

**National Assembly for Wales**  
Members' Pension Scheme

**Annual report and accounts**  
2015–16

June 2016

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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

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**Cardiff Bay**  
**Cardiff**  
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# Trustees and advisers

The Trustees for the year were:

**William Graham AM**

Chair of Trustees

**David Melding AM**

**Jocelyn Davies AM**

**Mike Hedges AM**

**Peter Black AM**

**Gareth Jones**

Pensioner Trustee

In line with the Remuneration Board's Determination a new Pensions Board was established on 6 May 2016. The Board comprises two representatives nominated by current and previous Assembly Members, two representatives appointed by the Assembly Commission and a professional Independent Trustee to act as Chair.

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

**Jill Youds**

Independent Trustee (Chair)

**Mike Hedges AM**

Member Nominated Trustee

**Gareth Jones**

Member Nominated Trustee

**Suzy Davies AM**

Commission Nominated Trustee

Following the Commissioners meeting in June 16, the Commissioners also nominated the Assembly Commission Director of Finance as their second Trustee. The vacant Director of Finance post is presently being covered by the Assembly Commission Head of Financial Services pending a permanent appointment.

## 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: Scheme Secretary	Tel: 0300 200 6523 and email: <b><a href="mailto:donna.davies@assembly.wales">donna.davies@assembly.wales</a></b>
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Liz Calder Assistant Secretary	Tel: 0300 200 6528 and email: <b><a href="mailto:liz.calder@assembly.wales">liz.calder@assembly.wales</a></b>
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(Nicola Callow was Scheme Secretary in year resigned 21 April 2016)

Scheme Advisers Appointed by the Trustees in Connection with the Fund as at 31 March 2016

<b>Actuary</b>	Trevor Llanwarne of the Government Actuary Department
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<b>Auditor</b>	The Auditor General for Wales
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<b>Bankers</b>	Barclays Bank plc
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<b>Investment Manager</b>	Baillie Gifford Life Limited
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<b>Legal Adviser</b>	Eversheds
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<b>Scheme Accountants</b>	Scheme Secretariat, Assembly Commission
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There have been no changes in the appointments since the previous period.

# The Trustees' Report for the period ending 31 March 2016 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.

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 the earliest the pension can be paid is age 50 (the pension may be reduced for early payment if taken before age 65 depending upon age/length of service);
- For members joining after 6 April 2006 the earliest the pension can be paid is age 55 (the pension will be reduced for early payment if taken before age 65);
- A pension at any time on the grounds of permanent 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 active member of the Scheme);
- Childrens' pensions at the rate of one quarter of the member's pension if there is one child or three eighths if there are two or more children (based on prospective service if death occurs while an active member of the Scheme);
- 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);

### Rules Changes

There have been no rule changes during the year.

## 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 National Assembly for Wales Remuneration Board ("the Board") has responsibility for setting Assembly Members' pay, allowances and pensions. The Board's review of Members' pensions has concluded and in May 2016 the Board published its Determination of the Fifth Assembly. The Trustees and their professional advisers have engaged with the Board and HM Treasury throughout the year to finalise the new Scheme rules. A new Career Average Pension Scheme will be introduced from 6 May 2016. Members aged 55 or over on 1 April 2012 will be 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 will be 15.6% of Members aggregate salaries. Members not subject to 'Transitional Protection' will pay contributions at the rate of 10.5%. Those members who are subject to 'Transitional Protection' will continue to pay contributions at their existing rate of either 6% or 10% depending on whether they are accruing benefits on a 50<sup>th</sup> or 40<sup>th</sup> basis respectively.

## Management of the Scheme

The Trustees who served during the year are listed on Page 2.

## How the Trustees of the Scheme Are Appointed

The Scheme Rules state that there shall be 'no more' than six Trustees.

At any point in time, one of the six Trustees shall be a pensioner, if anyone is prepared to stand. Where more than one nomination is received, a ballot to select the individual with the highest number of votes will be held amongst the pensioner category membership of the Scheme.

