Welsh Parliament
Members' Pension Scheme

Annual Report and Accounts:

1 April 2019 to 31 March 2020

July 2020

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Contents

Trustees and advisers

The Remuneration Board as part of its Determination for the Fifth Assembly confirmed that, in line with the Public Service Pensions Act 2013, a Pension Board should be established to replace the Trustee Board. With effect from 6 May 2016 in accordance with section 5 of the new rules of the Scheme which came into force from that date, a new Pension Board was appointed to replace the Trustees. The composition of the Pension Board for 2019-20 has consisted of:

Role	Name	Date Appointed	Resigned
Independent Trustee (Chair)	Jill Youds	6 May 2016	
Trustee	Mike Hedges AM	6 May 2016	
Trustee	Nia Morgan	4 August 2016	
Trustee	Ieuan Wyn Jones	12 October 2017	
Trustee	Robert Evans	20 December 2018	

Mike Hedges served on the previous Trustee Board from 12 October 2011.

On 6 May 2020, the National Assembly for Wales became the Welsh Parliament, commonly known as the Senedd. As a result, references in this document reflect the change of name, referring to the institution as the 'Assembly' in a historic context (prior to 6 May) and 'Senedd' thereafter.

The name of the National Assembly for Wales Members' Pension Scheme also changed to the Members of the Senedd Pension Scheme.

Scheme Administration

The day to day running of the Scheme is carried out by the Scheme Secretariat within the Senedd Commission's Financial Services. Any queries about pensions or any further information required should be sent to the Secretariat at the following address:

Members of the Senedd Pension Scheme
Financial Services
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

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

Donna Davies: Scheme Secretary	Tel: 0300 200 6523 and email: donna.davies@senedd.wales
Liz Calder Assistant Secretary	Tel: 0300 200 6528 and email: liz.calder@senedd.wales

Scheme Advisers Appointed by the Trustees as at 31 March 2020

Actuary	Martin Clarke of the Government Actuary Department
Auditor	The Auditor General for Wales
Bankers	Barclays Bank plc
Investment Managers	Baillie Gifford Invesco Perpetual Legal & General Investment Management ("LGIM") Partners Group BNY Mellon Investment Management ('BNYM")
Legal Adviser	Eversheds Sutherland LLP
Scheme Accountants	Scheme Secretariat, Senedd Commission
Investment Adviser	Quantum Advisory

The Trustees' Report for the period ending 31 March 2020 to the Members of the National Assembly for Wales Members' Pension Scheme

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

The National Assembly for Wales (the "Assembly") provides a defined benefit Scheme, governed by section 18 of the Government of Wales Act 1998. Section 20 (4) of and Schedule 11 to the Government of Wales Act 2006 provides continuity for the Scheme. The Government of Wales Act 2006 has not affected the legal status of the Scheme.

The Scheme provides benefits for Assembly Members and Office Holders. All Assembly Members are members of the Scheme from the date they enter the Assembly unless they opt specifically not to be.

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

The contribution made by the Assembly at 31 March 2020 was 19.9% of Members aggregate salaries. Members not subject to 'Transitional Protection' pay contributions at the rate of 10.5%. Those Members who are subject to 'Transitional Protection' continue to pay contributions at their existing rate of either 6% or 10% depending on whether they are accruing benefits on a 50th or 40th basis, respectively.

The main features are:

- Each year members build up a pension of 1/50th of their salary for that year.
- The pension built up each year is revalued in line with the Treasury orders made under the Public Service Pensions Act 2013, currently in line with the Consumer Price Index (CPI).

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

Transfers

All transfer out values paid to other pension schemes are calculated and verified by the Scheme's Actuary in accordance with statutory requirements. There were no transfers out paid during the year.

Developments during the Year

The professional Independent Chair of the Board is Jill Youds. The Remuneration Board approved Jill's re-appointment as Chair for a further four-year term effective from 6 May 2020. Jill also chairs both the Judicial Pensions Board and the Legal Services Commission Scheme Trustee Board for the Ministry of Justice. Jill is a Trustee and the Senior Independent Director at the National Employment Savings Trust (NEST) and a non-executive director at Local Pensions Partnership.

During the year, the Board has undertaken training on Environmental, Social and Governance (ESG) issues in relation to pension scheme investments with a particular focus on climate change. The Board considered how these issues influence sustainable investment returns and might impact Scheme funding and employee and employer contributions. The Board also received training on the legal aspects of their responsibilities which included an update on their fiduciary duties with regard to the Scheme's investments and what the Pensions Regulator would expect. During the year, the Board also received an update from the Scheme's legal adviser on pensions case law. All Trustees will continue to receive ongoing training to ensure they have the knowledge and understanding they need to carry out their role and meet the requirements of the Pensions Regulator and the Public Services Pensions Act 2013.

The Remuneration Board is responsible for the rules of the Scheme and for setting the level and form of member benefits. Following advice from the Scheme's legal adviser and a consultation with Scheme members, the Board changed the Scheme rules to ensure ongoing compliance with age discrimination requirements . The Board also agreed to increase flexibility for members suffering severe ill health, around the form in which they can take their pension.

The Scheme actuary has confirmed that due to the expected small number of cases, there will be minimal impact on the funding of the Scheme and these changes will not affect the level of contributions members pay to the Pension Scheme.

The Pension Board has been working with their Investment Adviser (Quantum Advisory) to review the Scheme's investment strategy which was introduced in 2017. The Board holds investments in a diverse spread of pooled funds as follows:

- Baillie Gifford Diversified Growth
- BNY Mellon Sustainable Real Return Fund
- Legal & General Investment Management ("LGIM") Managed Property
- Partners Group Generations
- LGIM Ethical Global Equity Index
- LGIM Over 5 Year Index-Linked Gilt

At their November meeting the Pension Board reviewed the Scheme's investments in light of its ESG policy. It agreed to move approximately 15% of Scheme assets, around £5.4 million, from the Invesco Perpetual Global Targeted Returns Fund to the BNY Mellon Sustainable Return Fund. This saw the Scheme's investments in the oil and gas sector fall by c.30% to c.1.99%.

The Board has also adopted a policy to reduce the Scheme's investments in the oil and gas sector to zero over a five-year period subject to the availability, over that timescale, of suitable investment vehicles for the size of the Scheme.

The change is not expected to impact materially the level of expected return associated with the Scheme's investment strategy or to compromise the Scheme's ability to target the required level of investment return to support the actuarial valuation assumptions. The change is based on the Board's belief that long-term investment returns are more likely to be secured from sustainable companies.

The Board will continue to work with their investment advisers to agree how best to achieve their aim to further reduce the Scheme's investments in oil and gas to zero over the next five years.

In December 2018, the Court of Appeal held that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful ("the McCloud judgement"). The details of how the discrimination will be rectified will have to be approved by the courts. A written ministerial statement made by the Chief Secretary to the Treasury on 15 July 2019 set out the government's intention to remedy this discrimination across all public service pension schemes.

Discussions around the remedy are still ongoing between the government and the employment tribunals and there remains a lack of clarity around the timing and nature of any changes to schemes.

The Trustees will continue to monitor the situation as transitional protection is also a feature of our scheme which is why we are monitoring the situation closely and will take appropriate advice from the Scheme's Actuary and legal adviser as the agreed form of remedy develops.

Management of the Scheme

The Trustees who served during the year are listed on Page 6.

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 also met by conference call on 30 March 2020.

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

Internal Dispute Resolution

The Trustees have implemented an Internal Dispute Resolution procedure in accordance with the requirements of the Pensions Act 1995. Details of the procedure can be obtained from the Scheme Secretariat.

