

National Assembly for Wales
Members' Pension Scheme

Annual Report and Accounts

01 April 2010 – 31 March 2011



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

An electronic copy of this report can be found on the National Assembly's website:
www.assemblywales.org

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THE TRUSTEES' REPORT FOR THE PERIOD ENDING 31 MARCH 2011 TO THE MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES MEMBERS' PENSION SCHEME

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

The Scheme was set up under section 18 of the Government of Wales Act 1998. Section 20 (4) of and Schedule 11 to the Government of Wales Act 2006 provides continuity for the Scheme. The Government of Wales Act 2006 has not affected the legal status of the Scheme.

Developments during the Year

The Measure to establish an independent National Assembly for Wales Remuneration Board ("the Board") received Royal Assent on 21 July 2010 with the Board becoming operational in September 2010.

The Board has responsibility for setting Assembly Members' pay, allowances and pensions. The Board has the power to amend the Scheme, including the rules, but plays no part in management of the Scheme or its internal controls and is not referred to in the Statement On Internal Controls on pages 21 and 22.

The Trustees put forward a number of proposed rule amendments for consideration by the Board and the following were approved:

13 January 2011

Rules E2(1) and E2(2), and subsequent amendments to rules D1(5), D2(4) and L, were amended so that with effect from 1 April 2010 if members did not draw their full salary their pension accrual would be based on a pro rata basis with no additional contributions being made.

25 February 2011

Rule H1 was amended with effect from 1 July 2010 to allow the Trustees to review the early retirement factors to keep them up to date with the obligation to do so in a cost neutral way.

28 March 2011

Part A (permitted maximum) was amended to allow Trustees to set a non-increasing fixed amount which they can review from time to time. This removes the automatic indexation that previously applied.

Part F (Entitlement of Pensioner Office Holders) was amended with effect from 1 March 2011 to allow office holders who remain in post during dissolution to have their office holder pensions treated as pensionable when they may no longer be Assembly Members.

Schedule 4 (Purchase of Added Years) will be amended from 1 April 2011 so that the purchase of added years when added to anticipated reckonable service to the Scheme pension age cannot exceed two thirds of the permitted maximum.

Aim of this Report

The Scheme is exempt from the requirement as laid down in the Occupational Pensions Schemes (Disclosure of Information) Regulations 1996 to prepare a report and audited accounts within seven months of the end of the accounting year. It is the intention of the Trustees to comply with the spirit of this legislation by disclosing relevant information, including actuarial and accounting details, to all members of the Scheme within three months of the date of certification of the audited accounts in accordance with Schedule 1 paragraph 13 of the Scheme Rules.

Trustees

The Trustees for the year were:

William Graham AM	(Chair)
Rosemary Butler AM	
Dafydd Wigley	(Pensioner Trustee)
Michael German	
John Griffiths AM	(appointed 9 June 2010)
Gareth Jones AM	(appointed 9 June 2010)

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

William Graham AM (Chair of Trustees)
Rosemary Butler AM
Dafydd Wigley (Pensioner Trustee)
Michael German
John Griffiths AM
Gareth Jones

Scheme Administration

The day to day running of the Scheme is carried out by the Scheme Secretariat within the Assembly Commission's Financial Services.

Any queries about pensions or any further information required should be sent to the Secretariat at the following address:

National Assembly for Wales Members' Pension Scheme
Financial Services
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Roger Beale Tel: 02920 898956 Fax: 02920 898059
Email: roger.beale@wales.gov.uk

Liz Calder Tel: 02920 898809 Fax: 02920 898059
Email: liz.calder@wales.gov.uk

Income of the Fund

The income of the Fund is derived from the following sources; contributions from active members and from the Assembly Commission as employers.

Members and Office-holders contribute 10% of their salaries if they accrue benefits on a fortieths basis and 6% of their salaries if they accrue benefits on a fiftieths basis. The Assembly Commission, as the employer, contributes 23.8% of pensionable salaries for both the basic Scheme and the Office Holders' Scheme. These rates have been in effect since 1 April 2009 following the third triennial valuation as at 1 April 2008.

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 third triennial valuation was completed as at 1 April 2008, and the report was laid on 13 May 2009, in accordance with the Scheme rules.

The statement from the Actuary dated 26 March 2009 recommended a contribution rate of 23.8% of Members' pensionable salary with effect from 1 April 2010. 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 11 May 2011 (at pages 15 & 16) confirms the adequacy of the Assembly Commission's contribution of 23.8% for the coming year. The current funding level is adequate to meet current benefits. These statements are based on the Scheme's assets and liabilities at the valuation date. These statements fully comply with the requirements of the Institute of Actuaries and Faculty of Actuaries Guidance Note GN9.

