the units.

14. Investment Management Expenses

The 'Investment Management' charges are 0.45% per annum for the Managed Pension Fund 0.65% for the Diversified Growth Pension Fund and 0.25% for the Index Linked Pension Fund.

'Other Expenses' include custody charges and where the Fund is a sub-fund of an OEIC (Open Ended Investment Company) or invests in underlying OEIC sub-funds, it will also include expenses such as depositary fees, registration fees and audit fees.

Also incurred are direct trading costs (stamp duty, other taxes and broker commission) that arise when buying or selling stocks in the market.

The total expenses are 0.52% for the Managed Pension Fund, 0.83% for the Diversified Growth Pension Fund and 0.27% for the Index Linked Pension Fund and are deducted from the value of the funds and reflected in the unit price of the funds.

Scheme	Investment management		Other Expenses		Total	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	£	£	£	£	£	£
Baillie Gifford Managed Pension Fund	(63,927)	(56,577)	(3,589)	(2,514)	(67,516)	(59,092)
Baillie Gifford Index Linked Funds	(8,322)	(7,327)	(740)	(586)	(9,062)	(7,913)
Baillie Gifford Diversified Growth Funds	(87,335)	(83,974)	(24,502)	(29,714)	(111,837)	(113,688)
Total	(159,584)	(147,879)	(28,831)	(32,814)	(188,415)	(180,693)

15. Investment Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Category (a) The quoted price for an identical asset in an active market.
- Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.
- Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value the fair value is determined by using a valuation technique which uses:
 - c (i) observable market data; or
 - c (ii) non-observable data.

For the purposes of this analysis daily priced funds have been included in (a)

The Scheme's investment assets have been fair valued using the above hierarchy categories as follows:

At 31 March 2017	Category	Category	Category	Category	Total
	(a)	(b)	c (i)	c (ii)	
	£	£	£	£	£
Pooled Investment vehicles	33,282,185				33,282,185
Cash deposit					
Total	33,282,185				33,282,185

	Category (a)	Category (b)	Category c (i)	Category c (ii)	Total
At 31 March 2016	£	£	£	£	£
Pooled Investment vehicles	28,010,662	-	-	-	28,010,662
Cash deposit	323,276	-	-	-	323,276
Total	28,333,938	-	-	-	28,333,938

16. Investment risks

There are a range of risks associated with investments in a pension scheme. The Trustees will consider the following main risks on an ongoing basis:

- Cashflow risk – this is the risk of a shortfall in liquid assets relative to immediate liabilities. In the short-term there are relatively few cash outflows and the Scheme is cashflow positive. However, the Trustees will monitor this risk over time and adjust the investment strategy as necessary to ensure sufficient liquidity exists.
- Mismatching risk – this is the risk that the asset and liability values change in significantly different ways. The Trustees are aware that significant investment in growth assets involves a mismatching risk, but will look to diversify the growth assets to reduce the downside risk. This risk will be assessed at each actuarial valuation and as the Scheme matures the Trustees will consider how to reduce the mismatching.
- Manager risk – this is the risk that the investment managers do not achieve the returns expected by the Trustees. This risk will be monitored by the Trustees regularly reviewing manager performance against their benchmark and peers. Extended underperformance will usually lead to a re-tender of the investment mandate.
- Concentration risk – this is the risk that a large proportion of the Scheme assets are invested in a single asset class or investment. The Scheme is then at risk if that single class or investment underperforms or fails. The Trustees reduce this risk by adopting a strategy that involves investment in a range of different asset classes.
- Credit risk – this is the risk that a counterparty defaults and fails to meet its obligations to the Scheme. The Trustees minimise this risk by investing in funds that ring fence investor assets and by only retaining cash deposits with recognised banks authorised to conduct banking business within the United Kingdom.

The investments of the Scheme will be managed to contain these risks to a level acceptable to the Trustees. However, the Trustees are aware that a totally risk averse investment strategy is likely to give lower returns over the longer term than investments with an element of uncertainty over the return. The Scheme is funded from public funds and therefore the Trustees wish to provide the benefits at a cost that is not prohibitive.

When considering risk, the Trustees will have regard to the advice of their professional advisers and to the general consensus of accepted practice of occupational pension schemes in the United Kingdom. This will not prevent the Trustees from accepting risk in their investment strategy where they believe it provides a worthwhile reward for the Scheme.