Financial Development of the Scheme

Preparation and Audit of Annual Accounts

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018). The Scheme Trustees have taken advantage of the option to adopt the amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland Triennial Review 2017 incremental Improvements and Clarification issued December 2017, and the SORP (revised 2018), early for these 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.

Summary Financial Information

The table below shows the income and expenditure during the period for 2019-20 and comparative figures for 2018-19 and the net assets position.

During the period, a total of £328,597 of new investment was remitted to the Fund Managers for investment in the Baillie Gifford Diversified Growth Fund and the Invesco Perpetual Global Targeted Returns Fund.

The total market value of the Funds invested at 31 March 2020 was £35,177,019 (31 March 2019 £37,065,870).

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Member related income	1,462,907	1,448,351
Member related payments	1,161,172	1,123,836
Net additions from dealings with members	301,735	324,515
Net returns on investments	(2,202,447)	1,420,185
Net increase/(decrease) in fund	(1,900,712)	1,744,700
Net assets at start of year	37,150,279	35,405,579
Net assets at end of year	35,249,567	37,150,279

Actuarial review

Actuary's statement - covering financial year to 31 March 2020

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 47 to 48 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 2017, with the principal objective of making a recommendation to the Trustees of the Scheme about the appropriate level of the employer contribution rate after that date. Whilst the level of members contributions is specified in the Rules, the employer contribution rate is calculated as a percentage of salary required to meet the balance of cost with the aim of ensuring that Scheme benefits are paid for during members' expected active service with the National Assembly. The next valuation is due as at 1 April 2020.

The formal Actuarial certificate is included on pages 64-66.

Actuarial Valuation

The Scheme Actuary is required to make a report on the general financial position of the Fund every three years and to make recommendations on the future rate of the Assembly Commission's contribution. The latest valuation was completed as at 1 April 2017, and the report was laid on 27 March 2018 in accordance with the Scheme rules.

The statement from the Actuary dated 3 January 2018 recommended the contribution rate should increase to 19.9% of Members' pensionable salary. 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 3 June 2020 (at pages 64-66) confirms the adequacy of the Assembly Commission's contribution of 19.9% 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 and exclude any costs arising from the McCloud judgement and GMP equalisation. These statements fully comply with the requirements of TAS 100 and Technical Accounting Standard (TAS) 300 issued by the Financial Reporting Council. The next triennial valuation is due as at 1 April 2020.

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	
[1] Contributory membership at start of year 1 April 2019 (59 Assembly Members. Of the 60 Assembly members there are 40 Office Holders posts.)	59
New entrants in year	0
Leavers in the year	(1)*
Retirements in the year	0
Death in service	0
Contributory membership at 31 March 2020	58

Pensioners	
In payment at 1 April 2019	61
Members retiring from active service in year	0
Members retiring from deferred status	4
New Dependants	0
Deaths in year	(1)
Pensioners in Payment at 31 March 2020	64

[1] One of the 60 Assembly Members no longer contributes as they have reached the maximum entitlement in the Members' Pension Scheme. One Member reached age 75 and no longer being eligible for tax relief on their contributions to the Scheme, decided to opt out.

Deferred members	
At 1 April 2019	23
Members leaving with deferred rights	1
Members retiring from deferred status Members transferring benefits out of the Scheme	(4) (0)
Deferred Members at 31 March 2020	20

Pension increases

Payments from the Scheme during the year are disclosed in Note 5 to the accounts. Pensions in payment are reviewed each year in line with the Pensions Increase (Review) Order. The 2019 Order was laid before Parliament on 14 March 2019 and came into force on 8 April 2019.

Custody

Fund	Custodian
Baillie Gifford	New York Mellon
Invesco Perpetual	New York Mellon
BNYM Sustainable Real Return Fund	BNY Mellon
Partners Group	BNY Mellon Trust & Depositary (UK) Limited
LGIM Managed Property Fund	HSBC
LGIM Over 5 Year Index-Linked Gilt Index Fund	HSBC
LGIM Ethical Global Equity Index Fund ▪ Overseas securities ▪ UK securities	 Citibank HSBC

Investment management

All funds are accessed through Mobius Life Limited ("Mobius"), and the fees paid by the Scheme are those charged by Mobius. The table below states the annual management charge ("AMC") charged to the Scheme by Mobius Life Limited for each fund invested in.

Fund	AMC (%)
Baillie Gifford Diversified Growth	0.65
Invesco Perpetual Global Targeted Returns	0.75
BNYM Sustainable Real Return Fund	0.69
Partners Group Generations	1.35
LGIM Ethical Global Equity Index	0.35
LGIM Managed Property	0.64
LGIM Over 5 Year Index-Linked Gilts Index	0.08

Assets were switched from the Invesco Global Targeted Returns Fund to the BNY Mellon Sustainable Real Return Fund across December 2019 and January 2020. Please note, the fee for the LGIM Managed Property Fund was reduced from 0.70% p.a. to 0.64% p.a. upon the Scheme investing in the BNY Mellon Sustainable Real Return Fund.

The cost of fund management in 2019-20 was £231,049 (2018-19 £217,446) with 'Other Expenses' of £67,019 (2018-19 £51,083).

All of the Scheme's funds are held via the Mobius implementation solution, custody of the assets is held under the Mobius name.

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 2020 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.

All investments are in holdings that are permitted by the regulations of the Scheme and not prohibited by the Trustees.

The Trustees have prepared a Statement of Investment Principles in accordance with section 35 of the Pensions Act 1995 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 respective underlying investment managers. The underlying investment managers operate in accordance with guidelines and restrictions set out in their Fund prospectus. Instructions regarding the day to day management of investments for cashflow purposes will be given by the Trustees to Mobius from time to time.

Each pension scheme enters into a unit linked life policy through a Trustee Investment Policy (TIP). The policy's value is linked to the underlying investments, which Mobius Life has been directed to purchase by and on behalf of the scheme.

Impacts of COVID-19

During the first quarter of 2020, concerns regarding the impact of COVID-19 dominated markets over the period, with oil price volatility being a secondary concern (but noteworthy), with investor fears of a global recession mounting as the quarter progressed.

Specific in this event is the extent to which large portions of the global economy have been temporarily shut down in an effort to contain the spread of the virus. A lack of discretionary household spending, on non-essential items, has hit retail and leisure businesses hardest and, at the time of writing, has contributed towards a c2% detraction in the size of the UK economy during the first quarter of 2020. This is despite the response of global central banks and governments which has been unprecedented, with record breaking commitments aimed at protecting and subsequently stimulating the global economy.

The impact over the first quarter of 2020 was a fall in global equity markets to a magnitude of c-20% in local terms (with the UK equities falling the furthest, (down 25.1%, driven by the fall in the price of oil). To contextualise, some of the market falls experienced globally have been as significant as the historical crashes of 2008 (the "Financial Crisis"), 2001 (the "Dot.com bubble") and 1987 ("Black Monday").

Falls were not just limited to equities, as other risk assets such as the price of oil, property, corporate bonds and private markets all suffered losses, significant volatility and liquidity concerns over the period. The former was further hindered by a supply war between major oil producing nations, specifically Saudi Arabia and Russia. Conversely, despite also being highly volatile, developed market government bonds rose in value following a combination of accommodative monetary policy and (including significant interest rate cuts and quantitative easing) and a flight to safety by investors.

The Scheme's assets remain well diversified across assets classes, regions and fund managers. The Trustees' decision to diversify assets has resulted in a protective performance of c-12.0% over the 3-month period to 31 March 2020 (compared to c-20.0% global equity returns) and also over a 1-year period to 31 March 2020 (c-5.9% compared to c-9.1% global equity returns).

