

# Annual Report and Accounts:

1 April 2017 to 31 March 2018

July 2018



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

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## Contents

<b>Trustees and advisers</b> .....	<b>6</b>
<b>The Trustees' Report for the period ending 31 March 2018 to the Members of the National Assembly for Wales Members' Pension Scheme</b> .....	<b>9</b>
<b>Financial Development of the Scheme</b> .....	<b>13</b>
<b>Actuarial review</b> .....	<b>15</b>
<b>Investment Report - for the Year Ended 31 March 2018</b> .....	<b>23</b>
<b>Economic and Market Background - 12 Months to 31 March 2018</b> ...	<b>28</b>
<b>Statement of Trustees' Responsibilities for the Financial Statements</b> .....	<b>34</b>
<b>Governance Statement</b> .....	<b>36</b>
<b>Independent Auditor's Report to the Trustees of the National Assembly for Wales Members' Pension Scheme</b> .....	<b>41</b>
<b>Accounts for the year to 31 March 2018</b> .....	<b>44</b>
<b>Notes to the Accounts</b> .....	<b>46</b>
<b>Independent Auditor's Statement</b> .....	<b>60</b>
<b>Actuary's statement covering financial year to 31 March 2018</b> .....	<b>62</b>

## 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 2017-18 has consisted of:

Role	Name	Date Appointed	Resigned
Independent Trustee (Chair)	Jill Youds	6 May 2016	
Trustee	Mike Hedges AM	6 May 2016	
Trustee	Gareth Jones	6 May 2016	10 July 2017
Trustee	Joyce Watson AM	22 February 2017	20 November 2017
Trustee	Nia Morgan	4 August 2016	
Trustee	Ieuan Wyn Jones	12 October 2017	
Trustee	Caroline Jones	25 January 2018	

Mike Hedges and Gareth Jones both served on the previous Trustee Board, Mike from 12 October 2011 and Gareth from 9 June 2010.

## Scheme Administration

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

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

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

**Donna Davies:** Tel: 0300 200 6523 and email: [donna.davies@assembly.wales](mailto:donna.davies@assembly.wales)  
**Scheme Secretary**

**Liz Calder** Tel: 0300 200 6528 and email: [liz.calder@assembly.wales](mailto:liz.calder@assembly.wales)  
**Assistant Secretary**

Scheme Advisers Appointed by the Trustees as at 31 March 2018

**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

**Legal Adviser** Eversheds Sutherland LLP

**Scheme Accountants** Scheme Secretariat, Assembly Commission

**Investment Adviser** Quantum Advisory





# The Trustees' Report for the period ending 31 March 2018 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 2018 was 15.6% of Members aggregate salaries. Members not subject to 'Transitional Protection' pay contributions at the rate of 10.5%. Those Members who are subject to 'Transitional Protection' continue to pay contributions at their existing rate of either 6% or 10% depending on whether they are accruing benefits on a 50th or 40th basis respectively.

The main features are:

- Each year members build up a pension of 1/50<sup>th</sup> 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 1/50<sup>th</sup> 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 were calculated and verified by the Scheme's Actuary in accordance with statutory requirements.

## Developments during the Year

There have been two changes to the Pension Board over the year. On 10 October 2017, Gareth Jones resigned and was replaced by Ieuan Wyn Jones as a Member representative on 25 January 2018. On the 20 November 2017 Joyce Watson resigned and was replaced by Caroline Jones as a Commission representative on 25 January 2018.

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

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

The Pension Board has been working with their investment adviser (Quantum Advisory) to review the Scheme's investment strategy. As a result of the review, the Board has decided to move the assets of the Scheme from being held solely with Baillie Gifford to a more diverse spread of funds as follows:

- Baillie Gifford Diversified Growth
- Invesco Perpetual Global Targeted Returns
- Legal & General Investment Management (“LGIM”) Managed Property
- Partners Group Generations
- LGIM Ethical Global Equity Index
- LGIM Over 5 Year Index-Linked Gilt

The change in strategy looks to lock in gains to date; reduce risk through diversification; keep fees at a reasonable level; reduce investment manager specific risk; reduce funding level volatility and offer wider investment opportunities.

The strategy was produced as part of the review exercise undertaken by the Scheme and is forecast to deliver a similar expected level of return to the Scheme’s previous investment strategy, but with a lower expected level of risk.

The Trustees have decided to appoint four investment managers and six funds. The Trustees invest in a Diversified Growth fund (“DGF”), an Absolute Return fund, a Private Markets fund, an Equity fund, a Property fund and an Index Linked Gilts fund. All of these funds are accessed via the Mobius Life implementation solution.

An implementation solution is a service that enables pension schemes to buy, sell and hold their investments all in one place. This allows greater flexibility and efficiency when switching investments as the scheme strategy changes or fund managers have to be replaced.

The centralisation of funds also allows consolidation reporting to be obtained more easily and more regularly, assisting in ensuring that an investment strategy and associated flight path can be effectively tracked and monitored. All of these features allow pension schemes greater administrative efficiency, enhanced ease of strategy implementation, potential for access to wider fund universe, and potential fee reductions through economies of scale.

