

The National Assembly for Wales
Members' Pension Scheme

Annual Report & Accounts

1 April 2006 to 31 March 2007

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

The National Assembly for Wales Members' Pension 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.

The Pensions Act 2004 and Finance Act 2004 made significant changes to the regulation and taxation of pensions. The Scheme rules needed to be amended to conform to new legislative requirements and the Trustees took the opportunity to review the Scheme rules.

They wished, where possible, to amend the Scheme rules to the benefit of members with the proviso that the changes should be broadly cost neutral. The discussions took place over several months and involved detailed consultation with the Scheme's professional advisers to ensure there was no significant increase in either cost or risk to the Scheme.

On 29 November 2006 the revised Scheme Rules (Scheme Rules 2006) were adopted by a resolution of the Assembly. The major changes were as follows:

- Tax Free Cash increased in line with Finance Act 2004
- Earnings Cap to be at the discretion of the Trustees
- Spouses/Partners/Dependants pensions to be excluded from abatement
- The limit on the purchase of added years increased to 20% of a Member's ordinary salary including normal contributions
- The rules covering the withdrawal of spouses/partners/dependants pensions were removed
- Minimum pension age increased to age 55 for new entrants after 6 April 2006. The minimum pension age for those who joined before this date remains age 50
- Rule of 80 removed for new entrants after 6 April 2007
- Retained benefit test was removed
- Membership of the Scheme restricted to those under age 75
- Deputy Ministers and the Counsel General added to the list of qualifying offices for pension purposes.

Office Holders now are: the Presiding Officer; the Deputy Presiding Officer; the First Minister; Welsh Ministers; the leader of the largest political group without an executive role; Subject Committee Chairs; Audit Committee Chair: Deputy Welsh Ministers: and Counsel General.

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 7 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 3 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:

| | |
|---------------------|----------------------------------|
| John Marek AM | Deputy Presiding Officer (Chair) |
| Eleanor Burnham AM | |
| Alun Cairns AM | |
| Peter Law AM MP | Deceased 25 April 2006 |
| Owen John Thomas AM | |
| Edwina Hart MBE AM | |

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

Alun Cairns AM (Chair)
Eleanor Burnham AM
Edwina Hart MBE AM
Dr John Marek
Owen John Thomas

Scheme Administration

The day to day running of the Scheme is carried out by the Scheme Secretariat within the National Assembly for Wales 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
Tel: 02920 898956/898161
Fax: 02920 898059
e-mail: roger.beale@wales.gsi.gov.uk
wayne.cowley@wales.gsi.gov.uk

Income of the Fund

The income of the Fund is derived from the following sources; contributions from active members and from the National Assembly for Wales 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, as the employer, contributes 23% of pensionable salaries for both the basic scheme and the Office Holders' scheme. These rates

have been in effect since 1 April 2006 following the second triennial valuation as at 1 April 2005.

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's contribution. The second triennial valuation was completed as at 1 April 2005, and the report was laid on 4 April 2006, in accordance with the Scheme rules.

The statement from the Actuary dated 30 March 2006 recommended a contribution rate of 23% of Members' pensionable salary with effect from 1 April 2006. 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 22 May 2007 (at pages 11 & 12) confirms the adequacy of the Assembly's contribution of 23% 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 2006 | 60 | <i>(Of which Office Holders 20)</i> |
| <i>add:</i> New entrants in the year | 1 | |
| <i>less:</i> Leavers in the year | (0) | |
| Retirements in the year | (0) | |
| Death in Service | <u>(1)</u> | |
| Active Members at 31 March 2007 | 60 | |

Deferred Members

| | |
|--|------------|
| Deferred Members at 1 April 2006 | 7 |
| <i>add:</i> Members leaving with deferred rights | 0 |
| <i>less:</i> Members taking up deferred rights | <u>(0)</u> |
| Deferred Members at 31 March 2007 | 7 |

Pensioners in Payment

| | |
|---|----------|
| Pensioners in payment at 1 April 2006 | 10 |
| <i>add:</i> Members retiring in year | 0 |
| <i>add:</i> Members taking up Deferred Rights | 0 |
| <i>add:</i> New Dependants | 1 |
| <i>less:</i> Deaths in year | <u>0</u> |

Pensioners in Payment at 31 March 2007 11

Payments from the scheme during the year are disclosed in Note 5 to the accounts. Pensions in payment as at 10 April 2006 were increased by 2.7% in accordance with The Pensions Increase (Review) Order 2006.