No other person shall be appointed to be a Trustee unless he or she is a Member of the National Assembly for Wales but a person shall not cease to be a Trustee merely because he or she ceases to be a Member of the National Assembly for Wales. The National Assembly for Wales may appoint or dismiss any Trustee to or from that office. A Trustee may resign from office by giving 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. The Trustees met three times during the year.

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 is 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 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. This is the first year FRS 102 and the Revised SORP have applied to the Scheme’s financial statements.

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.

	2016 £	2015 £
<b>Member related income</b>	1,400,449	1,409,569
<b>Member related payments</b>	(821,093)	(487,611)
<b>Net additions from dealings with members</b>	579,356	921,958
<b>Net returns on investments</b>	61,397	2,618,597
<b>Net increase/(decrease) in fund</b>	640,753	3,540,555
<b>Net assets at start of year</b>	29,028,245	25,487,690
<b>Net assets at end of year</b>	29,668,998	29,028,245

## Summary Financial Information

Income during the period was £1,400,449 (2014-15 £1,409,569), and Scheme expenditure £821,093 (2014-2015 £487,611). The net assets of the Scheme at 31 March 2016 were £29,668,998 (31 March 2015 £29,028,245).

During the period a total of £561,880 of new investment was remitted to the Fund Managers for investment in the Diversified Growth Pension Fund and the Baillie Gifford Index Linked Pension Fund. The total market value of the Funds invested at 31 March 2016 was £28,010,662 (31 March 2015 £28,580,104).

As at 31 March 2016 a total of £323,276 (31 March 2015 £352,572) was held on a Treasury deposit account with the Scheme’s bank earning interest based on the prevailing money market rates. This cash is held for self-insurance purposes.

# Actuarial review

## Actuary's statement - covering financial year to 31 March 2016

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 22 to 23 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 formal Actuarial certificate is included on page 35.

### 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	
<b>Contributory membership at start of year 1 April 2015 (60 Assembly Members, and the Counsel General. Of the 61 members there are 31 Office Holders posts.)</b>	61
<b>New entrants in year</b>	2
	63
<b>Leavers in the year</b>	(2)
<b>Retirements in the year</b>	(1)
<b>Death in service</b>	-
<b>Contributory membership at 31 March 2016</b>	60

Pensioners	
<b>In payment at 1 April 2015</b>	34
<b>Members retiring in year</b>	1
<b>Members taking up Deferred Rights</b>	2
<b>New Dependants</b>	-
<b>Deaths in year</b>	-
<b>Pensioners in Payment at 31 March 2016</b>	<u>37</u>

Deferred members	
<b>At 1 April 2015</b>	21
<b>Members leaving with deferred rights</b>	2
<b>Members taking up deferred rights</b>	(2)
<b>Members transferring benefits out of the Scheme</b>	(1)
<b>Deferred Members at 31 March 2016</b>	20

## Pension increases

Payments from the Scheme during the year are disclosed in Note 7 to the accounts. Pensions in payment are reviewed each year in line with the Pensions Increase (Review) Order 2015 which was laid before Parliament on 13 March 2015 and comes into force on Monday 6th April 2015. Pensions in payment were increased by 1.2%.

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

## Custody

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

## Investment management

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

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

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

The cost of fund management in 2015-16 was £147,879 (2014-15 £138,644).

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.

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 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.

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 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 2016 is set out in the Statement of Investment Principles, which has been adopted by the Trustees and is available to Members on request from the Scheme Secretariat. The policy does not allow for any employer-related investment.

The performance objectives for the investment funds are as follows:

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

Over the last 3 years the Managed Pension Fund has achieved an annual rate of return of 6.5% against a benchmark performance of 5.4%.

Baillie Gifford Index Linked Pension 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 2016, however it was behind the benchmark in relative terms. UK index linked bonds have seen exceptionally strong performance over the last few years, but this trend slowed somewhat in this reporting period. Ongoing concerns about Chinese growth, low commodity prices and the actions of central banks all contributed to a volatile start to 2016, which saw investors once again seek out safe-haven investments, bolstering short-term returns. The fund is positioned to benefit from slower growth in selective emerging markets. The recent emerging market rally was unhelpful to relative performance.