## 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.

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

## Internal Dispute Resolution

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

## Financial Development of the Scheme

### Preparation and Audit of Annual Accounts

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

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

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

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Member related income	1,197,199	1,347,608
Member related payments	1,225,754	(2,073,905)
Net additions from dealings with members	(28,555)	(726,297)
Net returns on investments	1,721,243	4,770,190
Net increase/(decrease) in fund	1,692,688	4,043,893
Net assets at start of year	33,712,891	29,668,998
Net assets at end of year	35,405,579	33,712,891

## Summary Financial Information

Income during the period was £1,197,199 (2016-17 £1,347,608), and Scheme expenditure £1,225,754 (2016-2017 £2,073,905). The net assets of the Scheme at 31 March 2018 were £35,405,579 (31 March 2017 £33,712,891).

During the period a total of £418,195 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 2018 was £35,291,623 (31 March 2017 £33,282,185).

As at 31 March 2018 the Scheme no longer holds funds in the Baillie Gifford Managed Fund and the Baillie Gifford Active Index-Linked Plus Fund.

## Actuarial review

### Actuary's statement - covering financial year to 31 March 2018

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 44 to 45 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 62-64.

### 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 24 May 2018 (at pages 62-64) 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. These statements fully comply with the requirements of the Institute of Actuaries and Faculty of Actuaries Guidance Note GN9. 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	
Contributory membership at start of year 1 April 2017 (59 <sup>1</sup> Assembly Members. Of the 59 members there are 41 Office Holders posts.)	59
New entrants in year	2
Leavers in the year	(1)
Retirements in the year	
Death in service	(1)
Contributory membership at 31 March 2018	59

Pensioners	
In payment at 1 April 2017	55
Members retiring from active service in year	0
Members retiring from deferred status	3
New Dependants <sup>2</sup>	2
Deaths in year	(1)
Pensioners in Payment at 31 March 2018	59

<sup>1</sup> One of the 60 Assembly Members no longer contributes as they have reached the maximum entitlement in the Members' Pension Scheme

<sup>2</sup> One new dependant is due to the death of a pensioner and one new dependant is due to the death of an active member



Deferred members	
At 1 April 2017	25
Members leaving with deferred rights	0
Members retiring from deferred status	(3)
Members transferring benefits out of the Scheme	0
Deferred Members at 31 March 2018	22

## Pension increases

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

## Custody

Fund	Custodian
Baillie Gifford	New York Mellon
Invesco Perpetual	New York 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	
<ul style="list-style-type: none"> <li>▪ Overseas securities</li> <li>▪ UK securities</li> </ul>	<p>Citibank</p> <p>HSBC</p>

## 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
Partners Group Generations	1.35
LGIM Ethical Global Equity Index	0.35
LGIM Managed Property	0.70
LGIM Over 5 Year Index-Linked Gilts Index	0.08

The cost of fund management in 2017-18 was £185,009 (2016-17 £159,584) with 'Other Expenses' of £33,711 (2016-17 'Other Expenses' of £28,831).

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

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.

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

Their approach to the social and environmental aspects of share ownership is based on engagement and dialogue rather than exclusion. Using in-house and external research, they identify key issues relating to their clients' shareholdings and discuss them with the companies concerned. In this way, they encourage companies to monitor and address the material social and environmental risks

and opportunities facing their businesses. They believe that this process can contribute to the long term value of their clients' investments.

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

Source: Baillie Gifford

Invesco is committed to be a responsible investor. Invesco signed the UNPRI in 2013 thereby formalising their commitment to responsible investment globally. Invesco achieved an A+ rating in their 2017 PRI assessment for their strategy and governance in responsible investment. The rating demonstrates their efforts of ESG integration and transparency. ESG factors are naturally amongst those incorporated in a number of stages of Invesco's investment process, including our research into their individual ideas, the formulation of their central economic thesis and within their scenario analysis.

Invesco Perpetual is a signatory to the UK Stewardship Code and has achieved a Tier 1 status while Invesco Japan has signed the Japanese stewardship code.

Source: Invesco Perpetual

Partners Group pride themselves on being one of the first private markets investment managers to sign the UNPRI. Partners Group apply their proprietary Responsible Investment Policy and Methodology to each investment opportunity. The UNPRI award Partners Group a rating of A+ for their Responsible Investment Strategy and Governance for three consecutive years. Partners Group also received an A+ rating for their approach to Direct Private Equity.

Source: Partners Group

LGIM believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. They work to prevent market behaviour that destroys long term value creation. LGIM wants to safeguard and grow their clients' assets by ensuring that companies are well positioned for sustainable growth. Their active and enhanced index mandates incorporate ESG factors in the investment process and they consider ESG factors when voting their holdings in all strategies. They engage directly and collaboratively with companies to highlight key challenges and opportunities, and to support strategies that can deliver long-term success.

Source: LGIM

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## Investments

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.

Investments comprise units in pooled funds managed by the respective underlying investment managers via Mobius.

## 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 2018 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 Diversified Growth Fund - to outperform the UK base rate by at least 3.5% per annum (net of fees) over rolling five year periods with an annualised volatility of less than 10%.

Over the last 5 years the Diversified Growth Pension Fund has achieved a rate of return of 4.5% per annum (net of fees) against a benchmark performance of 3.9%. The Fund delivered a performance of 4.8% over 12 months (net of fees).