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 November 2002), as far as is appropriate.

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

The audited accounts are expected to be laid before the Assembly within 3 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 £1,076,880 (2005-2006 £1,108,327), and Scheme expenditure £187,973 (2005-2006 £122,257). The net assets of the Scheme at 31 March 2007 were £10,273,212 (2005-2006 £8,984,056).

During the period a total of £700,856 (2005-2006 £1,026,736) was remitted to the Fund Managers for investment in the Baillie Gifford Managed Pension Fund. The total market value of the Fund at 31 March 2007 was £9,821,230 (2005-2006 £8,727,453).

As at 31 March 2007 a total of £360,962 (31 March 2006 £181,129) was held on deposit with the Scheme's bank earning interest based on the prevailing money market rates.

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 National Assembly for Wales Members' Pension Scheme is determined by the Trustees, and is reviewed from time to time. The policy in force at 31 March 2007 is set out in the Statement of Investment Principles, which has been adopted by the Trustees and is available to Members on request from Scheme Secretariat. There is no self investment.

Investment Manager

The Trustees have appointed Baillie Gifford Life Ltd as Fund Managers for the National Assembly for Wales Members' Pension 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 of 0.45% of the total market value of the fund per annum, which is deducted from the value of the Fund each month.

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

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 8 to 10. The market value of the Fund as at 31 March 2007 was £9,821,230 a gain of £392,921 over the year, as disclosed in Note 7 of the accounts.

Despite recent stock market volatility, the value of the units held as at the 31 March 2007 have not materially changed based on the unit price as at the close of business on 31 August 2007.

**Alun Cairns Assembly Member
Chair of the Trustees**

**Edwina Hart MBE Assembly Member
Trustee**

(On behalf of the Trustees)

Date: 16 October 2007

National Assembly for Wales Members' Pension Scheme Investment Report for the Year Ended 31st March 2007

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

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

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

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

Investment Target

The Trustees have set a performance objective for the investment managers which takes account of the liability profile of the Scheme and the level of risk that the Trustees believe appropriate. The present target of the Baillie Gifford Managed Pension Fund is to outperform the CAPS Median Balanced Pooled Fund over rolling 3 year periods.

Investment Authority

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

In turn, the manager works to establish a well-diversified portfolio both within stock markets and also geographically. The benchmark asset allocation is the CAPS pooled fund average asset distribution. The investment philosophy and objectives of BGL's Managed Pension Fund are consistent with the authority signed by the Trustees.

Distribution of Assets

The valuation and distribution of assets in the Baillie Gifford Managed Pension Fund at 31st March was as follows:

| | 2006 % | 2007 % |
|----------------------------|--------------------------|--------------------------|
| UK Equities | 49.6 | 48.4 |
| Overseas Equities | | |
| North America | 9.6 | 10.6 |
| Europe | 15.4 | 16.8 |
| Japan | 7.5 | 5.4 |
| Pacific (ex Japan) | 4.8 | 5.1 |
| Emerging Markets | 5.5 | 6.4 |
| | <hr/> 42.8 | <hr/> 44.3 |
| Fixed Interest | | |
| UK Bonds | 3.9 | 3.5 |
| Overseas Bonds | 1.2 | 1.2 |
| | <hr/> 5.1 | <hr/> 4.7 |
| Cash & Deposits | 2.5 | 2.6 |
| TOTAL | <hr/> 100.0 <hr/> | <hr/> 100.0 <hr/> |

Economic and Market Background – 12 Months to 31 March 2007

Despite occasional bouts of volatility, stock markets finished the twelve month period ending 31st March 2007 on a positive note. The FTSE All-World Index rose by 12.8%, as robust corporate profits and plentiful liquidity offset concerns about the US economy slowing and underpinned a surge in merger and acquisition activity.