Over the last 3 years the Index Linked Pension Fund has underperformed the benchmark with an annual rate of return of 4.75% against a benchmark performance of 5.6%.

Baillie Gifford Diversified Growth Pension Fund - to outperform the UK base rate by 3.5% per annum (net of fees) over rolling five year periods 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 4.3% against a benchmark performance of 4.0%.

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 10 to 14. The market value of the Managed Fund as at 31 March 2016 was £12,526,052. Assets of £536,400 were surrendered to pay retirement benefits; the market value of the Index Linked Pension Fund as at 31 March 2016 was £2,890,438, assets of £119,200 were surrendered to pay retirement benefits. The market value of the Diversified Growth Pension Fund as at 31 March 2016 was £12,594,172, assets of £536,400 were surrendered to pay retirement benefits. These values are disclosed in Note 14 of the accounts.

Signature

Signature

**Jill Youds**

Assembly Member

Chair of Trustees (On behalf of the Trustees)

**Gareth Jones**

Trustee

# Investment Report – for the Year Ended 31 March 2016

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 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 2016 GBP	31 March 2015 GBP
<b>Baillie Gifford Managed Pension Fund</b>	12,526,052	12,832,902
<b>Baillie Gifford Diversified Growth Pension Fund</b>	12,594,172	12,804,432
<b>Baillie Gifford Active IL Gilt Plus Pension Fund</b>	2,890,438	2,942,770
<b>TOTAL</b>	<b>28,010,662</b>	<b>28,580,104</b>

## Distribution of Assets

The distribution of assets was as follows:

	31 March 2016 %	31 March 2015 %
<b>Baillie Gifford Managed Pension Fund</b>	44.7	44.9
<b>Baillie Gifford Diversified Growth Pension Fund</b>	45.0	44.8
<b>Baillie Gifford Active IL Gilt Plus Pension Fund</b>	10.3	10.3
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## 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 2016 (%)

Baillie Gifford Managed Pension Fund	Fund (Net)	Benchmark
To outperform the CAPS median Balanced Pooled Fund by 1.0 – 1.5% p.a. gross over rolling 3 year periods.		
Five Years (p.a.)	7.7	5.9
Three Years (p.a.)	6.5	5.4
One Year	2.0	-1.9

Baillie Gifford Active Index Linked Gilt Plus Pension Fund	Fund (Net)	Benchmark
To outperform the FTSE-Actuaries over 5 year Index Linked Gilt Index by 1.5% per annum (gross) over rolling 3 year periods. Prior to 10 December 2010 it was to outperform the FT-Actuaries over 5 year Index Linked Gilt Index by 0.75% per annum (gross) over rolling 3 year periods.		
Five Years (p.a.)	9.2	9.8
Three Years (p.a.)	4.5	5.6
One Year	1.3	1.9

Baillie Gifford Diversified Growth Pension Fund	Fund (Net)	Benchmark +3.5%
To outperform the UK base rate by 3.5% per annum (net of fees) over rolling five year periods with an annualised volatility of less than 10%.		
Five Years (p.a.)	4.3	4.0
Three Years (p.a.)	2.4	4.0
One Year	-1.5	4.0

**Source: Statpro**

## Summary Risk Statistics

Baillie Gifford Diversified Growth Pension Fund

Delivered volatility	4.5
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Annualised volatility, calculated over 5 years to end of March 2016.

**Source: Baillie Gifford**

# Economic and Market Background – 12 Months to 31 March 2016

## Diversified Growth

After a relatively benign start, the investment environment became more challenging. Initially, signs of a general improvement in the global economic backdrop and accommodative monetary policy in many developed countries had a favourable impact on markets. However, as the period progressed, the combination of mounting concerns over the sustainability of economic growth in China, falling commodity prices and uncertainty around the pace of future rate rises in the US resulted in equity, credit and commodity markets retreating. Sentiment improved towards the end of the period on the back of more encouraging economic data and as central banks renewed efforts to provide stimulus, leading to a recovery in asset prices.