Invesco Perpetual Global Targeted Returns 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 its inception in April 2014, the Global Targeted Returns Fund has achieved a rate of return of 3.0% per annum (net of fees) against a target performance of

5.5%. The Fund has performed relatively poorly over the past 12 months, returning -0.2% (net of fees).

Partners Group Generations 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 overleaf.

Since its inception in April 2016, the Generations Fund has achieved a rate of return of 9.0% per annum (net of fees) against a target performance of 7.0%. The Fund has outperformed its target over the past 12 months, returning 7.3% (net of fees).

LGIM Ethical Global Equity Index Fund - 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.

Over the last 5 years the Ethical Global Equity Fund has achieved a rate of return of 11.7% per annum (net of fees) against a benchmark performance of 12.0%. The Fund remained within its tolerance range relative to the benchmark over the past 12 months, returning 1.5% (net of fees).

LGIM Managed Property Fund - to outperform the AREF/IPD UK Quarterly All Balanced Property Funds Index over three and five-year periods.

Over the last 5 years the Managed Property Fund has achieved a rate of return of 9.4% per annum (net of fees) against a benchmark performance of 10.5%. The Fund continued to underperform its benchmark over the past 12 months, returning 7.5% (net of fees).

LGIM Over 5 Year Index-Linked Gilts Index Fund - 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.

Over the last 5 years the Over 5 Year Index-Linked Gilts Index Fund has achieved a rate of return of 7.6% per annum (net of fees) against a benchmark performance of 7.7%. The Fund has remained within its tolerance ranges over the past 12 months, returning 0.6% (net of fees).

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 23-27. The market value of the Baillie Gifford Diversified Growth Fund as at 31 March 2018 was £12,398,399; the market value of the Invesco Perpetual Global Targeted Returns Fund as at 31 March 2018 was £5,314,451; the market value of the Partners

Group Generations Fund as at 31 March 2018 was £3,518,180; the market value of the LGIM Ethical Global Equity Index Fund as at 31 March 2018 was £8,558,794; the market value of the LGIM Managed Property Fund as at 31 March 2018 was £1,861,129; and the market value of the LGIM Over 5 Year Index-Linked Gilts Index Fund as at 31 March 2018 was £3,640,670. These values are disclosed in Note 13 of the accounts.

Signature

Signature

**Jill Youds**

Chair of Trustees

((On behalf of the Trustees)

Date 2 July 2018

**Nia Morgan**

Trustee

## Investment Report – for the Year Ended 31 March 2018

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.

Investment comprise units in pooled funds managed by Baillie Gifford, Invesco Perpetual, Partners Group and LGIM.

### Portfolio Valuation 31 March 2017

	<b>31 March 2017 GBP</b>
Baillie Gifford Managed Pension Fund	15,561,160
Baillie Gifford Diversified Growth Fund	14,212,682
Baillie Gifford Active IL Gilt Plus Fund	3,508,343
<b>Total</b>	<b>33,282,185</b>

### Portfolio Valuation 31 March 2018

	<b>31 March 2018 GBP</b>
Baillie Gifford Diversified Growth	12,398,399
Invesco Perpetual Global Targeted Returns	5,314,451
Partners Group Generations	3,518,180
LGIM Ethical Global Equity Index	8,558,794
LGIM Managed Property	1,861,129
LGIM Over 5 Year Index-Linked Gilts Index	3,640,670
<b>Total</b>	<b>35,291,623</b>

The Scheme's assets were transferred to Mobius in December 2017. The Scheme underwent a strategic reallocation of assets in February 2018, when assets were transferred from the Baillie Gifford Managed Pension Fund, the Baillie Gifford Active IL Gilt Plus Fund and partially from the Baillie Gifford Diversified Growth Fund to the Invesco Perpetual Global Targeted Returns Fund, the Partners Group Generations Fund, the LGIM Managed Property Fund, LGIM Ethical Global Equity Index Fund, and the LGIM Over 5 Year Index-Linked Gilts Index Fund.

## Distribution of Assets

The distribution of assets was as follows:

	<b>31 March 2017</b> %
Baillie Gifford Managed Pension Fund	46.8
Baillie Gifford Diversified Growth Fund	42.7
Baillie Gifford Active IL Gilt Plus Fund	10.5
TOTAL	100

	<b>31 March 2018</b> %
Baillie Gifford Diversified Growth	35.1
Invesco Perpetual Global Targeted Returns	15.0
Partners Group Generations	10.0
LGIM Ethical Global Equity Index	24.3
LGIM Managed Property	5.3
LGIM Over 5 Year Index-Linked Gilts Index	10.3
TOTAL	100.0



## Performance Objective

The Trustees have set a performance objective for the investment managers which takes account of the liability profile of the fund and the level of risk that the Trustees believe appropriate.