The UK equity market provided a total return of 11.2% over the twelve month period. Sterling's strength reduced returns from overseas markets for UK investors, but strong positive returns were still evident in some markets, even in sterling terms, with the European equity market up by 12.4%, Asia Pacific up by 20.3% and Emerging Markets up by 7.6%. Returns from US equities were slightly negative in sterling terms (-0.9%), however, the worst performing market was Japan with a return of -9.9% for UK investors. The performance of the Japanese economy was the disappointing factor as the return of inflation was not followed by the expected improvement in levels of private consumption. Japan was also unique among the developed markets in not experiencing a surge in merger and acquisition activity, although there were some signs of an improved focus on shareholder return in the corporate sector.

Baillie Gifford's view was that equity markets remained attractive through the period and this was reflected in an overweight position in equities in the portfolio relative to bonds. This positive view of equities seemed to be shared by the corporate sector and private

equity investors, with the rise of merger and acquisition activity a particularly notable feature of the period. Utilities and retailers were in particular focus. The value embedded in many companies' assets, their high levels of profitability, and the plentiful supply of liquidity suggests that corporate and private equity deals may be a feature of the market for a while yet.

The US economy was also in focus over the period as signs of a slowdown emerged in consumer demand. The emergence of a crisis in the American sub-prime mortgage market earlier this year highlighted problems in the housing market, but the amounts of money involved are not thought to be big enough to cause problems in the whole financial system. The full extent of the slowdown in US consumption is not yet apparent and remains a concern, however, markets are likely to be positively influenced by the continuation of robust economic growth elsewhere in the world, most notably in China and parts of Europe.

Over the period, global bond yields were little changed. Corporate defaults have been running at very low levels which has provided support for the corporate bond market. There was continued strong demand from institutions such as pension funds and life assurance companies for longer-dated bonds to match liabilities.

In conclusion the outlook for equities is good, although markets may remain nervous and investors have more reason to be selective than has been the case for a number of years. We expect corporate profits to continue to grow, albeit at a slower pace, and companies are generally in good financial health which should lead to higher dividends and continuing share buybacks as well as further merger and acquisition activity, all of which should help to underpin share prices. We expect equity markets to continue to provide higher returns than bond markets.

Performance

The Managed Pension Fund provided a total return of 3.9% during the year ended 31st March 2007 compared with a median return for funds included in the CAPS Balanced Pooled Fund survey of 6.0%.

The annualised investment return over the last three years to 31st March 2007 of 15.1% compares to a CAPS Balanced Pooled Fund survey median return of 14.6% per annum. The returns for the five years are 7.8% and 7.8% respectively.

Marketability

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

Largest Holdings

As of 31st March 2007 the ten largest equity holdings accounted for 22.5% of the total value of the portfolio. One holding, Royal Bank of Scotland, represented 3.6% (£353,564.28) of the net assets of the Scheme.

Baillie Gifford Life Limited
Carlton Square
1 Greenside Row
Edinburgh
EH1 3AN

NATIONAL ASSEMBLY FOR WALES MEMBERS' PENSION SCHEME

ACTUARY'S STATEMENT - COVERING FINANCIAL YEAR TO 31 MARCH 2007

Actuarial Assessment

A formal actuarial assessment of the Scheme was carried out with an effective date of 1 April 2005, with the principal objective of making a recommendation to the Trustees of the Scheme about the appropriate level of the employer contribution rate after that date. Whilst the level of members' contributions is specified in the Rules, the employer contribution rate is calculated as a percentage of salary required to meet the balance of cost to ensure that Scheme benefits are paid for during active service with the National Assembly.