Over the past 12 months, active currency, infrastructure and insurance linked securities all contributed positively to performance. The Fund's overall negative return was driven by weak performance of economically-sensitive asset classes, including listed equities, emerging market bonds and high yield credit.

Throughout the period, the Fund remained broadly diversified. In the final quarter, we took advantage of market weakness to add to our Japanese equity, property and infrastructure exposure. Elsewhere, we established a position which will see us benefit from rising US inflation, taking a view that market expectations for US inflation are too low. These purchases were funded by the partial sale of gold, which had performed well, and senior structured finance instruments.

The Fund retained a notable allocation to high yield credit. However, we have reduced our underlying exposure to German government bond yields, which are expensive, through the sale of government bond futures. Elsewhere in the portfolio, other credit instruments held are either short-dated - and hence have a lower risk of being impacted negatively by rising interest rates - or floating-rate, where the coupon payments will rise with market interest rates.

Despite the period being marked by heightened volatility, our central view has not changed. Recent market weakness has created opportunities for us to add to risk assets at more attractive valuations. However, on aggregate, asset class valuations appear to reflect the continued intervention of central banks and, given the significant price increases we have seen across many asset classes over recent years, prospective returns are likely to be lower in the future than they have been in the recent past. We remain cautiously optimistic on the outlook for global growth. However, we are cognisant of the risks to that outlook and maintain a broadly diversified portfolio.

## Balanced

Major equity markets generally performed positively in the early part of the period, encouraged by a broadly supportive environment of solid corporate profits. Signs of a general improvement in the global economic backdrop and continued low interest rates in many developed countries were also helpful. However, fears over a sharper than anticipated slowdown in Chinese growth as well as concerns about the timing of US interest rate rises and falling commodity prices contributed to the subsequent volatility. Some equity indices delivered small rises for the 12 months as a whole, but many recorded negative returns. Overall, fixed interest markets benefited from the uncertainty and posted positive performance for the period.

In the US, the improving economic tone, combined with other factors, such as the return of considerable amounts of cash to shareholders, drove the US stock market to all-time highs in June before it surrendered some of the gains. Regardless, the economic environment continued to strengthen and in December the Federal Reserve announced a 0.25% rise in interest rates, the first increase since 2006.

In the UK, the stock market reached record levels in April 2015 before stabilising and subsequently losing momentum. Caught up in broader concerns about global economic growth, the UK market ended the period in negative territory. Much of market's focus is now on the impending referendum on Britain's membership of the European Union.

Economic recovery remained muted across the Eurozone during the period. Despite the announcement in early 2016 that the European Central Bank would further reduce interest rates, while increasing quantitative easing to EUR80 billion per month, market weakness persisted and European stock markets posted a decline overall.

In Japan, company results during the period suggested that profitability was improving, and companies increased pay-outs to shareholders. However, growth in the Japanese economy remained lacklustre. In a surprise move, the Bank of Japan introduced negative interest rates in early 2016 in an attempt to stimulate the economy. Japanese markets ended the period as one of the worst performing regions in local currency terms.

Slowing growth, collapsing commodity prices and currency sell-offs all affected investment sentiment in Emerging Markets. China, in particular, was the focus of attention given concerns about a slowdown in the rate of economic growth and the implications of this for the region, and beyond.

Against this backdrop, the UK equity market fell 3.9%. North America finished 0.4% higher in dollar terms, a rise of 3.6% after conversion to sterling, while Europe was down 11.5%, a fall of 4.2% in sterling terms. Emerging Markets lost 7.3% in local currency (a loss of 8.9% after conversion), and Developed Asia (including Japan) posted a 10.9% dip, which was a 4.1% decline for UK-based investors.