Since 31 March 2020, at the time of writing, equity markets have recovered somewhat (returning c11% during April 2020) as global governments are managing the spread of COVID-19 but remain a long way from their highs of December 2019. Many impacted nations are beginning to ease their restrictions, but this is expected to be a gradual easing. The expectation is that there will be an economic recovery, but there is a high degree of uncertainty around the length and nature of such a recovery including concerns surrounding the possibility of a second wave of the virus, the potential for company insolvencies and / or that the stimulus provided / restrictions imposed by global governments and central banks are not enough.

Performance to 31 December 2019

Please note, the Scheme's approximate performance in the tables showing performance at 31 December 2019 and 31 March 2020 includes investments in the Invesco Global Targeted Returns Fund (disinvested from across December 2019 and January 2020), the Baillie Gifford Managed Fund and the Baillie Gifford Index-Linked Gilt Fund (disinvested from during the Scheme's 2017 change in investment strategy). The table below details the performance of the Scheme's funds, and their respective targets to 31 December 2019.

	1-year (%)	3-years pa (%)	5-years pa (%)
Baillie Gifford Diversified Growth	12.0	4.5	4.5
UK Base Rate plus 3.5% per annum	4.3	4.1	4.0
Relative performance	7.7	0.4	1.5
BNY Mellon Sustainable Real Return[1]	11.7	N/A	N/A
1-month Sterling LIBOR plus 4% per annum	4.7	N/A	N/A
Relative performance	7.0	N/A	N/A
Partners Group Generations[2]	13.7	8.6	N/A
Absolute target of 7% per annum	7.0	7.0	N/A
Relative performance	6.7	1.6	N/A
LGIM Ethical Global Equity Index	24.7	11.0	12.8
FTSE4Good Global Equity Index	25.1	11.3	13.2
Relative performance	(0.4)	(0.3)	(0.4)
LGIM Managed Property	2.4	4.6	5.4
AREF/IPD UK Quarterly All Balanced Property Funds Index	1.6	6.0	6.6
Relative performance	0.8	(1.4)	(1.2)

LGIM Over 5-Year Index Linked Gilts Index	6.8	2.9	6.5
FTSE Actuaries Index-Linked (Over 5 Year) Index	6.8	2.9	6.5
Relative performance	0.0	0.0	0.0
Scheme's estimated performance	13.6	6.8	7.4

Source: Baillie Gifford, BNY Mellon, Partners Group and LGIM; net of fees. [1]Fund incepted April 2018. [2]Fund incepted April 2016.

To 31 December 2019, all of the Scheme's funds experienced a positive performance for all periods considered, equal to and, greater than one year. Over the longer term, accommodative monetary policy, coupled with positive global economic growth bolstered asset prices.

With the exception of the LGIM Managed Property Fund, all of the Scheme's actively managed funds outperformed their respective targets, and all of the Scheme's passively managed funds tracked their respective benchmarks (to within their tolerance ranges), over all periods considered. The underperformance of the LGIM Managed Property Fund can be attributed to its defensive characteristics, when compared to its benchmark (such characteristics have resulted in the Fund outperforming over the shorter term periods given the impact of Brexit uncertainty on UK commercial property).

Performance to 31 March 2020

The table below details the performance of the Scheme's funds, and their respective targets to 31 March 2020.

	3 months (%)	1-year (%)	3-years pa (%)	5-years pa (%)
Baillie Gifford Diversified Growth	(13.7)	(8.9)	(1.5)	0.8
UK Base Rate plus 3.5% per annum	1.0	4.2	4.1	4.0
Relative performance	(14.7)	(13.1)	(5.6)	(3.2)
BNY Mellon Sustainable Real Return[1]	(8.5)	(2.2)	N/A	N/A
1-month Sterling LIBOR plus 4% per annum	1.1	4.7	N/A	N/A
Relative performance	(9.4)	(6.2)	N/A	N/A
Partners Group Generations[2]	(15.9)	(8.1)	1.8	N/A
Absolute target of 7% per annum	1.8	7.0	7.0	N/A
Relative performance	(17.7)	(15.1)	(5.2)	N/A
LGIM Ethical Global Equity Index	(15.6)	(3.8)	3.0	7.4
FTSE4Good Global Equity Index	(15.6)	(3.4)	3.4	7.8
Relative performance	0.0	(0.4)	(0.4)	(0.4)
LGIM Managed Property	(1.5)	0.0	3.4	4.6
AREF/IPD UK Quarterly All Balanced Property Funds Index	(1.3)	0.0	4.8	5.8

Relative performance	(0.2)	0.0	(1.4)	(1.2)
LGIM Over 5-Year Index Linked Gilts Index	1.9	2.3	2.8	6.2
FTSE Actuaries Index-Linked (Over 5 Year) Index	1.9	2.4	2.9	6.3
Relative performance	0.0	(0.1)	(0.1)	(0.1)
Scheme's estimated performance	**(12.0)**	**(5.9)**	**1.0**	**3.5**

Source: Baillie Gifford, BNY Mellon, Partners Group and LGIM; net of fees. [1]Fund incepted April 2018. [2]Fund incepted April 2016.

When compared with the funds' performance as at 31 December 2019 the table above illustrates the impact of the recent market falls on the Scheme's underlying funds and the Scheme's overall performance.

The recent falls, due to the impacts of the COVID-19 pandemic, have resulted in all of the Scheme's active funds underperforming their respective targets over all periods considered (with exception of the LGIM Managed Property Fund over a 1 year period). This is as a result of the funds' exposure to risk assets detrimentally impacted by the spread of COVID-19 (such as equity, private markets and property). Despite the fall in the Scheme's passive equity fund over a 3-month and 1-year period, both of the Scheme's passive funds continued to track their benchmarks to within their respective tolerance ranges over all periods considered.

The Scheme's holding in the LGIM Over 5-year Index Linked Gilt Fund has experienced a positive performance over all periods considered. The Fund, which invests in inflation linked UK Government Bonds, has benefitted from a flight to safety from investors, coupled with looser monetary policy.

Over a 5-year period, all the Scheme's funds have experienced positive performance, resulting in the Scheme experiencing positive performance over the period. Furthermore, despite being detrimentally impacted and due to its diverse strategy across asset classes, regions and also managers, the Scheme's overall return over the 3-month period and 1 year period was defensive when compared to global equity markets (which returned c-20% and c-9.1% over a 3-month and 1-year period, in local terms).

Over April 2020, equity markets had recovered somewhat, returning c11%. The Scheme's assets had also experienced some recovery, returning c5.5% over the same period. This resulted in the Scheme's returning c-7.2%, year to the end of April, versus an equity return of c-11.5%. Furthermore, the Scheme's asset value as at 30 April 2020 (c£37.1 million) was comparable to that as at the end of the first quarter of 2019.

The Trustees are aware of the growing body of evidence linking Environmental, Social and Governance ("ESG") issues, particularly climate change, to good, future focused financial performance. The Trustees wish to take into account these issues when implementing the investment strategy for the Scheme, so long as this does not unduly prejudice the long-term return and risk profile of the individual funds, or strategy. The Pension Board reviews the Environmental Social and Governance credentials of its managers annually and questions its advisors on the managers' approach to ESG at each Pension Board meeting.

The sections below provide a brief high-level description of the Manager's ESG policies. However, the Trustees consider how ESG factors are integrated into the investment processes in greater detail when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustees receive a regular briefing on ESG issues from their advisers and receive ESG related publications from the incumbent investment managers. Furthermore, the Trustee Board reviews the ESG credentials of its managers through an annual ESG report and questions its advisors on the managers' approach to ESG at Trustees' meetings. The Trustees will continue to ensure that ESG principles are embedded in their investment processes.