Membership

Active Members

Active Members at 1 April 2010	60
<i>Of which Office Holders 39)</i>	
<i>add:</i> New entrants in the year	1
<i>less:</i> Leavers in the year	0
Retirements in the year	(1)
Death in Service	1
Active Members at 31 March 2011	59

Deferred Members

Deferred Members at 1 April 2010	15
<i>add:</i> Members leaving with deferred rights	0
<i>less:</i> Members taking up deferred rights	(2)
Deferred Members at 31 March 2011	13

Pensioners in Payment

Pensioners in payment at 1 April 2010	16
<i>add:</i> Members retiring in year	1
<i>add:</i> Members taking up Deferred Rights	2
<i>add:</i> New Dependants	0
<i>less:</i> Deaths in year	0
Pensioners in Payment at 31 March 2011	19

Payments from the Scheme during the year are disclosed in Note 5 to the accounts. Pensions in payment as at 6 April 2010 were not increased as the Retail Prices Index was negative and no Pensions Increase (Review) Order was issued.

Preparation and Audit of Annual Accounts

The accounts are prepared in accordance with the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (revised May 2007), as far as is appropriate.

These accounts are prepared by officials of the Assembly, on behalf of the Trustees, and audited by the Auditor General for Wales. They are prepared and audited under Sections 41 (1) and (6) of the Pensions Act 1995 and in accordance with SI 1996/1975 Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations.

The audited accounts will be laid before the Assembly within three months of the Auditor's Statement being signed and subsequently published.

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

Summary Financial Information

Income during the period was £1,437,871 (2009-2010 £1,522,828), and Scheme expenditure £529,717 (2009-2010 £164,392). The net assets of the Scheme at 31 March 2011 were £18,784,595 (31 March 2010 £16,129,920).

During the period a total of £884,562 was remitted to the Fund Managers for investment in the Diversified Growth Pension Fund and the Baillie Gifford Index Linked Pension Fund. No additions were made to the Baillie Gifford Managed Pension Fund during the year. The total market value of the Funds invested at 31 March 2011 was £18,129,617 (31 March 2010 £15,500,119).

As at 31 March 2011 a total of £250,000 (31 March 2010 £484,259) was held on a Treasury deposit account with the Scheme's bank earning interest based on the prevailing money market rates. This cash is held for self-insurance purposes.

Investments

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

The size of the Scheme's assets is not sufficient to allow a widely diversified portfolio of investments were the assets to be invested directly in bonds, stocks and shares. Therefore, until the assets have become sufficiently large, the Trustees believe that the most effective way of investing with suitable

diversification and at a reasonable cost is to use unit trusts or open ended investment companies ('OEICs').

The Trustees expect the investments to deliver a return that is median or better for their sector when measured against similar pooled pension fund investments. It is also anticipated that the investment returns should exceed price inflation by a sufficient margin that the Scheme's benefits can be provided in accordance with the actuarial calculations for the Scheme.

Investment Policy

The Investment Policy for the Scheme is determined by the Trustees, and is reviewed from time to time. The policy in force at 31 March 2011 is set out in the Statement of Investment Principles, which has been adopted by the Trustees and is available to Members on request from the Scheme Secretariat. The policy does not allow for any employer-related investment.

The performance objectives for the investment funds are as follows:

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

Over the last 5 years the Managed Pension Fund has achieved an annual rate of return of 6.3% against a benchmark performance of 4.2%

Baillie Gifford Index Linked Pension Fund – to outperform by 0.75% p.a. gross the return on the FT-Actuaries over 5 years Index Linked Gilt Index over rolling 3 year periods.

Over the last 5 years the Index Linked Pension Fund has slightly underachieved with an annual rate of return of 5.87% against a benchmark performance of 5.92%.

Baillie Gifford Diversified Growth Pension Fund – to outperform the UK base rate by 3.5% per annum (net of fees) over rolling five year periods.

In the last 12 months the Diversified Growth Pension Fund has achieved a rate of return of 9.2% against a benchmark performance of 0.5%. Data for longer periods is not available as the fund only commenced in May 2009

The Trustees reviewed their investment strategy in October 2010 and with professional advice decided to hold all contributions for the period November 2010 to March 2011 as cash. This decision was made to fund possible lump

sum benefits from known retirements when the Assembly went in to dissolution on 1 April 2011

Investment Manager

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

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

Baillie Gifford Life Limited is paid a management fee based on a percentage: 0.45% for the Managed Pension Fund, 0.25% for the Index Linked Pension Fund and 0.45% for the Diversified Growth Pension Fund until 1 June 2012 when it will revert to the standard annual management charge, currently 0.65% of the total market value of the funds per annum, which is deducted from the value of the Funds each month.

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

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

Baillie Gifford has internal policies covering Corporate Governance, Socially Responsible Investment (SRI), Company Engagement and Exercising Voting Rights. During the year Baillie Gifford had engagement with the following companies.