<b>Baillie Gifford Diversified Growth Pension Fund</b>	<b>Fund (Net)</b>	<b>Benchmark +3.5%</b>
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.)	4.5	3.9
Three Years (p.a.)	4.4	3.9
One Year	4.8	3.9

<b>Invesco Perpetual Global Targeted Returns Fund</b>	<b>Fund (Net)</b>	<b>Benchmark +5%</b>
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)	3.0	5.5
Three Years (p.a.)	1.6	5.5
One Year	(0.2)	5.4

<b>Partners Group Generations Fund</b>	<b>Fund (Net)</b>	<b>Benchmark</b>
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)	9.0	7.0
One Year	7.3	7.0

LGIM Ethical Global Equity Index Fund	Fund (Net)	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.)	11.7	12.0
Three Years (p.a.)	9.9	10.2
One Year	1.5	1.8

LGIM Managed Property Fund	Fund (Net)	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.)	9.4	10.5
Three Years (p.a.)	6.6	8.1
One Year	7.5	10.0

LGIM Over 5 Year Index-Linked Gilts Index Fund	Fund (Net)	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.)	7.6	7.7
Three Years (p.a.)	7.7	7.8
One Year	0.6	0.7

Source: Invesco, Partners Group, LGIM and Baillie Gifford.

## Summary Risk Statistics

<b>Baillie Gifford Diversified Growth Pension Fund</b>	
Delivered volatility	3.9%

Annualised volatility, calculated over 5 years to end of March 2018.

Source: Baillie Gifford

<b>Invesco Perpetual Global Targeted Returns Fund</b>	
Delivered volatility	3.8%

Annualised volatility, calculated since the Fund's inception (April 2014) to end of March 2018.

Source: Invesco Perpetual

## Economic and Market Background – 12 Months to 31 March 2018

### Market Background

In April, the French electorate rejected France's traditional parties and elected Emmanuel Macron, from La Republique En Marche! Movement, as President, with the former Economy minister under Francois Hollande beating the Front National leader Marine Le Pen. Global Equity markets rose and Bonds fell, with investors encouraged by the new President's bold reform proposals. The Baillie Gifford Diversified Growth Fund and the Baillie Gifford Managed Fund (both of which were invested in by the Scheme) benefitted from their exposure to European and Developed Market equities.

During the summer, in the UK, rising inflation continued to surpass wage growth, consumer confidence fell, and business investment remained subdued, with the UK continuing to underperform versus the other leading economies.

Economic data releases during the third and fourth quarters of 2017 signalled the continuation of the synchronised global recovery, with the UK also joining the upturn; unemployment continued to fall, company earnings remained robust and GDP stabilised. This prompted central banks to consider the withdrawal of their supportive monetary policy which involved record low interest rates and asset purchase programmes. Investors focused on the general improvement in global economic activity, shrugging off global political concerns (including heightened tension regarding North Korea) and natural disasters. Global Equities rallied, with the Scheme benefitting from its exposure to these assets. UK inflation levels hit a five year high in November which benefitted the Scheme's investment in Index-Linked Gilts.

The successful completion of negotiations between the EU and the UK in Phase 1 of Brexit also buoyed investor sentiment, as did the approval of President Trump's tax reform bill; as such US and UK equities performed strongly. European Equities underperformed as political uncertainty in Catalonia and Germany raised investor concerns.

Although the global economy continued to grow over the first quarter of 2018, economic growth moderated compared to Q4 2017. Poor weather in Europe, the United States and UK, short term capacity constraints in Europe and increasing concerns about global trade disputes, negatively impacted economic confidence and depressed output.

Source: Quantum Advisory

## Multi Asset

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Overall, March 2017 to the New Year was a good period for investment markets. Whilst it may seem that there were many events which could have upset the apple cart – the stalemate of Brexit negotiations; the rise of political populism; the unpredictability of President Trump; the threat of North Korea and unrest in the Middle East – nothing succeeded in doing so.

Ultimately, the only thing that mattered was the continued optimistic sentiment around the global economy. GDP growth came in higher than the markets had expected at the beginning of the year, with growth accelerating in three in every four countries according to the International Monetary Fund – the highest proportion since the recovery from the Global Financial Crisis began in earnest back in 2010. In addition, a number of prominent emerging markets, including Brazil and Russia, exited recession.

Employment numbers continued to strengthen, particularly in the US and Eurozone, but inflation remained low allowing central banks to keep monetary policy relatively accommodative. In fact, the continued contraction of global credit spreads (and bountiful availability of lending) saw financial conditions loosen meaningfully over the year, despite the rate hikes and tapering of quantitative easing (QE) we saw from the likes of the US Federal Reserve. These loose conditions are likely to persist into 2018 and suggests growth will stay strong.

Elsewhere, commodity prices were supported by stronger global demand as well as restraints on the supply side in the energy sector, including an impact on production in the US following the spate of hurricanes in early autumn and security-related issues in the Middle East.

However, in the first quarter of 2018 we saw a rise in volatility in equity markets. Quarter 1 of 2018 was a very poor period for investment markets, with negative returns across many primary asset classes, including global equity and developed government bonds.

Source: Baillie Gifford

## Government

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Government bonds yields experienced a relatively volatile year, as Over 5 Year Index-Linked Gilts yields fell by 1.8% over the period. The Over 5 Year Index-Linked Gilts Index returned 0.7% over the year to 31 March 2018. A pick-up in inflation expectations following the sustained weakness in Sterling over quarter two of 2017, saw yields rise. Yields continued to rise over the third quarter, despite continued concerns of weaker growth; as an interest rate rise by the Bank of England became increasingly likely. Over the fourth quarter of 2017, gilt yields fell, despite the Bank of England raising interest rates as inflationary pressures remained heightened. During the first quarter of 2018, gilt yields rose marginally, despite having initially rallied as investors became increasingly convinced of an early interest rate rise by the Bank of England. Demand for 'safe-haven' assets subsequently supported prices.