Interest rates remained low throughout the period and in some cases have been dropped into negative territory. Although also suffering from bouts of uncertainty, UK government bonds gained 3.3% over the year, while overseas government bonds ended 9.8% higher in local currency terms. Meanwhile, UK corporate bonds delivered a return of 0.4% for the period.

### **Fixed Interest - Government**

After a relatively benign start, the investment environment became more challenging. Initially, signs of a general improvement in the global economic backdrop and accommodative monetary policy in many developed countries had a favourable impact on markets. However, as the period progressed, the combination of mounting concerns over the sustainability of economic growth in China, falling commodity prices and uncertainty around the pace of future rate rises in the US resulted in equity, credit and commodity markets retreating. In December, the Federal Reserve announced a widely anticipated interest rate rise for the first time in ten years. As the first central bank to successfully lift rates off the zero bound, this was seen as a positive for the global economy. Conversely, both the European Central Bank and Bank of Japan have increased monetary stimulus with growth and inflation remaining elusive. Under this backdrop, gilts provided positive returns with yields moving lower over the year - returns were positive, around 3.3% for the year. Meanwhile, overseas government bonds gained 9.8% in local currency terms.

## Largest Holdings - Top Ten Largest Holdings

Baillie Gifford Managed Pension Fund	% of Portfolio
Baillie Gifford Emerging Mkts Gwth Fund C Accum	4.0
BG Worldwide Global Credit Fund C GBP Acc	2.7
BG Worldwide Active Cash Plus Fund C GBP Acc	2.6
Baillie Gifford Emerging Mkts Bond Fd C Gross Acc	2.3
Baillie Gifford Global Bond Gross C Acc	2.2
Amazon.com	1.6
Baillie Gifford Japanese Smaller Cos Fund C Accum	1.5
St. James's Place	1.4
Baillie Gifford British Smaller Cos Fund C Accum	1.3
Rightmove	1.3

Baillie Gifford Active IL Gilt Plus Pension Fund	% of Portfolio
UK Treasury 1.25% IL 2055	11.5
UK Treasury 0.375% IL 22/03/2062	10.2
UK Treasury 0.5% IL 22/03/2050	10.1
UK Treasury 1.25% IL 22/11/2032	9.2
UK Treasury 0.625% IL 22/11/2042	9.1
UK Treasury 0.75% IL 22/11/2047	8.7
UK Treasury 1.125% IL 22/11/2037	8.5
UK Treasury 2% IL 26/01/2035	7.9
UK Treasury 1.25% IL 22/11/2027	7.2
UK Treasury 4.125% IL 22/07/2030	7.1

Baillie Gifford Diversified Growth Pension Fund	% of Portfolio
Baillie Gifford Emerging Mkts Bond Fd C Gross Acc	7.7
Baillie Gifford High Yield Bond Fund C Gross Acc	7.2
BG Worldwide Global Credit C USD Acc	6.7
Baillie Gifford Global Alpha Growth Fund C Acc	5.9
Baillie Gifford Global Income Fund C Accum	5.4
Galene Fund	3.9
BG Worldwide Japanese Fund C GBP Acc	3.2
Allianz Merger Arbitrage Strategy	3.0
Baillie Gifford LTGG Fund C Accum	2.1
US T11 0.625% 15/01/2026	1.9

# 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:

	2015-16	2014-15
	£	£
Employer normal contributions	971,226	979,849
Employee normal contributions	400,051	403,418
Employee additional voluntary contributions	10,853	16,107
<b>Total</b>	<b>1,382,130</b>	<b>1,399,374</b>

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

	2015-16	2014-15
	£	£
Contributions paid	1,382,130	1,399,374
Less opening debtor	(115,430)	(117,190)
Add closing debtor	115,270	115,430
<b>Total Contributions reported in the Financial Statements</b>	<b>1,381,970</b>	<b>1,397,614</b>

Signature

Signature

**Jill Youds**

Assembly Member

Chair of Trustees (On behalf of the Trustees)

**Gareth Jones**

Trustee

**Date:** 11 July 2016

# 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 Trustee's responsibilities on Page 15.

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.