- **Corporate Governance** - Asahi Breweries, BG Group, BHP Billiton, BHP Billiton (UK), Banco Santander, Brambles Limited, CNOOC, Inpex Corporation, Inpex Corporation, Johnson Matthey, Michael Page International, Nifco, Prudential, Royal Dutch Shell, Sodexo, Sumitomo Realty & Development, Tokyo Tatemono, Yamaha Motor
- **Corporate Social Responsibility** - BG Group, Banco Santander, Bunzl, Celesio AG, Lonmin, Unilever, Vodafone Group

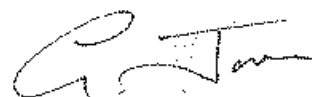
- **Executive Remuneration** - Aristocrat Leisure, BHP Billiton, BHP Billiton (UK), Brambles Limited, British American Tobacco, Capita Group, Capita Group, Cobham, Hays, IG Group Holdings, Intertek Group, Lonmin, Meggitt, Pearson, Petrofac Limited, Petrofac Limited, Rightmove, Rolls-Royce Group, Royal Dutch Shell, Standard Chartered, Tesco (UK), Tesco (UK), Weir Group
- **AGM or EGM Proposals** - Amlin, Apple, Ashtead Group, Bodycote, British American Tobacco, Bunzl, Capita Group, Chugai Pharmaceutical, Cobham, Deutsche Boerse, Electra Private Equity, Foster's Group, Genus, GlaxoSmithKline, HSBC Holdings, Helical Bar, Hiscox, Hong Kong Exchanges & Clearing, IG Group Holdings, IMI (UK), Imperial Tobacco Group, Inpex Corporation, International Personal Finance (UK), Intertek Group, Iron Mountain, JZ Capital Partners Limited, James Hardie, Johnson Matthey, Jyske Bank AS, Keihin Corporation, L'Oreal, LMS Capital, Linear Technology Corporation, Meggitt, Monsanto Company, Namco Bandai Holdings Inc. , Nifco, Nissan Motor, Oracle Corporation, Pearson, Rightmove, Rolls-Royce Group, Royal Dutch Shell, SABMiller, Sage Group (UK), Scottish & Southern Energy, Serco Group, Shaftesbury, Standard Chartered, Sumitomo Realty & Development, Ultra Electronics Holdings, Wacom Co. Ltd., Walt Disney Company (The), Weir Group, Wesfarmers, Wood, John Group, Woolworths

An investment report concerning the investment policies during the year and a review of the investment performance of the Fund during the year and the nature, disposition, marketability and security of assets is reported on pages 9 to 14. The market value of the Managed Fund as at 31 March 2011 was £12,844,099 a gain of £1,332,791 over the year; the market value of the Index Linked Pension Fund as at 31 March 2011 was £1,487,096, a gain of £98,526; the market value of the Diversified Growth Pension Fund was £3,798,422, a gain of £313,619. These values are disclosed in Note 7 of the accounts.

As at the close of business on 17 June 2011 there had been no material change in the underlying value of the Scheme's investments.



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



Gareth Jones
Trustee

Date: 20 June 2011

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

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

Investment Target

The Trustees have set a performance objective for the investment managers which takes account of the liability profile of the Scheme and the level of risk that the Trustees believe appropriate. The Scheme invests in the Baillie Gifford Managed, Active Index Linked Gilt Plus and Diversified Growth Pension Funds.

Baillie Gifford Managed Pension Fund

The present target of the Baillie Gifford Managed Pension Fund is to outperform the CAPS Median Balanced Pooled Fund by 1.0 - 1.5% p.a. gross over rolling 3 year periods.

Baillie Gifford Active Index Linked Gilt Plus Pension Fund

The present target of the Baillie Gifford Active Index Linked Gilt Plus Pension Fund is to outperform by 0.75% per annum (gross), the return on the FT-Actuaries over 5 years Index Linked Gilt Index over rolling 3 year periods. From 10th December 2010 to outperform by 1.5% per annum (gross), the return on the FT-Actuaries over 5 years Index Linked Gilt Index over rolling 3 year periods.

Baillie Gifford Diversified Growth Pension Fund

The present target of the Baillie Gifford Diversified Growth Pension Fund is to outperform the UK base rate by 3.5% per annum (net of fees) over rolling five year periods with an annual volatility of less than 10%.

Distribution of Assets

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

	2010	2011
	%	%
Managed Pension Fund	74.2	70.5
Active Index Linked Gilt Plus Pension Fund	8.2	8.3
Diversified Growth Pension Fund	17.6	21.2
TOTAL	100	100

The distribution of assets in the Managed Pension fund at 31 March 2011 was as follows:

	2010	2011
	%	%
UK Equities	30.8	33.7
Overseas Equities		
North America	15.0	16.3
Europe	19.7	19.3
Dev Asia Pacific	12.9	11.3
Emerging Markets	12.7	10.7
Fixed Interest	8.5	3.9
Index Linked	-	0.1
Cash & Deposits	0.4	4.7
TOTAL	100	100

The distribution of assets in the Active Index Linked Gilt Plus Pension Fund at 31 March 2011 was as follows:

	2010	2011
	%	%
UK Bonds	4.0	3.6
Overseas Bonds	2.1	3.1
Index Linked		
UK	89.8	92.4
Overseas	2.1	-
Cash & Deposits	1.8	0.9
Forward Currency Contracts	0.2	-
TOTAL	100	100

The distribution of assets in the Diversified Growth Pension Fund at 31 March 2011 was as follows:

	2010	2011
	%	%
Listed Equity	10.5	7.3
Private Equity	7.3	7.3
Property	5.3	2.3
High Yield Bonds	9.4	5.1
Investment Grade Bonds	9.6	6.3
Structured	4.0	5.8
Forestry	2.2	0.3
Commodities	1.9	5.3
Emerging Market Bonds	13.3	12.0
Infrastructure	4.2	5.7
Infrastructure Bonds	5.1	2.1
Government Bonds	-	5.6
Absolute Return	7.7	11.6
Litigation Finance	3.2	1.8
Insurance Linked	11.6	10.4
Active Currency Overlay	0.3	0.0
Cash	4.4	11.1
TOTAL	100	100

Economic and Market Background – 12 Months to 31 March 2011

Despite nervousness among investors over the strength of the global recovery, the impact of a devastating earthquake and tsunami in Japan, and ongoing unrest in North Africa and the Middle East, there was also much encouraging economic news over the period, and stock markets around the world delivered positive returns.

Many of the perceived economic threats failed to materialise. China avoided the hard landing predicted by many observers, while, neither the UK nor the US was hit by the feared double-dip recession although inflationary pressures continued to grow. Eurozone countries had mixed fortunes, with the economic woes of Greece, Ireland, Spain and Portugal in sharp contrast to the strength of Germany which, during the final three months of 2010, recorded its best quarterly economic performance since reunification two decades earlier.

Although emerging market economies continued to perform well, foreign investors became more cautious on prospects there and some began to withdraw funds from China, Brazil and India which had seen heavy investment for much of the period. However, despite these concerns, investment returns in these areas remained positive.

Over the 12 months to the end of March, the UK equity market rose 9% and overseas markets also performed well. Europe gained 7% for UK-based investors, while the US posted a 10% rise in sterling terms. Meanwhile, Developed Asia (including Japan) ended the period 5% higher and the strength of Emerging Markets was reflected in a return of 12%.

Bond markets benefited at various points from moves into the asset class by some investors amid increasing concerns over economic uncertainty and confirmation that fears of record corporate bond defaults had now subsided.

In January, there was a successful issue of the first European Financial Stability Facility bond. It is guaranteed by various European states and is a vehicle for raising money to provide loans to troubled Eurozone countries. However, some government bond markets fell as investors became increasingly convinced of the global economic recovery and raised their exposure to equities. Against this backdrop, UK gilts rose 5% over the period and UK corporate bonds posted a rise of 5%, while overseas government bonds were up 2% in local currency terms.

Although monetary conditions remain loose around the world, pressure is growing for interest rates to rise in some developed economies. Meanwhile, the general economic uncertainty in the Eurozone also threatens to linger and this is likely to create further volatility for investors.

At a portfolio level, we remain focused on the bottom-up analysis of companies to ensure as far as possible that the businesses in which we invest have good prospects for earnings growth over the longer term. We are finding attractive investment opportunities in companies that are either based in emerging markets or benefiting from the growth taking place there. We also hold positions in several companies which we believe have an excellent long-term outlook but have not participated fully in the equity market rally and are now, on a relative basis, looking attractive. Meanwhile, in fixed interest markets, we continue to favour corporate bonds over government bonds.

Performance (net of management fees)

For the year ended 31 March 2011, the Funds provided the following net returns:

	1 Year %	3 Year % pa	5 Year % pa
Managed Pension Fund	11.6	9.7	6.3
<i>CAPS Median Balanced Pooled Fund</i>	7.8	6.2	4.3
Active Index Linked Gilt Plus Pension Fund	7.3	5.0	5.9
<i>FTA Gov't Index-Linked over 5 years</i>	6.7	4.6	5.9
Diversified Growth Pension Fund	9.2	-	-
<i>UK Base Rate</i>	0.5	-	-

Largest Holdings

As of 31 March 2011 the ten largest holdings, which accounted for 26.3% of the total value of the Managed Pension Fund, were:

	% of Portfolio
Baillie Gifford EM Growth Fund	10.7
Baillie Gifford British Smaller Companies Fund	2.2
Baillie Gifford Global Bond Fund	1.8
Atlas Copco	1.8
Svenska Handelsbanken	1.8
GBL	1.7
Nestle R	1.7
BG Group	1.6
Total	1.5
Rio Tinto	1.5

• EM = Emerging Markets

Marketability

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

Baillie Gifford Environmental, Social and Governance Policy

Baillie Gifford recognises that owning a company's shares on behalf of clients confers certain rights and responsibilities. At the same time, environmental, social and governance (ESG) issues, and the management thereof, are integral to the sustainability of a business. For this reason, Baillie Gifford considers ESG issues when analysing and reviewing a company, and there is a dedicated Corporate Governance Team who also takes on the share-ownership responsibilities for our clients.

As active managers, a key part of our investment strategy is to assess the quality of company management, in particular, management attitudes to shareholders. When combined with financial information, non-financial business information can provide valuable insight into the overall quality of management. Given that significant ESG issues play-out over the medium to longer term and that our clients are invested for the longer term, it is important that companies' approaches to ESG issues are considered on a case by case basis.