Source: Quantum Advisory

## Property

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UK property performed well over the year to 31 March 2018, with growing capital values and stable rental income driving returns. The overall resilience of the sector was due, in part, to the sustained weakness of Sterling, which continues to encourage foreign purchases. Despite the continued uncertainty surrounding the ongoing Brexit negotiations during the period; the UK property indices continued to perform well. The UK property market remained resilient across the year, producing steady returns throughout the period. The Industrial sector saw the largest increase in capital values, with the Retail sector lagging. The Industrial sector was also the only sector to enjoy meaningful increases in rental values.

Source: Quantum Advisory

## Private Markets

Global private markets performed well over the year to 31 March 2018, helped by the continuation of global economic growth, as inflation and wage pressures remained benign, allowing developed markets' central banks to maintain or gradually reverse unprecedented loose monetary policy. Asset classes to note were Private Real Estate, which benefited from continued low interest rates and high demand, and Private Equity, which benefitted from strong global economic fundamentals. Private market gains were dampened by the asset sell off over the first quarter of 2018, with the more liquid holdings experiencing the largest falls.

Source: Quantum Advisory

## Largest Holdings – Top Ten Largest Holdings

Baillie Gifford Diversified Growth Pension Fund	% of Portfolio
Baillie Gifford Emerging Markets Bond Fund	11.4
Baillie Gifford Global Alpha Growth Fund	6.6
Baillie Gifford Global Income Growth Fund	5.9
US Treasury Inflation-Protected Securities 0.625% 15/1/2026	4.3
Baillie Gifford Worldwide Japanese Fund	3.9
Baillie Gifford Long Term Global Growth Investment Fund	3.1
Galene Fund	3.0
Allianz Merger Arbitrage Strategy	2.6
Baillie Gifford Emerging Market Government Bonds	2.4
Japan (Govt) 0.1% CPI Linked 10/03/2027	2.0

Invesco Perpetual Global Targeted Returns Fund	% of Portfolio
Sumitomo MIT 0.45 Apr 03/18	3.6
Italy (Republic of) 2.2 Jun 01/27	3.0
Italy (Republic of) 2.2 Feb 01/28	2.8
ML Margin OTC	2.5
Cash – GB Principal	2.5
Invesco Global Fund Managers Short Term Inv Stlg	1.9

Invesco Perpetual Global Targeted Returns Fund	% of Portfolio
Mexico (United Mexican States) 8% MBONOS 07/12/23	1.7
Mexico (United Mexican States) 6.5% BDS 09/06/22	1.7
Rabobank 0.45 Apr 03/18	1.6
Qatar Natl Bank Perpetual	1.6

Partners Group Generations Fund	% of Portfolio
Botanic Tower Brussels	2.9
CPA Global	2.5
Stratford School Holdings, Inc.	2.4
United States Infrastructure Corporation	2.3
Refresco Holding BV	2.2

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
Apple Inc	3.6
Microsoft Corporation	2.9
Alphabet	2.6
Johnson & Johnson	1.5
Bank of America	1.2
Royal Dutch Shell A	1.1
Intel Corp	1.0
Nestle	1.0
Wells Fargo & Company	1.0
AT&T	0.9



LGIM Managed Property Fund	% of Portfolio
London - Strand Island Site	4.4 - 4.7
Brentford - West Cross Industrial Park	3.8 - 4.1
Manchester - One Piccadilly Gardens	2.6 - 2.9
London - 76-88 Wardour Street	2.6 - 2.9
Reading - Apex Plaza	2.6 - 2.9
Bedford - Interchange Retail Park	2.6 - 2.9
Dunstable - Woodside Industrial Estate	2.6 - 2.9
Maidenhead - Grenfell Island	2.3 - 2.6
Birmingham - Rackhams / 43 Temple Row	2.3 - 2.6
Basingstoke - Kingsland Business Park	2.3 - 2.6

LGIM Over 5 Year Index-Linked Gilts Index Fund	% of Portfolio
Gilts Index-Linked 1.250% 2055	6.1
Gilts Index-Linked 0.125% 2068	5.6
Gilts Index-Linked 0.375% 2062	5.6
Gilts Index-Linked 0.50% 2050	5.0
Gilts Index-Linked 0.750% 2047	4.9
Gilts Index-Linked 1.125% 2037	4.9
Gilts Index-Linked 0.625% 2040	4.8
Gilts Index-Linked 0.125% 2044	4.7
Gilts Index-Linked 0.625% 2042	4.6
Gilts Index-Linked 1.250% 2027	4.4

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

## Statement of Trustees' Responsibilities for the Financial Statements

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

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

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

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

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

## Summary of Contributions paid in the year

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

	2017-18 £	2016-17 £
Employer normal contributions	723,285	737,113
Employee normal contributions	470,919	452,307
Employee additional voluntary contributions	0	905
<b>Total</b>	<b>1,194,204</b>	<b>1,190,325</b>

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

	2017-18 £	2016-17 £
Contributions paid	1,194,204	1,191,464
Less opening debtor	(98,847)	(115,270)
Add closing debtor	101,753	98,847
<b>Total Contributions reported in the Financial Statements</b>	<b>1,197,110</b>	<b>1,175,041</b>

Signature

**Jill Youds**  
Chair of Trustees  
(On behalf of the Trustees)  
Date 2 July 2018

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 34.

