GOVERNMENT ACTUARY'S DEPARTMENT

The National Assembly for Wales Members' Pension Scheme

Report by the Government Actuary on the Actuarial Valuation as at 1 April 2008

Date: 26 March 2009

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1 Introduction

1.1 Section S2(2) of the National Assembly for Wales Members' Pension Scheme Rules 1999 (as amended) ("the Rules") requires the Government Actuary to make a report on the general financial position of the National Assembly for Wales Members' Pension Scheme ("the Scheme") at least every three years. The previous actuarial valuation was carried out with an effective date of 1 April 2005, and I am now pleased to submit my report on the valuation as at 1 April 2008. This report gives an assessment of the financial position of the Scheme as at this date, together with my recommendation as to the contributions to be paid by the National Assembly for Wales ("the Assembly") to the Scheme following the valuation.

1.2 **Governing Legislation.** The Scheme was established by a direction made by the Secretary of State for Wales under Section 18(1)(b) and (3) of the Government of Wales Act 1998, which came into force on 5 May 1999. For practical purposes, the Scheme took effect from 7 May 1999 – the date on which the Assembly came into being.

1.3 The rules of the Scheme (as amended) prescribe the level of benefits and the circumstances in which the benefits will be payable to former Members and their dependants, and the rates of contribution payable by persons who participate in the Scheme. Section S3(b) of the Scheme rules requires the Actuary to recommend the rate of contribution that should be paid by the Assembly following each actuarial valuation.

1.4 **Previous Valuation.** At the previous valuation, it was recommended that contributions from the Assembly should be set at 23% of pensionable payroll to meet the expected cost of liabilities accruing from that date and the shortfall identified as having arisen in respect of liabilities accruing up to that date. The main purpose of the current valuation is to update the previous assessment, taking into account any benefit and contribution changes.

1.5 This report has been prepared in accordance with the requirements of Guidance Note GN9 (Version 8.1), except that no assessment of the financial position has been made on the assumption that the Scheme were to discontinue at the valuation date. I consider this to be irrelevant in the circumstances of this Scheme.

2 Scheme Benefits and Contributions

2.1 **Benefits**. The rules of the Scheme prescribe the benefits payable in respect of Assembly Members and Office Holders. The Scheme provides benefits to Members (and their dependants) payable on retirement, ill health, death or withdrawal. Members are entitled to benefits based on their salary near retirement, in the form of a pension of 1/50th or 1/40th of final pensionable pay per year of service. Surviving spouses' or eligible partners' pensions are payable at a rate equal to 5/8ths of the member's pension, broadly equivalent to 1/80th or 1/64th of final pensionable pay for each year of service.

2.2 The normal retirement age is 65, although Members have the right to take their pension from age 60, subject in some cases to a reduction for early payment dependent upon the length of qualifying service that has been completed and the date of joining the scheme. Assembly Office Holders accrue additional benefits based on their extra remuneration in their capacity as an Office Holder. A summary of the provisions of the Scheme as at 1 April 2008 is given in Appendix A.

2.3 The scheme is contracted-out of the State Second Pension ("S2P"), previously known as the State Earnings-Related Pension Scheme (or "SERPS").

2.4 **Member Contributions.** Scheme members contribute to the Scheme at a rate of 6% of pensionable pay (or 10% for those who have opted for an accrual rate of fortieths). Members may also elect to pay additional contributions to purchase added years of service.

2.5 **Developments since 2005.** The valuation date marks the end of the second inter-valuation period during which an Assembly election was held. Over the inter-valuation period, 14 Assembly seats changed hands, nearly all of them at the 2007 election.

2.6 The Pensions Act 2004 and Finance Act 2004 made significant changes to the regulation and taxation of pension schemes in the UK. On 29 November 2006, revised Scheme Rules (Scheme Rules 2006) were adopted by a resolution of the Assembly, to incorporate those changes. The major changes were as follows:-

(i) The amount of tax free cash that a Member can take was increased in line with Finance Act 2004;

(ii) The Earnings Cap is to be applied at the discretion of the Trustees;

(iii) Spouses/Partners/Dependants pensions are to be excluded from abatement;

(iv) The contribution limit on the purchase of added years was increased to 20% of a Member's ordinary salary including normal contributions;

(v) The rules covering the cessation of spouses/partners/dependants/pensions were removed;

(vi) The minimum pension age was increased to age 55 for new entrants after 6 April 2006;

(vii) The favourable early retirement provisions were removed for new entrants after 6 April 2006;

(viii) The retained benefit test was removed;

(ix) Membership of the Scheme is restricted to those under age 75;

(x) Deputy Ministers and the Counsel General were added to the list of qualifying offices for pension purposes.