Our approach to the social and environmental aspects of share ownership is based on engagement and dialogue rather than exclusion. Using in-house and external research, we identify key issues relating to our clients' shareholdings and discuss them with the companies concerned. In this way, we encourage companies to monitor and address the material social and environmental risks and opportunities facing their businesses. We believe that this process can contribute to the long term value of our clients' investments.

20 May 2011

NATIONAL ASSEMBLY FOR WALES MEMBERS' PENSION SCHEME

ACTUARY'S STATEMENT - COVERING FINANCIAL YEAR TO 31 March 2011

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 2008, 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 2008 actuarial valuation, the liabilities expected to accrue under the Scheme during the three years 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 three year period divided by the value of the members' earnings during the same period. The valuation method is expected to produce a broadly stable Standard Contribution Rate at successive actuarial valuations as long as the age/sex/salary distribution of Scheme members remains broadly unchanged.

The value of the liabilities accrued up to the valuation date was then compared to the value of the Scheme's assets at the same date. The deficit of £0.04m was then reflected as an adjustment to the Standard Contribution Rate. The recommended employer's contribution rate is the adjusted Standard Contribution Rate less member contributions payable to 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 2008 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	2 % a year
Investment return, net of expenses, in excess of price inflation	3½ % a year
Pensioner longevity – Based on standard tables published by the actuarial profession (the “PMA 92” tables with future improvements in line with principal 2006-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 2008, dated 26 March 2009.

Contribution Rate

Members pay contributions to the Scheme at the rate of 10% of pensionable salary if they accrue pension benefits at the rate of one-fortieth of final pensionable pay per year of service, or at the rate of 6% of pensionable pay if they accrue pension benefits at the rate of one-fiftieth. The recommended employer contribution rate determined using the method and assumptions described above was assessed as 23.8% of pensionable salary with effect from 1 April 2009. The rate includes full provision for death benefits, including improvements in these benefits since the scheme's inception, and also an allowance for administration expenses.

Security of Prospective Rights

In my opinion, the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the Scheme as they fall due. In giving this opinion, I have assumed that both member and employer contributions will be paid to the Scheme as described in the paragraph titled “Contribution Rate” above, subject to review at successive actuarial valuations.

Next Actuarial Assessment

The next formal actuarial valuation of the Scheme will be undertaken with an effective date of 1 April 2011. The main purpose of that valuation will be to assess the adequacy of the recommended rate of employer contributions, taking account of all relevant factors since the preceding valuation.



I A Boonin
Fellow of the Institute and Faculty of Actuaries
11 May 2011

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

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Financial Statements are the responsibility of the Trustees. The Trustees are not required by statute to comply with pension scheme regulations, but have agreed to do so wherever possible on grounds of good practice. The regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited Financial Statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year, and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the Financial Statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are responsible for ensuring compliance with the Scheme rules and recommendations of the Actuary in respect of contributions payable towards the Scheme or by, or on behalf of, the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the recommendations of the Scheme's Actuary.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

**National Assembly for Wales Members' Pension Scheme
Summary of Contributions paid in the year**

During the year, the contributions paid to the Scheme by the Employer in accordance with the Actuary's recommendations were as follows:

	2010-11 £	2009-10 £
Employer normal contributions	965,621	969,406
Employee normal contributions	388,841	392,806
Employee additional voluntary contributions to purchase Added Years	13,442	13,198
Total Contributions	<u>1,367,904</u>	<u>1,375,410</u>



**William Graham
Assembly Member
Chair of Trustees**



**Gareth Jones
Trustee**

(On behalf of the Trustees)

Date: 20 June 2011

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

	2010-11 £	2009-10 £
Contributions paid:	1,367,904	1,375,410
Less Opening Debtor:	(115,122)	(109,678)
Add Closing Debtor:	<u>113,128</u>	<u>115,122</u>
Contributions reported in the Financial Statements:	<u>1,365,910</u>	<u>1,380,854</u>

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

I certify that I have examined the summary of contributions to the National Assembly for Wales Members' Pension Scheme for the scheme year ended 31 March 2011, which is set out on page 19.

Respective responsibility of Trustees and Auditors

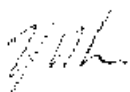
As described on page 18 the scheme's Trustees are responsible for ensuring that there is a prepared, maintained and from time to time revised schedule of contributions which sets out the rates and due dates on certain contributions payable towards the scheme or by or on behalf of the employer and the active members of the scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the recommendations of the Actuary as set out in the Actuary's Statement on 15 to 17. It is my responsibility to provide a statement about contributions paid in accordance with the recommendations of the Actuary and to report my opinion to you.

Basis of statement about contributions

I planned and performed my work so as to obtain the information and explanations which I considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. For this purpose the work that I carried out included examination, on a test basis, of evidence relevant to the amounts of contributions paid to the scheme and the timing of those payments under the schedule of contributions. My statement about contributions is required to refer to those breaches of the schedule of contributions, which come to my attention in the course of my work.