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

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

## Governance Framework

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

Name	Percentage of Meetings Attended
Jill Youds Chair	100%
Mike Hedges AM Member Representative	100%
Gareth Jones Member Representative	Stood down prior to the first meeting in July
Nia Morgan Commission Representative	67%
Joyce Watson AM Commission Representative	100% during her term until 20 November 17
Ieuan Wyn Jones Member Representative	100% since his appointment on 12 October 17
Caroline Jones AM Commission Representative	100% since her appointment on 25 January 18

During the year the Trustees considered the following detailed reports:

- The Auditor's report on the Financial Statements,
- A review of the Scheme's investment strategy,
- A review of the Scheme's investments, performance and outlook,
- The triennial actuarial valuation of the Scheme,
- Internal Audit report of the Scheme's administration and governance

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 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.

## 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 2018 and up to the date of approval of the annual report and accounts.

## Significant Internal Control Problems

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

## Capacity to Handle Risk

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

## Personal Data Incidents

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

## Risk Management

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

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

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

## Review of effectiveness

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

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

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

Approved on behalf of the Trustees on 2 July 2018 by:

Signature

Signature

**Jill Youds**

Chair of Trustees

(On behalf of the Trustees)

**Nia Morgan**

Trustee



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

I have audited the Financial Statements of the National Assembly for Wales Members Pension Scheme for the year ended 31 March 2018 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 2018, 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

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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.

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## Conclusions relating to going concern

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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

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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

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As explained more fully in the statement of Trustees' responsibilities set out on pages 34-35, 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

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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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Signature

**Huw Vaughan Thomas**  
Auditor General for Wales  
17 July 2018

24 Cathedral Road  
Cardiff  
CF11 9LJ

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

## Accounts for the year to 31 March 2018

Fund Account	Note	2017-18	2016-17
Contributions and benefits		£	£
Employer Contributions	4	725,017	715,413
Employee Contributions	4	472,093	459,628
Total Contributions		1,197,110	1,175,041
Transfers in	5	0	172,395
Interest Receivable		89	171
Other income		0	0
		1,197,199	1,347,608
Benefits paid or payable	6	(1,097,487)	(1,961,240)
Professional Fees	12	(121,963)	(105,471)
Administration expenses	10	(6,304)	(7,194)
		(1,225,754)	(2,073,905)
Net Additions from dealings with Members		(28,555)	(726,297)
Investment income			
Change in market value of Investments	13	1,939,963	4,958,414
Cash Deposit Interest	7	0	191
Investment management expenses	14	218,720	(188,415)
Net returns on investments		1,721,243	4,770,190
The net amount of increase in the fund		1,692,688	4,043,893
Opening net assets of the Scheme		33,712,891	29,668,998
Closing net assets of the Scheme		<b>35,405,579</b>	<b>33,712,891</b>

Statement of Net Assets	Notes	As at 31 March 2018 £	As at 31 March 2017 £
<b>Investment assets</b>			
Pooled investment	11	35,291,623	33,282,185
Treasury Deposit Account	7	0	0
Total investments		35,291,623	33,282,185
<b>Current Assets</b>	8	152,061	471,406
<b>Current Liabilities</b>	9	(38,105)	(40,700)
<b>Total Net Assets of the Scheme</b>		<b>35,405,579</b>	<b>33,712,891</b>

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 62-64 and these Financial Statements should be read in conjunction with that Report.

Approved by the Trustees on 2 July 2018:

Signature

Signature

**Jill Youds**

Chair of Trustees

(On behalf of the Trustees)

**Nia Morgan**

Trustee

The notes on pages 46-59 form part of these accounts.

## Notes to the Accounts

### 1. Basis for Preparation

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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 62-64).

### 2. Accounting Policies

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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 were 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.

## Tax

The Scheme is a statutory pension Scheme under Section 611A of the Income and Corporation Taxes Act 1988, as amended by Schedule 12 of the Finance Act 1999, and is a deemed registered scheme under the Pensions Act 2004 and is an 'approved scheme' for the purposes of accepting transfer values. The Scheme is therefore exempt from taxation. The Pension Scheme Tax Reference (PSTR) is 00462258RW.

## Valuation of investments

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

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

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

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

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

Pooled investments are valued at fair value stated at the closing single price which is calculated at the closing price of the underlying securities on 31 March each year. This may differ from the price used for buying and selling units.

### 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 £106,395 (2016-17 £95,428) for the period covered by these accounts.

### 4. Contributions Receivable

	2017-18 £	2016-17 £
Employer Contributions:		
Normal	725,017	715,413
Employee Contributions:		
Normal	472,093	459,628
<b>Total</b>	<b>1,197,110</b>	<b>1,175,041</b>

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

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

### 5. Transfer In

The new Rules from May 16 no longer allow members to transfer in benefits. The transfer in of £172,395 (2016-17) represents assets transferred to the Scheme who transferred in during the year.