## Governance Framework

The Trustees, with the exception of the Pensioner Trustee are Members of the National Assembly for Wales, are appointed by Resolution of the Assembly in accordance with rules of the NAfW MPS.

Schedule 1, General Provisions as to Trustees, of the Scheme rules states that the Assembly shall by resolution appoint not more than six members to be the Trustees of this Scheme, one of whom shall be a Pensioner Trustee. The quorum for Trustee meetings is three.

The following Members were appointed as Trustees by resolution of the Assembly:

Role	Name	Date Appointed
Chair	William Graham AM	03/06/2009
Trustee	David Melding AM	12/10/2011
Trustee	Peter Black AM	12/10/2011
Trustee	Jocelyn Davies AM	12/10/2011
Trustee	Mike Hedges AM	12/10/2011
Pensioner Trustee	Gareth Jones	09/06/2010

Mr Graham was elected as Chairman of the Trustees during a Trustees' meeting in October 2009.

Mr Jones stood down as an Assembly Member in March 2011 but was appointed as the Pensioner Trustee by a ballot of pensioner members in October 2011. He is the only Trustee who serves for a fixed period which is 5 years until 4 October 2016.

Name	Percentage of Meetings Attended
William Graham AM	100%
David Melding AM	100%
Peter Black AM	33%
Jocelyn Davies AM	100%
Mike Hedges AM	100%
Gareth Jones	100%

During the year there were three Trustee meetings in June, November and February. The attendance above shows the proportion of all meetings attended by Trustees.

Mr Black submitted apologies for the November and February Trustee meetings.

During the year the Trustees considered the following detailed reports:

- The Auditor’s report on the Financial Statements,
- A review of the Scheme’s investment performance and outlook,
- Review of the draft Fifth Assembly pension scheme rules,
- Review and application of the Public Services Pensions Act in relation to the new Fifth Assembly pension scheme,
- Legacy report.
- Implementation and communication of the 2016 Scheme changes.

The reports were prepared and presented by the Scheme’s professional advisers. 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 2016 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 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.

On 6 May 2016, the existing Trustee Board was, in accordance with the Remuneration Board's Determination for the Fifth Assembly, replaced by a new Pensions Board which was made up of two representatives nominated by current and previous Assembly Members, two representatives appointed by the Assembly Commission and a professional Independent Trustee to act as Chair.

Approved on behalf of the Trustees on 11 July 2016 by:

Signature

Signature

Jill Youds  
Chair of Trustees (On behalf of the Trustees)

Gareth Jones  
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 2016 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 15, 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 2016, 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: 12 July 2016

24 Cathedral Road  
Cardiff CF11 9LJ

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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 2016

## Fund Account

Contributions and benefits	Note	2015-16	Restated 31 March 2015
		£	£
Employer Contributions	5	971,123	978,573
Employee Contributions	5	410,847	419,041
Total Contributions		1,381,970	1,397,614
Transfers in	6	18,329	11,921
Interest Receivable		50	34
Other income		100	0
		1,400,449	1,409,569
Benefits paid or payable	7	(463,373)	(380,461)
Professional Fees	13	(130,825)	(104,399)
Administration expenses	11	(2,072)	(2,751)
Payments to and on account of leavers		(224,823)	0
		(821,093)	(487,611)
<b>Net Additions from dealings with Members</b>		579,356	921,958
<b>Investment income</b>			
Change in market value of Investments	14	208,556	2,756,488
Cash Deposit Interest	8	720	752
Investment management expenses	15	(147,879)	(138,643)
<b>Net returns on investments</b>		61,397	2,618,597
<b>The net amount of increase in the fund</b>		640,753	3,540,555
<b>Opening net assets of the scheme</b>		29,028,245	25,487,690
<b>Closing net assets of the scheme</b>		<b>29,668,998</b>	<b>29,028,245</b>

Statement of Net Assets	Notes	As at 31 March 2016	As at 31 March 2015
		<b>£</b>	<b>£</b>
<b>Investment assets</b>			
Pooled investment	14	28,010,662	28,580,104
Treasury Deposit Account	8	323,276	352,572
<b>Total investments</b>			
		<b>28,333,938</b>	<b>28,932,676</b>
<b>Current Assets</b>			
	9	1,364,607	139,943
<b>Current Liabilities</b>			
	10	(29,547)	(44,374)
<b>Total Net Assets of the Scheme</b>			
		<b>29,668,998</b>	<b>29,028,245</b>

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 35 and these Financial Statements should be read in conjunction with that Report.