Statement about contributions

In my opinion contributions for the scheme year ended 31 March 2011, as reported in the summary of contributions have been paid in accordance in the Actuary's Statement certified by the scheme Actuary on 11 May 2011.



Huw Vaughan Thomas
Auditor General for Wales
22 June 2011

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

The maintenance and integrity of the National Assembly for Wales website is the responsibility of the Assembly; the work carried out by the auditor does not involve consideration of these matters and accordingly the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

We acknowledge our responsibility as Trustees for ensuring that a sound and effective system of internal control is maintained and operated that supports the achievement of the Scheme's objectives whilst safeguarding the Scheme's assets.

The Purpose of the System of Internal Control

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system is based on an ongoing process designed to identify the principal risks to the achievement of the Scheme's aims and objectives, to evaluate the nature and extent of those risks and to manage them. It is based on a framework of regular management information including independent advice from the Fund's professional advisors, appropriate administrative procedures and a system of delegation and accountability. All appropriate procedures were in place during 2010-11.

Capacity to Handle Risk

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

Risk and Control Framework

We require regular reports from the secretariat on the steps they are taking to manage risks in their areas of responsibility, including progress reports.

During 2010-11, we have:

- maintained a risk register which is kept under regular review at each Trustee meeting;
- arranged for reports from the secretariat on internal control activities; and
- reviewed the independent report on Baillie Gifford's Internal Controls for the period to 30 April 2010 to provide assurance that the fund manager's internal controls meet the required standard.

- received quarterly reports from Baillie Gifford which are discussed at Trustee meetings. These reports include a fund manager's report; details of investment performance; a list of current holdings; and accounting and corporate governance information.
- reviewed the continued effectiveness of information security.

Review of Effectiveness

We are assisted in the development and maintenance of the internal controls by the work of the Assembly Commission's Internal Auditors and our review of the effectiveness of these controls is informed by the work of the external auditors. Comments made by the external auditors in their management letter and other reports are taken into account.



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



Gareth Jones
Trustee

Date: 20 June 2011

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

I certify that I have audited the Financial Statements of the National Assembly for Wales Members' Pension Scheme for the year ended 31 March 2011, which comprise the Fund Account, the Net Assets Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out in the related notes.

Respective responsibilities of Trustees and Auditors

As described in the Statement of Trustees' responsibilities, the Scheme's Trustees are responsible for obtaining an annual report, including audited Financial Statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

My responsibility is to audit the Financial Statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Financial Statements show a true and fair view 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 made under the Pensions Act 1995. I also report to you if, in my opinion, I have not received all the information and explanations I require for my audit, or if the information specified by law is not disclosed.

I review whether the statement on pages 21 to 22 reflects the Trustees' compliance with HM Treasury's guidance and I report if it does not. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Scheme's corporate governance procedures or its risk and control procedures. I read the other information contained in the Trustees' report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Financial Statements. The other information comprises the Trustees' Report, the Investment Report, the Actuarial Statement, the Schedule of Contributions and the Actuarial Certificate, the Compliance Statement and Members' Information. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with International Auditing Standards (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements.

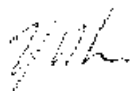
It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustees in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the Financial Statements:

- show a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the year ended 31 March 2011, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- contain the information specified in Regulation 3 of and the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.



Huw Vaughan Thomas
Auditor General for Wales
Date: 22 June 2011

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

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The National Assembly for Wales Members' Pension Scheme Accounts for the year to 31 March 2011

<u>Fund Account</u>		2010-11 £	2009-10 £
Scheme Income			
Contributions receivable	4	1,365,910	1,380,854
Transfers In		71,928	141,937
Interest Receivable		33	37
Sundry Income	5	7,197	-
		<hr/> 1,445,068	<hr/> 1,522,828
Scheme Expenditure			
Benefits Payable	6	428,081	94,283
Professional Fees	7	104,981	65,498
Other Administration Costs		3,852	4,611
		<hr/> 536,914	<hr/> 164,392
Net Additions from dealings with Members		<hr/> 908,154	<hr/> 1,358,436
Investments			
Change in market value of Managed Fund	8	1,332,791	3,798,455
Change in market value of Index Linked Fund		98,526	110,734
Change in market value of Diversified Growth Fund		313,619	345,492
Cash Deposit Interest	9	1,585	3,450
		<hr/> 2,654,675	<hr/> 5,616,567
Net Increase in the Fund during the year		2,654,675	5,616,567
Net Assets of the Scheme at 1 April 2010		16,129,920	10,513,353
Net Assets of the Scheme at 31 March 2011		<hr/> 18,784,595	<hr/> 16,129,920


<u>Net Assets Statement</u>		As at 31 March 2011 £	As at 31 March 2010 £
Investments			
Managed Fund	8	12,844,099	11,511,308
Index Linked Fund		1,487,096	1,267,165
Diversified Growth Fund		3,798,422	2,721,646
Treasury Deposit Account	9	250,000	484,259
Current Assets	10	643,404	163,208
Current Liabilities	11	(238,426)	(17,666)
Net Assets of the Scheme at 31 March 2011		<u>18,784,595</u>	<u>16,129,920</u>

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

Approved by the Trustees on 20 June 2011:



William Graham
Assembly Member
Chair of Trustees



Gareth Jones
Trustee

The notes on 27 to 31 form part of these accounts.