The Baillie Gifford team employ a robust policy with respect to implementing Environmental, Social and Governance considerations into their investment process both at a firm and Fund level. They employ an active, "long-only", investment approach and thus embed governance and sustainability into the investment process through proprietary research. They make extensive use of engagement and voting when encouraging best governance practices of the companies in which they invest. Baillie Gifford expect, at a minimum, all companies in which they invest to operate in accordance with the principles and standards set out in the United Nations Global Compact. Whenever a company's performance on key issues is significantly below expectation it is deemed a material risk to the long-term performance of their business. As such Baillie Gifford will engage with management in the first instance before considering taking appropriate voting action.

Baillie Gifford have been a signatory to the United Nations Principles for Responsibility ("UNPRI") since 2007. They make available publicly reports on their adherence to a number of Stewardship Codes including those from the UK, Japan and the European Fund and Asset Management Association.

Source: Baillie Gifford

Invesco orient their implementation of ESG around addressing the following 'key' themes: business ethics; capital allocation for the future; carbon emissions;

corporate governance; data privacy; operational health and safety; labour relations; social impacts for business products; and water, waste and biodiversity. As a firm, Invesco makes use of both its own proprietary analysis as well as data provided by third-parties including 'Sustainalytics', MSCI and providers of brokers. Invesco ensures that ESG implementation is consistent across its investment operations through its ESG investor group located in the central Henley Investment Centre, which is chaired by the firm's Head of ESG and draws its membership from across the firm's investment teams.

Invesco is a signatory to the UNPRI and the UK Stewardship Code (in which it has achieved a Tier 1 status). Invesco is also a supporter of the TFCD – the Task Force for Climate Related Disclosure.

Source: Invesco

As managers for the BNY Mellon Sustainable Real Return Fund, the implementation of ESG themes by Newton is significant. Responsible investment is integral to Newton's investment process. They are firm believers that responsibly managed companies are better placed to achieve sustainable competitive advantage and provide long-term growth. It is an investment led approach that relies on understanding the issues, conducting proprietary research, engaging with companies and participating in the development of standards. Where there are ESG concerns, but the issues are deemed resolvable, Newton will draw up a time-bound engagement plan. Should Newton see inadequate movement in the right direction over that time frame, Newton will sell their holding to zero – their ultimate sanction against corporate 'bad actors'. Once a security has been selected for the portfolio, Newton continue this process by way of monitoring the company's ESG profile, as well as undertaking engagement and proxy voting (for equity holdings). Newton do this on a wide variety of topics, from executive remuneration, to climate change and workplace diversity. Newton reinforce this engagement work with their active proxy voting in the case of equity investments. Newton has been a signatory to the UNPRI since 2007.

Source: Newton

Partners Group state they are a committed and experienced responsible investor and have sought to develop and enhance their approach to incorporating ESG factors into the investment decision making process (informed by the UNPRI). As a result, Partners Group have developed a Responsible Investment Policy and Framework, which they seek to apply to each investment opportunity in order to integrate ESG factors into the investment decision making process. Partners Group believe this approach mitigates investment risk and has the potential to enhance investment returns in the best interest of the firm's clients and their beneficiaries. Partners Group's Responsible Investment Policy articulates the two primary objectives for integrating ESG factors into its investment process for all asset classes. These are:

- Investment-related: mitigate investment risk and, where possible, enhance investment returns.
- Ethics-related: ensure that the assets in which they invest on behalf of their clients respect, and, where possible, benefit society and the environment.

Source: Partners Group

Two out of three of the LGIM funds invested in by the Scheme are index-tracking funds and, as such, this results in the manager ostensibly having limited influence in terms of ESG issues and how they are managed. In terms of a corporate stance, however, LGIM is committed to promoting ESG issues and ensuring that companies they actively invest in are ESG-aware.

LGIM have exhibited a willingness to support / develop good governance and social practices / policies through collaborating with (or challenging) underlying companies and policy makers. For example, in recent years LGIM have:

(i) strengthened their board diversity policy and actively voted against those companies that exhibited poor diversity, poor diversity policies and poor diversity disclosures (viewing financial and human capital as being equally important); (ii) encouraged companies to focus on longer-term performance when considering and implementing remuneration policies; actively voting against remuneration policies they believed to be unfair; and (iii) sought to raise the bar with regard to corporate governance by supporting the development of the Corporate Governance Code in various regions. Viewing climate change as an important factor that carries financial risks, LGIM have exhibited a willingness to hold larger companies to account with regard to climate change (supporting climate change resolutions) with the launch of their Climate Change Pledge.

The Scheme is invested in LGIM's Ethical Global Equity Index, whose objective is to track the FTSE 4Good Developed Index, which has been designed to be composed of constituents who demonstrate strong ESG practices.

Source: LGIM

An investment report concerning the investment policies during the year and a review of the investment performance of the funds during the year and the nature, disposition, marketability and security of assets is reported on pages 27-36. The market values of the Scheme's Funds are disclosed in Note 9 of the accounts.

Signature

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

Signature

Nia Morgan
Trustee

Investment Report – for the Year Ended 31 March 2020

The Trustees have prepared a Statement of Investment Principles which sets out their policies on investment and their strategy for achieving them, a copy of which is available on request from the Scheme Secretary. Day to day responsibility for the management of the investments has been delegated to the respective investment managers, who operate in line with the agreement they have in place with Mobius. Mobius operates in line with the agreement with the Trustees. The Trustees have appointed Quantum Advisory as the investment adviser for the Scheme. Investments comprise units in pooled funds managed by Baillie Gifford, Invesco Perpetual, BNY Mellon, Partners Group and LGIM.

Portfolio Valuation 31 March 2019

	31 March 2019 GBP
Bailie Gifford Diversified Growth Fund	12,684,960
Invesco Perpetual Global Targeted Returns	5,227,679
Partners Group Generations	3,744,178
LGIM Ethical Global Equity Index	9,649,470
LGIM Managed Property	1,914,027
LGIM Over 5 Year Index-Linked Gilts Index	3,845,556
Total	37,065,870

Portfolio Valuation 31 March 2020

	31 March 2020 GBP
Baillie Gifford Diversified Growth	11,723,320
Invesco Perpetual Global Targeted Returns	0.00
BNY Mellon Sustainable Real Return Fund	4,991,190
Partners Group Generations	3,437,660
LGIM Ethical Global Equity Index	9,285,978
LGIM Managed Property	1,819,919
LGIM Over 5 Year Index-Linked Gilts Index	3,918,952
Total	35,177,019

Distribution of Assets

The distribution of assets was as follows:

	31 March 2019 %
Baillie Gifford Diversified Growth	34.2
Invesco Perpetual Global Targeted Returns	14.1
Partners Group Generations	10.1
LGIM Ethical Global Equity Index	26.0
LGIM Managed Property	5.2
LGIM Over 5 Year Index-Linked Gilts Index	10.4
TOTAL	100.0

	31 March 2020 %
Baillie Gifford Diversified Growth	33.3
Invesco Perpetual Global Targeted Returns	0
BNY Mellon Sustainable Real Return Fund	14.2
Partners Group Generations	9.8
LGIM Ethical Global Equity Index	26.4
LGIM Managed Property	5.2
LGIM Over 5 Year Index-Linked Gilts Index	11.1
TOTAL	100.0

Performance Objective

The Trustees have selected funds with the following performance objectives for the investment managers which takes account of the liability profile of the fund and the level of risk that the Trustees believe appropriate. Please note, all of the Scheme's assets held in the Invesco Perpetual Global Targeted Returns Fund were disinvested during the year and subsequently invested in the BNY Mellon Sustainable Real Return Fund.