## 6. Benefits Payable

	2017-18 £	2016-17 £
	£	£
Pensions	700,704	605,111
Lump Sum Retirement Benefits	266,095	1,356,129
Death Benefit Lump Sum	130,688	-
	<b>1,097,487</b>	<b>1,961,240</b>

As 2016 was an election year the number of retirements was higher than in 2017-18 and therefore the amount of lump sum retirement benefits was much higher in 2016-17. During 2017-18 there were three retirements from deferred where members chose to take a lump sum.

## 7. Treasury Deposit Account

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Treasury Deposit Account as at 1 April	0	323,276
Add Interest earned during the year	0	191
		323,467
(Withdrawals)/deposits	0	(323,500)
Movement in accrued interest	0	(33)
Total Treasury Deposit Account	0	0

## 8. Current Assets

	31 March 2018 £	31 March 2017 £
Cash at Bank	50,033	372,310
Contributions due from the employer and employee	101,753	98,847
Other debtors and prepayments	275	249
<b>Total</b>	<b>152,061</b>	<b>471,406</b>

Contributions due from the employer and employee relate to the month of March 2018 and were paid in full to the Scheme before the statutory deadline of 19 April 2018.

## 9. Current Liabilities

	31 March 2018 £	31 March 2017 £
Creditors: amounts payable within one year	(38,105)	(40,700)
<b>Total</b>	<b>(38,105)</b>	<b>(40,700)</b>

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

## 10. Administration Costs

	2017-18 £	2016-17 £
Training	5,439	5,357
Other Administration	865	1,837
<b>Total</b>	<b>6,304</b>	<b>7,194</b>

## 11. Pooled Investment Vehicles

	31 March 2018 £	31 March 2017 £
Baillie Gifford Managed Pension Fund	-	15,561,160
Baillie Gifford Diversified Growth Pension Fund	12,398,399	14,212,682
Baillie Gifford Active IL Gilt Plus Pension Fund	-	3,508,343
Invesco Perpetual Global Targeted Returns Fund	5,314,451	-
Partners Group Generations Fund	3,518,180	-
L&G Life DP Ethical Global Equity Index Fund	8,558,794	-
L&G Life C Managed Property Fund	1,861,129	-
L&G Life AP Over 5 Year Index-Linked Gilts Index Fund	3,640,670	-
Total	35,291,623	33,282,185

## 12. Professional fees

	2017-18 £	2016-17 £
Actuarial Fees	68,646	40,681
Independent Trustee	12,944	9,638
Investment Consultancy	18,300	20,279
Other Consultancy	2,500	-
Audit Fees	14,582	10,899
Legal Fees	4,991	23,974
Total	121,963	105,471

The audit fee for 2016-17 was under-accrued and therefore these have been included in the fees for 2017-18. The actual fees were £12,403 for 2016-17 and £13,078 in 2017-18. Other consultancy work relates to work undertaken by Quantum Advisory to assist the Scheme administrator in ensuring compliance with GDPR. The actuarial fee this year includes an element of cost capping and this will continue into the following year. The legal fee is lower this year reflecting the fact that the new rules are now in place and the review of the Scheme's governance arrangements complete.

### 13. Investment reconciliation

	Market Value at 1 April 2017 (£)	Purchases at cost (£)	Disposal and Sales (£)	Change in Market Value (£)	Investment Manager Expenses *(£)	Net Change in Market Value (£)	Market value at 31 March 2018 (£)
Baillie Gifford Managed Pension Fund	15,561,160	--	(16,692,442)	1,197,192	(65,910)	1,131,282	--
Baillie Gifford Active Index-Linked Fund	3,508,343	--	(3,392,701)	(107,588)	(8,054)	(115,642)	--
Baillie Gifford Diversified Growth Fund	14,212,682	318,195	(2,815,754)	798,937	(115,661)	683,276	12,398,399
Invesco Global Targeted Returns Fund	--	5,306,900	--	14,347	(6,796)	7,551	5,314,451
Partners Group Generations Fund	--	3,526,622	--	5,094	(13,536)	(8,442)	3,518,180
LGIM Ethical Global Equity Index Fund	--	8,775,342	--	(211,448)	(5,100)	(216,548)	8,558,794
LGIM Managed Property Fund	--	1,760,000	--	104,313	(3,184)	101,129	1,861,129
LGIM Over 5 Year Index-Linked Gilts Index Fund	--	3,502,733	(700)	139,116	(479)	138,637	3,640,670

	<b>Market Value at 1 April 2017 (£)</b>	<b>Purchases at cost (£)</b>	<b>Disposal and Sales (£)</b>	<b>Change in Market Value (£)</b>	<b>Investment Manager Expenses *(£)</b>	<b>Net Change in Market Value (£)</b>	<b>Market value at 31 March 2018 (£)</b>
Net Investment Assets	33,282,185	23,189,792	(22,901,597)	1,939,963	(218,720)	1,721,243	35,291,623

The Scheme's assets were transferred to Mobius in December 2017. The Scheme underwent a strategic reallocation of assets in February 2018, when assets were transferred from the Baillie Gifford Managed Pension Fund, the Baillie Gifford Active IL Gilt Plus Fund and partially from the Baillie Gifford Diversified Growth Fund to the Invesco Perpetual Global Targeted Returns Fund, the Partners Group Generations Fund, the LGIM Managed Property Fund, the LGIM Ethical Global Equity Index Fund, and the LGIM Over 5 Year Index-Linked Gilts Index Fund. The total cost incurred for the transition to Mobius and the reorganisation of assets was £53,149. There was also an extended settlement charge from LGIM for the transition of assets, which totalled £560. A disinvestment of £263 was made from the Partners Group Generations Fund on 7 March 2018 to meet part of the payment.