Notes to the Accounts

1. Basis for Preparation

These accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) on Financial Reports of Pension Scheme Accounts, revised in May 2007.

The accounts summarise the transactions and net assets of the Scheme. They do not take account of liabilities to pay pensions and other benefits in the future.

The actuarial report does take these liabilities into account (an actuarial statement can be found at pages 15 to 17).

2. Accounting Policies

The Scheme's principal accounting policies are:

- normal contributions and voluntary contributions for the purchase of added years are accounted for in the year they are due.
- benefits are accounted for on the date that they fall due and refunds of contributions are accounted for when they are made.
- transfer values from and to other pension schemes represent the amounts received and paid during the year for members who either joined or left the Fund.
- all other expenditure is accounted for in the period to which it relates.
- investments are stated at the closing single price which is calculated at the closing price of the underlying securities on 31 March each year. This may differ from the price used for buying and selling units.

3. Secretariat

The cost of providing staff for the Scheme's secretariat continues to be met directly by the Assembly Commission under the terms of the Memorandum of Understanding agreed between the Assembly Commission and the Trustees. The costs were estimated to be £67,000 (2009-10 £66,000) for the period covered by these accounts.

4. Contributions Receivable

	<u>2010-11</u>	<u>2009-10</u>
Contributions comprise:	<u>£</u>	<u>£</u>
Employer: normal contributions	964,205	974,342
Members: normal contributions	388,254	393,299
: purchase of Added Years	13,451	13,213
	<u>1,365,910</u>	<u>1,380,854</u>

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

Added years increased as one member purchased added years by lump sum during the year.

5. Sundry Income

When the Trustees decided to invest in Baillie Gifford's Diversified Growth Pension Fund part of the agreement was a rebate of 0.20% on the standard annual management charge until 1 June 2012. It will then revert to the standard annual management charge, currently 0.65% of the total market value of the funds per annum, which is deducted from the value of the Funds each month.

The £7,197 is the rebate received during 2010-11 (2009-10 Nil)

6. Benefits Payable

	<u>2010-11</u>	<u>2009-10</u>
	<u>£</u>	<u>£</u>
Pensions	111,263	94,283
Lump Sum Retirement Benefits	101,410	-
Death Benefit Lump Sum	215,408	-
	<u>428,081</u>	<u>94,283</u>

7. Professional Fees

	<u>2010-11</u>	<u>2009-10</u>
	<u>£</u>	<u>£</u>
Actuarial Fees	60,297	36,015
Audit Fee	10,920	9,624
Legal Fees	33,764	19,859
	<u>104,981</u>	<u>65,498</u>

Actuarial and legal fees increased as considerable professional input was required from the Scheme Actuary and Legal Adviser to put proposed rule changes before the Remuneration Board for approval.

8. Investments

All investments are held in Baillie Gifford Managed Funds.

a) Baillie Gifford Managed Pension Fund		<u>31 March 2011</u>	<u>31 March 2010</u>
	Units	£	£
Market value at 1 April	2,251,336	11,511,308	7,712,853
Purchases at cost	-	-	-
Disposals	-	-	-
Change in market value		1,332,791	3,798,455
Market value at 31 March	2,251,336	<u>12,844,099</u>	<u>11,511,308</u>
Cost at 31 March		6,842,442	6,842,442
b) Baillie Gifford Index Linked Pension Fund		<u>31 March 2011</u>	<u>31 March 2010</u>
	Units	£	£
Market value at 1 April	727,545	1,267,165	960,059
Purchases at cost	68,162	121,405	196,372
Disposals	-	-	-
Change in market value		98,526	110,734
Market value at 31 March	795,707	<u>1,487,096</u>	<u>1,267,165</u>
Cost at 31 March		1,278,695	1,157,289
c) Baillie Gifford Diversified Growth Pension Fund		<u>31 March 2011</u>	<u>31 March 2010</u>
	Units	£	£
Market value at 1 April	1,922,338	2,721,646	-
Purchases at cost	534,915	763,157	2,376,154
Disposals	-	-	-
Change in market value		313,619	345,492
Market value at 31 March	2,457,253	<u>3,798,422</u>	<u>2,721,646</u>
Cost at 31 March		3,139,311	2,376,154

The distribution of assets is shown in the Fund Managers Investment Report on pages 10 and 11.

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

The management charges are 0.45% per annum for the Managed Pension Fund and the Diversified Growth Pension Fund and 0.25% for the Index Linked Pension Fund. The total expenses including direct trading costs are 0.56% for the Managed Pension Fund and the Diversified Growth Pension Fund and 0.26% for the Index Linked Pension Fund and are deducted from the value of the funds and are reflected in the unit price of the funds.