16.1. Investment policy

The Trustees set investment policy after seeking advice from the Government Actuary's Department on the suitability of certain asset classes having regard to the nature, timing and currency of the Scheme's liabilities as well as the funding level and the Trustees and National Assembly's appetite for risk. From time to time the Trustees may also seek advice from other appropriately qualified experts.

The size of the Scheme's assets is currently insufficient to allow a widely diversified portfolio of investment were the assets to be invested directly. Therefore, until the assets have become sufficiently large, the Trustees believe that the most cost effective way of investing to achieve suitable diversification is to use pooled investment products.

The investment criteria of pooled investment products are set by the documents governing those products. The Trustees of an individual pension scheme investing in such a pooled product cannot decide or amend these criteria. However, the Trustees of the Scheme can take full account of the stated investment objectives and ranges of permitted investments of the pooled product when deciding how to invest the Scheme's assets.

In order to meet the objective of diversifying the Scheme assets and allowing the use of growth asset classes to provide higher expected returns, the Trustees will invest in a range of asset classes that predominantly seek to provide equity-type returns. This will usually mean use of 'managed', 'mixed managed' or 'diversified' funds for pension schemes. The asset mix of such funds is usually tailored to the needs of a typical pension scheme and the Trustees consider the Scheme to be of a similar type.

The Trustees or their investment managers may hold cash on deposit if it is awaiting investment, reinvestment or payment to members, or as part of the investment strategy from time to time. All cash deposits must be with a recognised bank or banks authorised to conduct banking business within the United Kingdom.

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. In order to take advantage of the tax reliefs granted to registered pension schemes, the Trustees will only invest in pooled investment products that can claim similar tax advantages by only allowing investment by other tax-approved pension schemes or registered charities.

In line with this policy, and in order to achieve sufficient diversification, the Trustees have invested in three pooled funds: a Managed, a Diversified Growth and an Index-Linked bond pension fund.

17. 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 3 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.

Independent Auditor's Statement

Independent Auditor's Statement about Contributions to the Trustees of the National Assembly for Wales Members' Pension Scheme.

I have examined the summary of contributions to the National Assembly for Wales Members' Pension Scheme for the Scheme year ended 31 March 2017, which is set out on page 19.

Respective responsibility of Trustees and Auditors

As explained more fully in the Statement of Trustees' Responsibilities on page 18 the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable to the Scheme 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 active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

My responsibility is to provide a statement about contributions paid under the schedule of contributions and to report my opinion to you.

Scope of work on statement about contributions

My examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 19 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

Statement about contributions payable under the schedule of contributions

In my opinion contributions for the Scheme year ended 31 March 2017, as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary on 24 May 2017.

Huw Vaughan Thomas

Auditor General for Wales

Date: 11 July 2017

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.

Actuary's statement covering financial year to 31 March 2017

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 2014, 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 2014 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 £3.58m could have been reflected as an adjustment to the Standard Contribution Rate. However following discussions with the Trustees, the recommended employer's contribution rate was the same as that payable following the 2011 valuation. This was 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 2014 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	1½ % 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 pensioner longevity tables published by the Continuous Mortality Investigation (the SAPS tables) with adjustments as adopted in the valuation of the NHS Pension Scheme in England & Wales as at 31 March 2012, and with future improvements in line with principal 2012-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 2014, dated 26 March 2015.

Contribution rate

Up until 5 May 2016 members paid contributions to the Scheme at the rate of 10% of pensionable salary if they accrued 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 accrued 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 2015, being the same rate as payable from 1 April 2009 to 1 April 2015. The rate included full provision for death benefits, including improvements in these benefits since the Scheme's inception, and also an allowance for administration expenses.

The National Assembly for Wales Remuneration Board introduced a new benefit structure which came into force on 6 May 2016. Members who were aged 55 or over on 1 April 2012 are protected and continue to accrue benefits on the previous benefit structure until 6 May 2021 and pay contributions of 10% or 6% of pensionable pay. Members on the new benefit structure pay contributions to the Scheme at the rate of 10.5% of pensionable salary.

Following the introduction of the new benefit structure, the recommended employer contribution rate has been reassessed to be 15.6% of pensionable pay from 6 May 2016. This is the full standard contribution rate less member contributions, with no adjustment to eliminate the surplus in the Scheme.

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 is being undertaken with an effective date of 1 April 2017. 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.

Daniel Selby

Fellow of the Institute and Faculty of Actuaries
24 May 2017

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