Approved by the Trustees on 11 July 2016:

Signature

Signature

**Jill Youds**

Assembly Member

Chair of Trustees (On behalf of the Trustees)

**Gareth Jones**

Trustee

The notes on pages 24-33 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 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 33 to 35).

## 02. Transition to FRS 102

	31 March 2014	31 March 2015
	£	£
Net assets of the scheme as previously stated	25,487,690	29,028,245
Effect of transition-valuation of assets	nil	nil
Net assets of the scheme as restated	25,487,690	29,028,245

Treasury Deposit Account balances were previously included within current assets in the Statement of Net Assets. Investment management expenses was previously included within the Change in market value of investments. Under FRS 102 they are reported separately. The overall effect of transition to FRS 102 has been a reclassification of Treasury Deposit Account balances with no change in value.

## 03. 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 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.
- The members have a choice between the type of pension; whether 1/50<sup>th</sup> or 1/40<sup>th</sup> for the first 3 months. If no choice has been made during this time the pension will automatically revert to 1/40<sup>th</sup>.
- 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.

#### 04. 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 £103,793 (2014-15 £87,200) for the period covered by these accounts.

#### 05. Contributions Receivable

	2015-16	2014-15
Employer Contributions:	£	£
Normal	971,123	978,573
Employee Contributions:		
Normal	399,985	402,934
Additional voluntary contributions	10,862	16,107
<b>Total</b>	<b>1,381,970</b>	<b>1,397,614</b>

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

Two added years contracts over a four year period continued during the financial year and there was one added years purchase by lump sum.

#### 06. Transfer in

The individual transfer in of £18,329 (2014-15 £11,921) represent the assets transferred to the Scheme in respect of a member who transferred in on 18 December 2015.

#### 07. Benefits Payable

	2015-16	2014-15
Contributions comprise:	£	£
Pensions	389,191	380,461
Lump Sum Retirement Benefits	74,182	-
Death Benefit Lump Sum	-	-
	<b>463,373</b>	<b>380,461</b>

## 08. Treasury Deposit Account

	31 March 2016 £	31 March 2015 £
Treasury Deposit Account as at 1 April 2015	352,573	350,509
Add Interest earned during the year	720	752
	353,293	351,261
(Withdrawals)/deposits	(29,994)	1,302
Movement in accrued interest	(23)	9
Total Treasury Deposit Account	<b>323,276</b>	<b>352,572</b>

## 09. Current Assets

	31 March 2016 £	31 March 2015 £
Cash at Bank	1,249,055	24,124
Contributions due from the employer and employee	115,270	115,430
Other debtors and prepayments	282	389
Total	<b>1,364,607</b>	<b>139,943</b>

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.

## 10. Current Liabilities

	31 March 2016 £	31 March 2015 £
Creditors: amounts payable within one year	(29,547)	(44,374)
Total	<b>(29,547)</b>	<b>(44,374)</b>

'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.