9. Cash Deposit

	<u>31 March 2011</u>	<u>31 March 2010</u>
	£	£
Treasury Deposit Account as at 1 April	484,259	1,750,062
Add Interest earned during the year	1,585	3,450
	<hr/> 485,844	<hr/> 1,753,512
(Withdrawals)/deposits	(235,864)	(1,269,306)
Movement in accrued interest	20	53
Total Treasury Deposit Account	<hr/> <hr/> 250,000	<hr/> <hr/> 484,259

10. Current Assets

	<u>31 March 2011</u>	<u>31 March 2010</u>
	£	£
Cash at Bank	529,910	47,712
Contributions due from the employer	113,128	115,122
Other debtors and prepayments	366	374
	<hr/> 643,404	<hr/> 163,208

Contributions due from the employer relate to the month of March 2011 and were paid in full to the Scheme before the statutory deadline of 19 April 2011.

11. Current Liabilities

	<u>31 March 2011</u>	<u>31 March 2010</u>
	£	£
Creditors: amounts payable within one year	(238,426)	(17,666)
	<hr/> (238,426)	<hr/> (17,666)

'Creditors: amounts payable within one year' represent liabilities for work done, where invoices were not received by the year-end and liabilities due but not paid (£23,018) and the Death in Service payment (£215,408) which was subsequently paid on 10 June 2011.

12. Related Party Transactions

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

These transactions are disclosed in Note 4 to these accounts.

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

Compliance Statement

The purpose of this compliance statement is to disclose some additional information required by law.

What is The National Assembly for Wales Members' Pension Scheme?

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

The main benefits of the Scheme are:

- a pension of one fortieth or one fiftieth of final salary for each year of service on retirement at age 65;
- for members joining before 6 April 2006 an early pension payable on retirement before age 65, if the member has attained age 50 (the pension may be abated depending upon age/length of service);
- for members joining after 6 April 2006 an early pension payable on retirement before age 65, if the member has attained age 55 (the pension will be abated);
- a pension on retirement at any time on the grounds of ill health;
- a widow/ers'/partners' pension equal to 5/8ths of the member's pension (based on prospective service if death occurs while an Assembly Member);
- childrens' pensions (at the rate of one quarter of the basic or prospective pension of the Member if there is one child or three eighths for two or more children);
- pensions-in-payment are indexed to the changes in the Pensions Increase (Review) Order;
- a lump sum death in service gratuity equal to four years salary with provision for more than one nominee;

Optional benefits are:

- the purchase of added years;
- transfer of pension rights (into and out of the Scheme);

Relationship with State Retirement Scheme

- The Scheme is contracted out of the State Second Pension Scheme and Members will therefore pay a lower rate of National Insurance Contribution.
- The pension retired members receive from this Scheme is in addition to any entitlement to State Retirement benefits.

How the Trustees of the Scheme Are Appointed

- Schedule 1 of the Scheme Rules state that there shall be 'no more' than six Trustees.
- At any point in time, one of the six Trustees shall be a pensioner, if anyone is prepared to stand. Where more than one nomination is received, a ballot to select the individual with the highest number of votes will be held amongst the pensioner category membership of the Scheme.
- No other person shall be appointed to be a Trustee unless he or she is a member of the National Assembly for Wales but a person shall not cease to be a Trustee merely because he or she ceases to be a member of the National Assembly for Wales. The National Assembly for Wales may appoint or dismiss any Trustee to or from that office. A Trustee may resign from office by notice in writing to the Presiding Officer of the National Assembly for Wales.

Trustee Meetings

Trustee meetings are usually held once every Assembly session, and there are sometimes additional meetings for specific purposes. During the year three normal Trustee meetings were held.

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

Internal Dispute Resolution

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

Scheme Advisers Appointed by the Trustees in Connection with the Fund as at 31 March 2011

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

There have been no changes in the appointments since the previous period

Funding Standard

The Scheme is exempt from the requirements of The Occupational Pension Schemes (Scheme Funding) Regulations 2005. However, the Trustees have decided, with advice from the Scheme's professional advisers, to adopt relevant regulations as a matter of good practice where practicable.

Tax Status of the Scheme

The Scheme is a statutory pension scheme under Section 611A of the Income and Corporation Taxes Act 1988, as amended by Schedule 12 of the Finance Act 1999, and is a deemed registered scheme under the Pensions Act 2004 and is an 'approved scheme' for the purposes of accepting transfer values.

Investment Managers

Baillie Gifford's responsibilities include:

- (i) carrying out all the day-to-day functions relating to the management of the Fund;
- (ii) the allocations of the balanced portfolio between categories of investments and for the selection of individual stocks within each category of investment;

- (iii) deciding whether it is appropriate to retain or realise individual investments within the portfolio; and
- (iv) exercising the investment powers in such a way that will give effect to the principles contained in the Statement of Investment Principles (SIP), so far as is reasonably practicable, and in particular will have regard to the suitability and diversification of the investments within the guidelines set by the Trustees.

Additional Voluntary Contributions (AVCs)

Added years contributions are invested with normal contributions in the Scheme funds.