Method

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

Assumptions

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

Principal assumptions used for valuing the liabilities

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

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

Mortality – Standard tables of mortality published by the actuarial profession (the "PMA 92" tables)

Further details of the methods and assumptions used are set out in the report on the actuarial valuation as at 1 April 2005, dated 30 March 2006.

Contribution Rate

Members pay contributions at the rate of 10% of pensionable salary if they accrue at the rate of one-fortieth of final pensionable pay per year of service, or at the rate of 6% of pensionable pay if they accrue at the rate of one-fiftieth. The recommended employer contribution rate determined using the method and assumptions described above was assessed as 23% of pensionable salary with effect from 1 April 2006. The rate includes full provision for death benefits, including improvements in these benefits since the scheme's inception, and also an allowance for administration expenses.

Security of Prospective Rights

In my opinion, the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. In giving this opinion, I have assumed that employer contributions will be paid to the Scheme as described in the paragraph titled "Contribution Rate" above (subject to review at the 2008 valuation), in addition to Member contributions at the rates described in the paragraph titled "Contribution Rate" above.

Next Actuarial Assessment

The next formal actuarial valuation of the Scheme will be undertaken with an effective date of 1 April 2008. The main purpose of that valuation is to assess the adequacy of the recommended rate of employer contributions, taking account of all relevant factors since the preceding valuation.



D G Ballantine

Government Actuary's Department

Fellow of Faculty of Actuaries
Finlaison House

22 May 2007

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:

| | 2006-07 £ | 2005-06 £ |
|---|------------------|------------------|
| Employer normal contributions | 750,555 | 781,288 |
| Employee normal contributions | 317,866 | 355,347 |
| Employee additional voluntary contributions to purchase Added Years | 8,136 | 5,237 |
| Total Contributions | <u>1,076,557</u> | <u>1,141,872</u> |

**Alun Cairns
Assembly Member
Chair of Trustees**

(On behalf of the Trustees)

**Edwina Hart MBE
Assembly Member
Trustee**

Date: 16 October 2007

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

| | 2006-07 £ | 2005-06 £ |
|---|------------------|------------------|
| Contributions paid: | 1,076,557 | 1,141,872 |
| Less Opening Debtor: | (89,542) | (155,137) |
| Add Closing Debtor: | <u>89,571</u> | <u>89,542</u> |
| Contributions reported in the financial statements: | <u>1,076,586</u> | <u>1,076,277</u> |

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

I have examined the summary of contributions to the National Assembly for Wales Members' Pension Scheme for the scheme year ended 31 March 2007, which is set out on page 14.

Respective responsibility of Trustees and Auditors

As described on page 13 the scheme's Trustees are responsible for ensuring compliance with the scheme rules and recommendations of the Actuary which sets out the rates on certain contributions payable towards the scheme or by or on behalf of the employer and the active members of the scheme. The Trustees have a general responsibility for procuring that contributions are made to the scheme in accordance with the recommendations of the Actuary as set out in the Actuary's Statement on pages 11 and 12

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 in accordance with the Actuary's Statement. My statement about contributions is required to refer to those instances of non-compliance with the Actuary's recommendations 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 2007, as reported in the summary of contributions have been paid in accordance with the recommendations of the Actuary as set out in the Actuary's Statement certified by the scheme Actuary on 22 May 2007.

Jeremy Colman
Auditor General for Wales
October 2007

Wales Audit Office
2-4 Park Grove
Cardiff
CF10 3PA

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 National Assembly for Wales Members' Pension 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 2006-07.

Capacity to Handle Risk

Day to day administration and accounting responsibility has been delegated to the Secretariat and the Trustees rely upon the National Assembly for Wales Commission's internal control procedures which form part of the system of internal control operated by the National Assembly for Wales 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 2006-07, 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 2006 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.