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

The distribution of assets is shown in the Fund Managers Investment Report on pages 23-27. 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.

#### 14. 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
Partners Group Generations	1.35
LGIM Ethical Global Equity Index	0.35
LGIM Managed Property	0.70
LGIM Over 5 Year Index-Linked Gilts Index	0.08

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	
	2017-18 £	2016-17 £	2017-18 £	2016-17 £	2017-18 £	2016-17 £
Baillie Gifford Managed Pension Fund	(61,790)	(63,927)	(4,120)	(3,589)	(65,910)	(67,516)
Baillie Gifford Index Linked Funds	(7,191)	(8,322)	(863)	(740)	(8,054)	(9,062)
Baillie Gifford Diversified Growth Funds	(93,975)	(87,335)	(21,686)	(24,502)	(115,661)	(111,837)
Invesco Global Targeted Returns Fund	(6,707)	--	(89)	--	(6,796)	--
Partners Group Generations Fund	(7,664)	--	(5,872)	--	(13,536)	--
LGIM Ethical Global Equity Index Fund	(5,100)	--	0	--	(5,100)	--
LGIM Managed Property Fund	(2,103)	--	(1,081)	--	(3,184)	--
LGIM Over 5 Year Index- Linked Gilts Index Fund	(479)	--	0	--	(479)	--
<b>Total</b>	<b>(185,009)</b>	<b>(159,584)</b>	<b>(33,711)</b>	<b>(28,831)</b>	<b>(218,720)</b>	<b>(188,415)</b>

The LGIM Managed Property Fund is also subject to an additional 0.34% pa Property Related Expense. This expense includes Property Management charges and 'non-recoverable' items such as 3<sup>rd</sup> party surveyor fees.

## 15. 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.

<b>At 31 March 2018</b>	<b>Category (a) £</b>	<b>Category (b) £</b>	<b>Category c (i) £</b>	<b>Category c (ii) £</b>	<b>Total £</b>
Pooled Investment vehicles	3,688,329	28,083,286		3,520,008	35,291,623
Cash deposit	--	--	--	--	--
<b>Total</b>	<b>3,668,329</b>	<b>28,083,286</b>		<b>3,520,008</b>	<b>35,291,623</b>

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.

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

## 16. Investment risks

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

- Cashflow risk – this is the risk of a shortfall in liquid assets relative to immediate liabilities. In the short-term there are relatively few cash outflows and the Scheme is cashflow positive. However, the Trustees will monitor this risk over time and adjust the investment strategy as necessary to ensure sufficient liquidity exists.
- Mismatching risk – this is the risk that the asset and liability values change in significantly different ways. The Trustees are aware that



significant investment in growth assets involves a mismatching risk, but will look to diversify the growth assets to reduce the downside risk. This risk will be assessed at each actuarial valuation and as the Scheme matures the Trustees will consider how to reduce the mismatching.

- Manager risk – this is the risk that the investment managers do not achieve the returns expected by the Trustees. This risk will be monitored by the Trustees regularly reviewing manager performance against their benchmark and peers. Extended underperformance will usually lead to a re-tender of the investment mandate.
- Concentration risk – this is the risk that a large proportion of the Scheme assets are invested in a single asset class or investment. The Scheme is then at risk if that single class or investment underperforms or fails. The Trustees reduce this risk by adopting a strategy that involves investment in a range of different asset classes.
- Credit risk – this is the risk that a counterparty defaults and fails to meet its obligations to the Scheme. The Trustees minimise this risk by investing in funds that ring fence investor assets and by only retaining cash deposits with recognised banks authorised to conduct banking business within the United Kingdom.

The 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.

## 16.1. Investment policy

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The Trustees set investment policy after seeking advice from the 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.

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.

## 17. Related Party Transactions

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

## Independent Auditor's Statement

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

I have examined the summary of contributions to the National Assembly for Wales Members' Pension Scheme for the Scheme year ended 31 March 2018, which is set out on page 35.

In my opinion contributions for the Scheme year ended 31 March 2018, as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary on 24 May 2018.

### 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 35 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.

## Respective responsibility of Trustees and Auditors

As explained more fully in the Statement of Trustees' Responsibilities on page 34, 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

**Huw Vaughan Thomas**  
Auditor General for Wales  
17 July 2018

24 Cathedral Road  
Cardiff  
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*The maintenance and integrity of the National Assembly for Wales' website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

## Actuary's statement covering financial year to 31 March 2018

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. 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.

**Daniel Selby**  
Fellow of the Institute and Faculty of  
Actuaries  
24 May 2018

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