## 11. Administration Costs

	2015-16 £	2014-15 £
Training	-	-
Other Administration	2,072	2,751
<b>Total</b>	<b>2,072</b>	<b>2,751</b>

## 12. Pooled Investment Vehicles

	31 March 2016 £	31 March 2015 £
Baillie Gifford Managed Pension Fund	12,526,052	12,832,902
Baillie Gifford Diversified Growth Pension Fund	12,594,172	12,804,432
Baillie Gifford Active IL Gilt Plus Pension Fund	2,890,438	2,942,770
<b>Total</b>	<b>28,010,662</b>	<b>28,580,104</b>

## 13. Professional fees

	2015-16 £	2014-15 £
Actuarial Fees	60,824	44,768
Investment Consultancy	14,429	16,348
Audit Fees	13,079	13,079
Legal Fees	42,493	30,204
<b>Total</b>	<b>130,825</b>	<b>104,399</b>

Actuarial, Investment Consultancy and Legal fees increased during the year reflecting the work carried out for the actuarial valuation 2014, a full review of the draft rules and of the impact of the Public Service Pensions Act on the new Fifth Assembly pension scheme. Work carried out by the Government Actuary's Department (GAD) was provided by the Scheme Actuary and by the Investment and Risk Team.

## 14. Investment reconciliation

	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	
Disposal and Sales	(536,400)	(119,200)	(536,400)	
Change in Market Value	286,127	44,389	(121,960)	208,556
Investment Manager Expenses	(56,577)	(7,327)	(83,975)	
Net change in market value	229,550	37,062	(205,935)	
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	

	Managed Pension Fund	Index Linked Pension Fund	Diversified Growth Pension Fund	Net Investment assets
	£	£	£	£
Value at 1 April 2014	11,603,052	2,328,226	11,099,331	25,030,609
Purchases at cost	-	139,748	791,903	
Disposal and Sales	-	-	-	
Change in Market Value	1,283,692	481,406	991,390	2,756,488
Investment Manager Expense	(53,842)	(6,610)	(78,192)	
Net change in market value	1,229,850	474,796	913,198	
Market value at 31 March 2015	12,832,902	2,942,770	12,804,432	28,580,104
Book cost at 31 March 2015	4,808,154	1,820,344	9,970,314	

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

## 15. Investment Management Expenses

Scheme	Investment Management Expenses	
	2015-16	2014-15
Baillie Gifford Managed Pension Fund	(56,577)	(53,842)
Baillie Gifford Index Linked Pension Fund	(7,327)	(6,610)
Baillie Gifford Diversified Growth Pension Fund	(83,975)	(78,191)
<b>Total</b>	<b>(147,879)</b>	<b>(138,643)</b>

The 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. The total expenses including direct trading costs are 0.49% for the Managed Pension Fund, 0.91% 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 are reflected in the unit price of the funds.

## 16. 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:

	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
<b>Total</b>	<b>28,333,938</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,333,938</b>

	Category (a)	Category (b)	Category c (i)	Category c (ii)	Total
	£	£	£	£	£

At 31 March 2015

Pooled Investment vehicles	28,580,104	-	-	-	28,580,104
Cash deposit	352,572	-	-	-	352,572
<b>Total</b>	<b>28,932,676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,932,676</b>

## 17. 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.

### **17.1. 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.

## **18. Related Party Transactions**

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

These transactions are disclosed in Note 4 to these accounts.

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

# Independent Auditor's Statement

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

I have examined the summary of contributions to the National Assembly for Wales Members' Pension Scheme for the scheme year ended 31 March 2016, which is set out on page 16.

### **Respective responsibility of Trustees and Auditors**

As described on page 15 the scheme's Trustees are responsible for ensuring that there is a prepared, maintained and from time to time revised schedule of contributions which sets out the rates and due dates on certain contributions payable towards the scheme or by or on behalf of the employer and the active members of the scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the schedule of contributions.

My responsibility is to provide a statement about contributions paid under the schedule of contributions and 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 16 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 2016, as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid in accordance in the Actuary's Statement certified by the scheme Actuary on 24 May 2016.

Huw Vaughan Thomas  
Auditor General for Wales

24 Cathedral Road  
Cardiff  
CF11 9LJ

**Date:** 12 July 2016

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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 2016

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.

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Investment return, net of expenses, in excess of salary inflation	1 ½ % a year
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Investment return, net of expenses, in excess of price inflation (based on the Consumer Prices Index)	3½ % a year
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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.

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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 2016

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