Baillie Gifford Diversified Growth Pension Fund	Fund (Net of Scheme AMCs)	Benchmark +3.5%
To outperform the UK base rate by at least 3.5% per annum (net of fees) over rolling five-year periods with an annualised volatility of less than 10%.		
Five Years (p.a.)	0.8	4.0
Three Years (p.a.)	(1.5)	4.1
One Year	(8.9)	4.2

Invesco Perpetual Global Targeted Returns Fund	Fund (Net of Scheme AMCs)	Benchmark +5%
The fund targets a gross return of 5% per annum above UK 3-month LIBOR and aims to achieve this with less than half the volatility of global equities, over the same rolling three-year period.		
Since Inception (p.a.) (Apr 2014)	1.9	5.6
Three Years (p.a.)	(0.3)	5.7
One Year	1.2	5.8

BNY Mellon Sustainable Real Return Fund	Fund (Net of Scheme AMCs)	Benchmark
To achieve a minimum return of cash (1-month LIBOR) +4% p.a. over a rolling 5 year period before fees. In doing so, the strategy aims to achieve a positive return on a rolling 3-year basis.		
Since inception (p.a.)	2.4	4.5
One Year	(2.2)	4.7

Partners Group Generations Fund	Fund (Net of standard Fees)	Benchmark
The Fund targets a net return of 7% to 11% pa net of fees over a full market cycle. The lower end of this target (i.e. 7% pa) has been used in the performance table below.		
Since Inception (p.a.) (Apr 2016)	3.7	7.0
Three Years (p.a.)	1.8	7.0
One Year	(8.1)	7.0

LGIM Ethical Global Equity Index Fund	Fund (Net of standard Fees)	Benchmark
The investment objective of the Fund is to track the performance of the FTSE4Good Global Equity Index (less withholding tax) to within +/-0.5% p.a. for two years out of three.		
Five years (p.a.)	7.4	7.8
Three Years (p.a.)	3.0	3.4
One Year	(3.8)	(3.4)

LGIM Managed Property Fund	Fund (Net of Scheme AMCs)	Benchmark
The Fund aims to outperform the AREF/IPD UK Quarterly All Balanced Property Funds Index over three and five-year periods.		
Five Years (p.a.)	4.6	5.8
Three Years (p.a.)	3.5	4.8
One Year	0.1	0.0

LGIM Over 5 Year Index-Linked Gilts Index Fund	Fund (Net of Scheme AMCs)	Benchmark
The investment objective of the Fund is to track the performance of the FTSE Actuaries Index-Linked (Over 5 Year) Index to within +/-0.25% p.a. for two years out of three.		
Five Years (p.a.)	6.2	6.3
Three Years (p.a.)	2.8	2.9
One Year	2.4	2.4

Source: Invesco, Partners Group, LGIM ,Baillie Gifford and BNY Mellon

Summary Risk Statistics

Bailie Gifford Diversified Growth Pension Fund	
Delivered volatility	6.4%

Annualised volatility calculated over 5 years to end of March 2020.

Source: Baillie Gifford

Invesco Perpetual Global Targeted Returns Fund	
Delivered volatility	3.6%

Annualised volatility calculated since the Fund's inception (April 2014) to end of March 2020.

Source: Invesco Perpetual

BNY Mellon Sustainable Real Returns Fund	
Delivered volatility (p.a.)	6.8

Annualised volatility calculated since the Fund's inception (April 2018) to end of March 2020. Volatility calculated using daily prices for the Fund due the shorter period since inception.

Source: Newton

Economic and Market Background – 12 Months to 31 March 2020

Market Background

Over the 12 months to March 2020, global markets were largely driven by two key themes. The first was the ebbing and flowing of investor confidence as progress around the US-China Trade Agreement materialised. Central banks stepped in with either dovish rhetoric or actions where confidence was low and consequently the first 9 months of the period saw overall gains for risk markets. The second, and more significant, theme was the rapid global spread of the COVID-19 pandemic across the latter part of Q1 2020. This dragged markets down from historic highs as the pandemic pushed the global economy towards recession. Further information on the impact of Covid-19 on the Scheme's investments can be found on page 19.

Developed equity markets produced positive returns across the second, third and fourth quarters of 2019 whilst emerging equity markets exhibited more volatility in generating mixed performance. All global equity markets fell sharply in Q1 2020. Among developing markets, UK equities fell furthest owing to heightened oil volatility and US markets proved somewhat more resilient, falling to a lesser extent.

Safe haven assets, such as UK Government bonds and the US Dollar experienced positive returns over the 12-month period. A fall in government bond yields was driven by looser global monetary policy coupled with a flight to quality.

Source: Quantum Advisory

Multi Asset

Generally, most multi-asset funds mirrored equity market direction over the period. Many traditional strategies enjoyed consistent positive returns over the period to the end of 2019, but experienced steep falls over Q1 2020. Significant for these strategies were the benefits of diversification, as many strategies generated returns with lower volatility when compared to equities (however, these strategies generally failed to keep pace with rising equity markets during 2019). Similarly, in Q1 2020, many multi-asset strategies experienced falls which were largely protected from experiencing falls to the same magnitude as equity markets.

Source: Quantum Advisory

Government Bonds

Government bonds yields fell over the year to 31 March 2020, with nominal UK gilts returning 17.6% and their index-linked counterparts returning 2.4%. This is reflective of falling inflation expectations over the period (driven by potential RPI reform and a general fall in UK inflation), which had a negative impact on the price of index-linked gilts relative to their nominal counterparts. Gilt demand was largely informed by looser global monetary policy and investor uncertainty across the year with a sharp spike as investors undertook a 'flight-to-safety' in Q1 2020 as the COVID-19 pandemic dominated markets.

Source: Quantum Advisory

Property

UK Property continued to experience structural challenges over the period driven by investor uncertainty weighing on the asset class. Key themes such as the challenges for the retail sector remained relevant but there were indications of areas of demand in office space, particularly in London. Across the later portion of the period, liquidity and valuation issues presented as key risks for Property Funds as gating and suspension mechanisms were implemented for some prominent UK Property Funds. The spread of COVID-19 exacerbated the use of the mechanisms for strategies and there is expectation of sustained challenges for the asset classes as some commercial tenants struggle to generate revenue and meet overheads as the UK economy remains in lock-down.

Source: Quantum Advisory

Private Markets

Private markets exhibited strong performance over the second, third and fourth quarters of 2019 however they ultimately lagged listed assets following a strong 2019 for equities. The global dimension to private real estate investment allowed for considerable outperformance when compared to the UK property sector. The increased appetite of investors for the private sector lead to private equity firms accruing a record amount of deployable cash from investors over the period. Significant however was the extent to which the impact of the COVID-19 pandemic on the global economy lead to an increased correlation between private markets and listed securities where both asset classes experienced significant negative performance in the first quarter of 2020.

Source: Partners Group

Largest Holdings – Top Ten Largest Holdings

Baillie Gifford Diversified Growth Pension Fund	% of Portfolio
Baillie Gifford Global Alpha Growth Fund	5.2
Baillie Gifford Global Income Growth Fund	5.1
Baillie Gifford Emerging Markets Bond Fund	5.0
Baillie Gifford Long Term Global Growth Investment Fund	4.4
Exchange Traded Funds Ishares Physical Metals Plc	4.0
Baillie Gifford Emerging Markets Government Bonds (Hard Currency)	3.2
Invesco Gold Exchange Traded Fund	3.1
Baillie Gifford Worldwide Japanese Fund	3.0
Goldman Sachs Cross Asset Trend Portfolio	2.6
Nomura Cross Asset Momentum Fund	2.5

Invesco Perpetual Global Targeted Returns Fund	% of Portfolio
Cash (GBP)	9.9
2024 Mexican Bond	9.2
Societe Generale Perpetual	4.6
2020 Mizuho Bank	4.6
2050 Government of France Bond	4.3
Qatar National Bank Perpetual	4.1
Invesco Global Liquidity Fund	2.9
Merrill Lynch Collateral	(2.8)
Merrill Lynch US Derivative Swap	2.6
Merrill Lynch Margin (Over The Counter)	2.2

BNY Mellon Sustainable Real Return Fund	**% of Portfolio**
Invesco Physical Gold Exchange Traded Commodity	5.9
iShares Physical Gold Exchange Traded Commodity	5.9
Amundi Physical Metals Plc 2019 - open end on Gold Structured Note	4.6
Greencoat UK Wind Plc	2.4
Renewables Infrastructure Group Limited	1.6
AIA Group Limited	1.6
Canada Housing Trust (No. 1, 2.35, 15 JUNE 2027)	1.5
Government of Australia (3.0, 21 MARCH 2047)	1.5
S&P 500 Put December 2020 2650	1.4
Government of Hungary (5.5, 24 JUNE 2025)	1.4

Partners Group Generations Fund	**% of Portfolio**
Global Logic	3.2
Project Moon	1.6
Techem	1.5
Zabka	1.4
EveCare Partners	1.4

Please note that Partners Group only make the top five holdings public information for the Generations Fund.