Review of Effectiveness

The external and internal auditors and the secretariat assist us in our review of and the development and maintenance of the system of internal control framework and its effectiveness. Comments made by the external auditors in their management letter and other reports are taken into account.

Alun Cairns
Assembly Member
Chair of Trustees

(On behalf of the Trustees)

Edwina Hart MBE
Assembly Member
Trustee

Date: 16 October 2007

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

I have audited the financial statements that comprise the Fund Account, the Net Assets Statement and the related notes, which have been prepared under the accounting policies set out in the related notes.

Respective responsibilities of Trustees and Auditors

The Trustees' responsibilities for obtaining an annual report, including audited financial statements prepared in accordance with applicable United Kingdom law and accounting standards, are set out in the statement of Trustees' responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practice Board.

I report to you my opinion as to whether the financial statements show a true and fair view and contain the information required by the relevant legislation. I also report to you if, in my opinion, I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Trustees' Report, the Investment Report, the Actuary's Statement, the Statement on Internal Control, and the Compliance Statement.

I review whether the statement on pages 16 to 17 reflects the Trustees' compliance with Treasury's guidance on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Trustees' Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Scheme's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

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

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

evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2007, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year and contain the information specified in Regulation 3 of and the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

Jeremy Colman
Auditor General for Wales
October 2007

Wales Audit Office
2-4 Park Grove
Cardiff
CF10 3PA

The National Assembly for Wales Members' Pension Scheme

Accounts for the year to 31 March 2007

Fund Account

| | | 2006-07 | 2005-06 |
|---|-------|-------------------------|------------------------|
| | Notes | £ | £ |
| Scheme Income | | | |
| Contributions receivable | 4 | 1,076,586 | 1,076,277 |
| Individual Transfers In | | - | 31,544 |
| Bank Interest Received | | 294 | 506 |
| | | <hr/> 1,076,880 | <hr/> 1,108,327 |
| Scheme Expenditure | | | |
| Benefits Payable | 5 | 125,029 | 52,064 |
| Professional Fees | 6 | 58,567 | 68,757 |
| Administration Costs | | 4,377 | 1,436 |
| | | <hr/> 187,973 | <hr/> 122,257 |
| Net Additions from dealings with Members | | <hr/> 888,907 | <hr/> 986,070 |
| Investments | | | |
| Change in market value of investments | 7 | 392,921 | 2,026,705 |
| Cash Deposit Interest | 8 | 7,328 | 5,747 |
| | | <hr/> 1,289,156 | <hr/> 3,018,522 |
| Net Increase in the fund during the year | | <hr/> 1,289,156 | <hr/> 3,018,522 |
| Net Assets of the scheme at 1 April | | 8,984,056 | 5,965,534 |
| Net Assets of the scheme at 31 March | | <hr/> 10,273,212 | <hr/> 8,984,056 |

Net Assets Statement

| | | As at 31 March 2007 | As at 31 March 2006 |
|---|---|-------------------------|------------------------|
| | | £ | £ |
| Investments | | | |
| Managed Fund | 7 | 9,821,230 | 8,727,453 |
| Cash Deposit | 8 | 360,962 | 181,129 |
| Current Assets and Liabilities | 9 | 91,020 | 75,474 |
| Net Assets of the scheme at 31 March | | <hr/> 10,273,212 | <hr/> 8,984,056 |

Approved on behalf of the Trustees on 16 October 2007 by:

Alun Cairns AM
Chair of Scheme Trustees

Edwina Hart MBE AM
Trustee

The notes on pages 21 to 23 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 November 2002.

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 11 and 12).

2. Accounting Policies

The scheme's principle accounting policies are:

- Normal contributions, contributions for the purchase of added years and additional voluntary contributions 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 market value at the close of business on 31 March each year. The market value of the managed fund units is the average price of units.

3. Secretariat

The cost of providing staff for the Scheme's secretariat, continues to be met directly by the National Assembly for Wales Commission. For the period covered by the accounts these costs, which were met by the National Assembly for Wales, were estimated to be £57,500 (2005-06 £42,500).