LGIM Ethical Global Equity Index Fund	**% of Portfolio**
Microsoft Corporation	5.3
Apple Inc	4.7
Johnson & Johnson	1.6
Alphabet Cl C	1.6
Alphabet Cl A	1.5
Neste	1.3
Visa Inc Class A	1.2
Procter & Gamble Company	0.2

Unitedhealth Group Inc	1.1
Intel Corp	1.0

LGIM Managed Property Fund	% of Portfolio
London – Strand Island Site	4.6 – 4.9
Brentford – West Cross Industrial Park	4.3 – 4.6
Dunstable – Woodside Industrial Estate	3.0 – 3.3
Reading – Apex Plaza	2.7 – 3.0
Manchester – One Piccadilly	2.7 – 3.0
London – 76-88 Wardour Street	2.7 – 3.0
Basingstoke – Kingsland Business Park	2.7 – 3.0
Maidenhead – Grenfell Island	2.4 – 2.7
Cambridge – Cambridge Science Park	1.8 – 2.1
Birmingham - Rackhams	1.8 – 2.1

LGIM Over 5 Year Index-Linked Gilts Index Fund	% of Portfolio
UK Treasury 1.25% 2055	6.0
UK Treasury 0.125% 2068	5.4
UK Treasury 0.375% 2062	5.3
UK Treasury 1.125% 2037	5.2
UK Treasury 0.75% 2047	5.0
UK Treasury 0.5% 2050	5.0
UK Treasury 0.125% 2044	4.9
UK Treasury 0.625% 2040	4.7
UK Treasury 0.625% 2042	4.5
UK Treasury 1.25% 2032	4.4

Source: Invesco Perpetual, Partners Group, LGIM, Baillie Gifford and BNY Mellon.

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 audited Financial Statements for each Scheme to Scheme members, beneficiaries and certain other parties, 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:

	2019-20 £	2018-19 £
Employer normal contributions	1,040,069	932,356
Employee normal contributions	543,652	496,314
Total	**1,583,721**	**1,428,670**

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

	2019-20 £	2018-19 £
Contributions paid	1,583,721	1,428,670
Less opening debtor	(121,153)	(101,753)
Add closing debtor	0	121,153
Total Contributions reported in the Financial Statements	**1,462,568**	**1,448,070**

Signature

Jill Youds
Chair of Trustees
(On behalf of the Trustees)
Date 6 July 2020

Signature

Nia Morgan
Trustee

Governance Statement

Scope of Responsibility

We acknowledge our responsibility as Trustees for maintaining a sound system of governance to safeguard the public funds and assets connected with the National Assembly for Wales Members' Pension Scheme (NAfW MPS). The responsibilities of the Trustees are clearly defined in the Statement of Trustees' responsibilities on page 37.

The NAfW MPS is a statutory scheme and is a registered pension scheme under the Finance Act 2004. The Scheme is registered with the Pensions Regulator and the Pension Scheme Registry (PSR) number is 12015963. The Pension Scheme Tax Reference (PSTR) is 00462258RW.

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

Shortly before the year end, as a result of the Covid 19 lock down in the UK, the Scheme Secretariat moved to home working. The Secretariat use Commission issued equipment to carry out their roles, which is fitted with remote access capability allowing secure connection to the network. The same level of cyber security applies when staff work remotely as when they attend the office.

Full, uninterrupted access to the Commission's ITC systems has been maintained during this time with no issues experienced and all banking transactions have been carried out without issue. The Pensioner payroll has been maintained by the Commission's payroll team and all pensioners have been paid accurately and on time.

Governance Framework

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

Name	Percentage of Meetings Attended
Jill Youds Chair	100%
Mike Hedges AM Member Representative	100%
Nia Morgan Commission Representative	100%
Ieuan Wyn Jones Member Representative	100%
Robert Evans Commission Representative	100%

During the year, the Trustees considered the following detailed reports:

- The Auditor's report on the Financial Statements,
- A revised Deed of Indemnity
- A Data Processing Agreement
- Setting Objectives for the Investment Adviser
- Annual review of Environmental, Social and Governance Investments
- Investment Strategy Review
- Remuneration Board's review of the Scheme Rules

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. In addition, the internal audit of the Scheme administration carried out in 2018 reported a substantial assurance opinion rating on the administration of the Scheme and concluded that the Scheme's framework of governance, risk management and control is adequate and effective and made no recommendations for changes.

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 2020 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 given a score based on factors such as likelihood of the risk materialising, the impact that the risk might have if it did occur. The risk rating reflects the controls currently in place to manage each identified risk. The risk register is reviewed at each meeting 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.
- General Data Protection Regulations (GDPR) compliance : Action Plan implemented to ensure all the requirements are covered and processes documented. A Data Breach Management Procedure has been put in place. Privacy Notices are issued to all Members. There is a Data processing Agreement in place between the Trustees and the Commission.
- Business Continuity: There are process in place in the event of a major event occurring to ensure that are far as possible normal service is maintained following a major event that disrupts normal activities. There are plans in place to ensure the payment of pensions and that member benefits are paid, contributions are remitted on time and banking can be carried out remotely.

Review of effectiveness

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

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

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

Approved on behalf of the Trustees on 6 July 2020 by:

Signature

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

Signature

Nia Morgan
Trustee

Independent Auditor's Report to the Trustees of Members of the Senedd Pension Scheme

I have audited the Financial Statements of the Members of the Senedd Pension Scheme for the year ended 31 March 2020 which comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Opinion

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 2020, 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 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and my auditor's report thereon. The Trustees are responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information 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.

Responsibilities of the Trustees for the financial statements

As explained more fully in the statement of Trustees' responsibilities set out on pages 37-38, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees' are responsible for assessing the Scheme's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website **www.frc.org.uk/auditorsresponsibilities**. This description forms part of my auditor's report.

Signature

Anthony J Barrett
For and on behalf of the Auditor General for Wales

7 July 2020

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the Welsh Parliament website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly 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 2020

Fund Account	**Note**	**2019-20**	**2018-19**
Contributions and benefits		£	£
Employer Contributions	4	960,497	950,895
Employee Contributions	4	502,071	497,175
Total Contributions		1,462,568	1,448,070
Interest Receivable		339	281
Other income		0	0
		1,462,907	1,448,351
Benefits paid or payable	5	(1,058,828)	(998,634)
Professional Fees	10	(96,665)	(118,054)
Administration expenses	8	(5,679)	(7,148)
		(1,161,172)	(1,123,836)
Net Additions from dealings with Members		301,735	324,515
Investment income			
Change in market value of Investments	11	(1,904,379)	1,688,714
Investment management expenses	12	(298,068)	(268,529)
Net returns on investments		(2,202,447)	1,420,185
The net amount of increase in the fund		(1,900,712)	1,744,700
Opening net assets of the Scheme		37,150,279	35,405,579
Closing net assets of the Scheme		**35,249,567**	**37,150,279**

Statement of Net Assets	**Note**	**As at 31 March 2020 £**	**As at 31 March 2019 £**
Investment assets			
Pooled investment	9	35,177,019	37,065,870
Total investments		35,177,019	37,065,870
Current Assets	6	130,208	178,596
Current Liabilities	7	(57,660)	(94,187)
Total Net Assets of the Scheme		**35,249,567**	**37,150,279**

The Financial Statements summarise the transactions and net assets of the Scheme and do not take account of obligations to pay pensions 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 pages 64-66 and these Financial Statements should be read in conjunction with that Report.