4. Contributions Receivable

Contributions comprise:

| | 2006-07 | 2005-06 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Employer: normal contributions | 749,957 | 760,878 |
| Members: normal contributions | 318,676 | 310,397 |
| : purchase of Added Years | 7,953 | 5,002 |
| | <u>1,076,586</u> | <u>1,076,277</u> |

Members contributed 10 % to accrue benefits on a fortieths basis and 6% to accrue benefits on a fiftieths basis with the National Assembly for Wales contributing 23% of superannuable salaries to the scheme.

5. Benefits Payable

| | 2006-07 | 2005-06 |
|------------------------------|----------------|---------------|
| | £ | £ |
| Pensions | 63,441 | 45,853 |
| Lump Sum Retirement Benefits | - | 6,211 |
| Death Benefit Lump Sum | 61,588 | - |
| | <u>125,029</u> | <u>52,064</u> |

6. Professional Fees

| | 2006-07 | 2005-06 |
|----------------|---------------|---------------|
| | £ | £ |
| Actuarial Fees | 25,164 | 54,145 |
| Audit Fee | 8,225 | 8,577 |
| Legal Fees | 25,178 | 6,035 |
| | <u>58,567</u> | <u>68,757</u> |

7. Investments

All investments are held in the Baillie Gifford Managed Pension Fund.

| | Units | 2006-07 | 2005-06 |
|--------------------------|-----------|------------------|------------------|
| | | £ | £ |
| Market value at 1 April | 2,079,500 | 8,727,453 | 5,674,012 |
| Purchases at cost | 171,836 | 700,856 | 1,026,736 |
| Disposals | - | - | - |
| Change in market value | | <u>392,921</u> | <u>2,026,705</u> |
| Market value at 31 March | 2,251,336 | <u>9,821,230</u> | <u>8,727,453</u> |
| Cost at 31 March | | 6,842,442 | 6,141,586 |

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

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

The management charge of 0.45% per annum is deducted from the value of the fund and is reflected in the unit price of the fund.

8. Cash Deposit

| | 2006-07 | 2005-06 |
|--|----------------|----------------|
| | £ | £ |
| Deposit made as at 31 March | 353,839 | 175,429 |
| Add Interest earned during the year | 7,328 | 5,747 |
| | <u>361,167</u> | <u>181,176</u> |
| Less Interest accrued but not yet received | (205) | (47) |
| Total Cash Deposit | <u>360,962</u> | <u>181,129</u> |

9. Current Assets and Liabilities

| | 31 March 2007 £ | 31 March 2006 £ |
|--|-----------------------|-----------------------|
| Cash at Bank | 14,123 | 78,971 |
| Contributions due from employer | 89,571 | 89,542 |
| Other debtors and prepayments | 769 | 532 |
| Creditors: amounts payable within one year | (13,443) | (93,571) |
| | <u>91,020</u> | <u>75,474</u> |

‘Contributions due from employer’ relate to the month of March 2007 and were paid in full to the scheme before the statutory deadline.

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

10. Related Party Transactions

During the period of account the Scheme has had material transactions with the National Assembly for Wales, 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 National Assembly for Wales Members' Pension 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 Assembly Members' Pension 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 6 Trustees.
- Only a Member of the Assembly may be appointed as a Trustee, but a person shall not cease to be a Trustee merely because he ceases to be a Member of the Assembly. 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 3 normal and 3 special 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 the Fees Office.

Scheme Advisers Appointed by the Trustees in Connection with the Fund as at 31 March 2007

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

From the 1 April 2006 the Scheme Secretariat has taken over responsibility for producing the Annual Accounts. There have been no other changes in the appointments since the previous period

Funding Standard

The National Assembly for Wales Members' Pension 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 National Assembly For Wales Members' Pension 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;
- (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)

Additional Voluntary Contributions are applied to the purchase of added years of service and such contributions are invested with normal contributions in the scheme fund.