Approved by the Trustees on 6 July 2020:

Signature

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

Signature

Nia Morgan
Trustee

The notes on pages 49-61 form part of these accounts.

Notes to the Accounts

1. 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.

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

The actuarial report does take these liabilities into account (an actuarial statement can be found at pages 64-66).

2. Accounting Policies

The Scheme's principal accounting policies are:

Investment Income

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

Contributions

- Employee contributions are accounted for when they are deducted from members' pay.
- 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 are calculated and verified by the Scheme's Actuary in accordance with the Pension Schemes Act 1993.
- Benefits are accounted for in the period in which they fall due for payment and refunds of contributions are accounted for when they are made.
- Individual transfers 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.

Other Investment Expenses

- In last year's report where the final quarter expenses were not known at the published date, other investment expenses were calculated for each fund from the average of all quarterly expense information received since January 2019 to December 2019 and were based on the end of month valuations.
- In this year's report the last quarter's expenses were not known for the Managed Property Fund and the BNYM Mellon Real Return Fund. Fees for the Managed Property Fund were based on the average of the additional expenses over 2019, and the previous quarter's expenses were used for the BNY Mellon Real Return Fund as the Scheme began investing in this fund in December 2019.
- This year the methodology has also changed slightly. Given the switches during the year, expenses have instead been based on daily asset valuations.

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. 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.

3. Secretariat

The cost of providing staff for the Scheme's secretariat continues to be met directly by the Assembly Commission under the terms of the Memorandum of Understanding agreed between the Assembly Commission and the Trustees. The costs were estimated to be £111,925 (2018-19 £107,404) for the period covered by these accounts.

4. Contributions Receivable

	2019-20 £	2018-19 £
Employer Contributions:		
Normal	960,497	950,895
Employee Contributions:		
Normal	502,071	497,175
Total	1,462,568	1,448,070

Members of the final salary Scheme contributed 10% to accrue benefits on a fortieths basis and 6% to accrue benefits on a fiftieth's basis. Members of the CARE Scheme contributed 10.5% to accrue benefits on a 1/50th career average basis. The Assembly Commission contributes 19.9% of pensionable salaries to the Scheme.

5. Benefits Payable

	2019-20 £	2018-19 £
Pensions	807,427	759,734
Lump Sum Benefits	240,140	133,694
Taxation where lifetime or annual allowances exceeded	11,261	105,206
Total	**1,058,828**	**998,634**

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefit from the Scheme in exchange for the Scheme settling their tax liability

6. Current Assets

	31 March 2020 £	31 March 2019 £
Cash at Bank	129,916	57,148
Contributions due from the employer and employee	0	121,153
Other debtors and prepayments	292	295
Total	**130,208**	**178,596**

There are no contributions due from the employer and employee in March 2020 as they were paid in full to the Scheme on 31 March before the statutory deadline of 19 April 2020.

7. Current Liabilities

	31 March 2020 £	31 March 2019 £
Creditors: amounts payable within one year	(57,660)	(94,187)
Total	**(57,660)**	**(94,187)**

'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.

8. Administration Costs

	2019-2020 £	2018-19 £
Training	4,582	6,228
Other Administration	1,097	920
Total	**5,679**	**7,148**

9. Pooled Investment Vehicles

	31 March 2020 £	31 March 2019 £
Bailie Gifford Diversified Growth Pension Fund	11,723,320	12,684,960
Invesco Perpetual Global Targeted Returns Fund	0	5,227,679
BNY Mellon Sustainable Real Return Fund	4,991,190	
Partners Group Generations Fund	3,437,660	3,744,178
LGIM Ethical Global Equity Index Fund	9,285,978	9,649,470
LGIM Managed Property Fund	1,819,919	1,914,027
LGIM Over 5 Year Index-Linked Gilts Index Fund	3,918,952	3,845,556
Total	**35,177,019**	**37,065,870**

10. Professional fees

	2019-20 £	2018-19 £
Actuarial Fees	31,397	55,873
Independent Trustee	11,722	12,209
Investment Consultancy	31,316	21,487
Other Consultancy	0	4,700
Audit Fees	13,079	13,079
Legal Fees	9,151	10,706
Total	**96,665**	**118,054**

All professional fees are shown inclusive of Value Added Tax (VAT).

Other consultancy work shown for 2018-19 relates to work undertaken by Quantum Advisory to assist the Scheme administrator in ensuring compliance with GDPR.

The investment adviser fee is slightly higher this year due to work on a review of the investment strategy and ESG and additional reporting due to changes in the requirements for the Statement of Investment Principles. The actuarial fee this year includes an element of work carried out in relation to the cost cap valuation which is a requirement of the Public Services Pensions Act and this work is ongoing and will continue into the following year.

11. Investment reconciliation

	Market Value at 1 April 2019 (£)	Purchases (£)	Disposal and Sales (£)	Change in Market Value (£)	Investment Manager Expenses (£)	Net Change in Market Value (£)	Market value at 31 March 2020 (£)
Baillie Gifford Diversified Growth Fund	12,684,960	176,618	--	(1,036,910)	(101,348)	(1,138,258)	11,723,320
Invesco Global Targeted Returns Fund [1]	5,227,679	151,978	(5,466,832)	116,096	(28,921)	87,175	--
BNY Mellon Sustainable Real Return Fund [1]	--	5,466,832	--	(462.766)	(12,876)	(475,642)	4,991,190
Partners Group Generations Fund	3,744,178	--	--	(212,897)	(93,621)	(306,518)	3,437,660
LGIM Ethical Global Equity Index Fund	9,649,470	--	--	(326,698)	(36,794)	(363,492)	9,285,978
LGIM Managed Property Fund	1,914,027	--	--	(72,799)	(21,309)	(94,108)	1,819,919
LGIM Over 5 Year Index-Linked Gilts Index Fund	3,845,556	--	(15,000)	91,595	(3,199)	88,396	3,918,952
Net Investment Assets	**37,065,870**	**5,795,428**	**(5,481,832)**	**(1,904,379)**	**(298,068)**	**(2,202,447)**	**35,177,019**

1 Following a review of the Scheme's investments, at their November meeting the Pension Board agreed to disinvest from the Invesco Global Returns Fund and transfer the assets to the BNY Mellon Sustainable Real Return Fund.

	Market Value at 1 April 2018 (£)	Purchases (£)	Disposal and Sales (£)	Change in Market Value (£)	Investment Manager Expenses (£)	Net Change in Market Value (£)	Market value at 31 March 2019 (£)
Baillie Gifford Diversified Growth Fund	12,398,399	271,187	--	114,594	(99,220)	15,374	12,684,960
Invesco Global Targeted Returns Fund	5,314,451	31,590	(10,000)	(68,731)	(39,631)	(108,362)	5,227,679
Partners Group Generations Fund	3,518,180	--		300,025	(74,027)	225,998	3,744,178
LGIM Ethical Global Equity Index Fund	8,558,794	61,285	--	1,062,222	(32,831)	1,029,391	9,649,470
LGIM Managed Property Fund	1,861,129	--	--	72,824	(19,926)	52,898	1,914,027
LGIM Over 5 Year Index-Linked Gilts Index Fund	3,640,670	--	--	207,780	(2,894)	204,886	3,845,556
Net Investment Assets	**35,291,623**	**364,062**	**(10,000)**	**1,688,714**	**(268,529)**	**1,420,185**	**37,065,870**

The distribution of assets is shown in the Fund Managers Investment Report on page 27. 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.

12. Investment Management Expenses

The annual management charge percentages (AMC) are shown in the table below.

Fund	**AMC (%)**
Baillie Gifford Diversified Growth	0.65
Invesco Perpetual Global Targeted Returns	0.75
BNY Mellon Sustainable Real Return Fund	0.69
Partners Group Generations	1.35
LGIM Ethical Global Equity Index	0.35
LGIM Managed Property	0.64
LGIM Over 5 Year Index-Linked Gilts Index	0.08

The Investment Adviser negotiated a reduction in the fee for the LGIM Managed Property Fund from 0.70% to 0.64% during the transfer of funds from the Invesco Perpetual Global Targeted Returns Fund to the BNY Mellon Sustainable Real Return Fund. Other Expenses' include custody charges and where the Fund is a sub-fund of an OEIC (Open Ended Investment Company) or invests in underlying OEIC sub-funds, it will also include expenses such as depositary fees, registration fees and audit fees. Also incurred are direct trading costs (stamp duty, other taxes and broker commission) that arise when buying or selling stocks in the market.

Scheme	Investment management		Other Expenses		Total	
	2019-20 £	2018-19 £	2019-20 £	2018-19 £	2019-20 £	2018-19 £
Baillie Gifford Diversified Growth Funds	(85,00)	(80,599)	(16,348)	(18,621)	(101,348)	(99,220)
Invesco Global Targeted Returns Fund	(28,921)	(39,110)	--	(521)	(28,921)	(39,631)
BNY Mellon Sustainable Real Return Fund	(10,452)	--	(2,424)	--	(12,876)	--
Partners Group Generations Fund	(53,782)	(49,067)	(39,839)	(24,960)	(93,621)	(74,027)

LGIM Ethical Global Equity Index Fund	(36,794)	(32,831)	--	--	(36,794)	(32,831)
LGIM Managed Property Fund	(12,901)	(12,945)	(8,408)	(6,981)	(21,309)	(19,926)
LGIM Over 5 Year Index-Linked Gilts Index Fund	(3,199)	(2,894)	--	--	(3,199)	(2,894)
Total	(231,049)	(217,446)	(67,019)	(51,083)	(298,068)	(268,529)

The LGIM Managed Property Fund 'other expenses' include property Management charges and 'non-recoverable' items such as 3rd party surveyor fees.

13. Investment Fair Value Hierarchy

The Scheme's investment assets have been fair valued using the hierarchy categories as follows in accordance with the accounting policy at Note 2.

At 31 March 2020	Category (a) £	Category (b) £	Category c (i) £	Category c (ii) £	Total £
Pooled Investment vehicles	3,436,434	28,302,925	-	3,437,660	35,177,019
Cash deposit			-		
Total	3,436,434	28,302,925	-	3,437,660	35,177,019

Please note that Partners Group were unable to advise on which fair value hierarchy category the Generations Fund should be included. Given the nature of the valuation and the transparency of the underlying investments and after discussions between Quantum Advisory and Partners Group, the assets appear to be best categorised as Category C.

At 31 March 2019	Category (a) £	Category (b) £	Category c (i) £	Category c (ii) £	Total £
Pooled Investment vehicles	1,351,011	31,655,648		4,059,211	37,065,870
Cash deposit	--	--	--	--	--
Total	1,351,011	31,655,648		4,059,211	37,065,870

14. 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.
- Other financial material considerations – this is the risk that financially material considerations (including, but not limited to, ESG factors (including climate change)) can potentially impact the Scheme in terms of both risk and return. With specific regard to ESG factors, the Trustees consider how these are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing

investment managers. The Trustees also periodically consider publicly available ESG related publications pertaining to the incumbent investment managers. Furthermore, the Trustees review the ESG credentials of its managers through an annual ESG report and questions its advisors on the managers' approach to ESG at Trustees' meetings.

The Trustees recognise these different types of risk and seek to minimise them as far as possible using regular monitoring of investment performance, through a policy of diversification, by taking account of future payments and by regularly reviewing the appropriateness of the investment strategy against the Scheme's objectives.

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.

14.1. Investment policy

The Trustees set investment policy after seeking advice from Quantum Advisory 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 Trustees have decided to utilise the Mobius Life Limited implementation solution to provide flexibility for their investment portfolio and to minimise administration fees.

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. 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 six pooled funds: a Property, a Diversified Growth, a Private Markets, an Ethical Global Equity, an Absolute Return and an Index-Linked bond fund. Following a change to the investment strategy in the final quarter of the year the Trustees disinvested from the Absolute Return and invested in a second Diversified Growth Fund.

15. Related Party Transactions

During the period of account, the Scheme has had material transactions with the Assembly Commission, which is regarded as a related party. These transactions are disclosed in Note 3 to these accounts. None of the Trustees, Managers of the Scheme, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year.

Independent Auditor's Statement

Independent Auditor's Statement about Contributions to the Trustees of the Members of the Senedd Pension Scheme.

I have examined the summary of contributions to the Members of the Senedd Pension Scheme for the Scheme year ended 31 March 2020, which is set out on page 38.

In my opinion contributions for the Scheme year ended 31 March 2020, as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary on 3 June 2020.

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 38 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.

The maintenance and integrity of the Welsh Parliament website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Respective responsibility of Trustees and Auditors

As explained more fully in the Statement of Trustees' Responsibilities on page 37, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary, revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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

Signature

Anthony Barrett
For and on behalf of the Auditor General for Wales

7 July 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Members of the Senedd Pension Scheme (known as Assembly Members' Pension Scheme to 5 May 2020)

Actuary's statement covering financial year to 31 March 2020

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 2017, 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 2017 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 and the assumptions adopted remain 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 £2.6m could have been reflected as an adjustment to the Standard Contribution Rate. However following discussions with the Trustees and the Commission, it was agreed that it would be prudent to retain this small surplus in the Scheme.

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 2017 actuarial valuation for calculating the cost of the Scheme's benefits are shown in the table below.

Investment return, net of expenses, in excess of salary inflation	½ % a year
Investment return, net of expenses, in excess of price inflation (based on the Consumer Prices Index)	2½ % a year
Pensioner longevity – Based on standard pensioner longevity tables published by the Continuous Mortality Investigation (the SAPS tables) with adjustments as adopted in the valuation of the NHS Pension Scheme in England & Wales as at 31 March 2016, and in line with principal 2016-based population projections produced by the Office for National Statistics.	

Further details of the methods and assumptions used are set out in the report on the actuarial valuation as at 1 April 2017, dated 8 March 2018.

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.

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

Based on the assumptions adopted for the 2017 valuation, the Assembly's share of the standard contribution rate is 19.9% of pensionable pay (including an allowance for expenses). No reduction has been made to the contributions to remove the surplus.

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.

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 excluding any costs which may arise as a result of the McCloud judgement and GMP equalisation. In giving this opinion, I have assumed that both member and employer contributions will be paid to the Scheme as described in the paragraph titled 'Contribution Rate' above, subject to review at successive actuarial valuations.

Next actuarial assessment

The next formal actuarial valuation of the Scheme will be undertaken with an effective date of 1 April 2020. 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.

Manoj Mistry
Fellow of the Institute and Faculty of Actuaries
3 June 2020

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