2.7 **<u>Assembly Contributions.</u>** The balance of the cost of providing the benefits is to be met by contributions from the Assembly, as recommended by the Actuary from time to time. The recommendation made at the 2005 valuation was that Assembly contributions should be paid at the rate of 23% of pay from 1 April 2006.

3 Membership Statistics and Accounts

3.1 **Members of the Assembly.** Appendix B summarises the changes in membership of the Scheme during the period from 1 April 2005 to 1 April 2008. All 60 elected Assembly Members were contributing members at 1 April 2008, of whom 33 were Office Holders accruing additional benefits under section C2 of the Rules.

3.2 Assembly Members who are concurrently members of the UK or European Parliament are pensioned in the Scheme based on only one-third of the full Assembly salary. However there were no such members at 1 April 2008. At the valuation date, the average pensionable service for Members was 6.47 years including transferred in service from other pension arrangements and added years purchased to date.

3.3 **Deferred Members.** At 1 April 2008, there were 16 former Members who retained an interest in the Scheme in the form of an entitlement to deferred benefits. The average pension entitlement was £6,378 pa.

3.4 **Pensioners.** At 1 April 2008, there were 12 former Members in receipt of a pension from the Scheme, together with 2 survivors' pensions. There was also one member whose pension has been abated following their re-election to the Assembly.

3.5 **Salaries.** During the period from 1 April 2005 to 1 April 2008, the annual rate of salary for Members of Assembly increased from £45,232 to £51,899 (representing an average annual compound rate of increase of 4.7%). The total ordinary pensionable payroll for Members was therefore £3.114 million at the valuation date. The total additional pensionable payroll for Office Holders was £867,000. Taking account of Office Holders, the aggregate salary on which pensions were accruing at the valuation date was just under £4.0 million.

3.6 **Accounts.** The income and expenditure of the Fund in the period from 1 April 2005 to 31 March 2008 are summarised in Appendix C, based on the audited accounts for the three financial years. The market value of the fund on the valuation date (as stated in the latest set of audited accounts) rounds to £11.4 million. Table 1 summarises the key elements in the cash flow over the inter-valuation period.

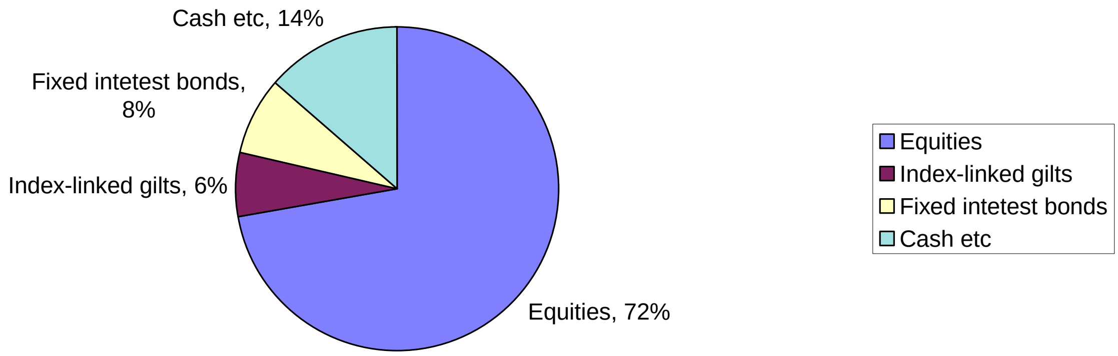
Table 1: Fund Growth 2005-2008

		£ 000
Fund @ 31.3.2005		**5,966**
(1)	Contribution Income	3,349
(2)	Transfer Values received	109
(3)	Total income = (1) + (2)	3,458
(4)	Expenditure on benefits and expenses	478
(5)	Net New Cash Flow = (3) – (4)	**2,980**
(6)	Change in market value of investments and interest on cash deposits	2,404
Fund @ 31.3.2008		**11,350**

3.7 As would be expected for a relatively new fund, contribution income has been substantially in excess of benefit expenditure. As the fund continues to mature, benefit expenditure can be expected to continue increasing relative to contribution income. Investments contributed positively during the inter-valuation period.

3.8 **Investments**. At the valuation date, about 86% of the total Fund was invested in the Baillie Gifford Managed Fund and about 7% was invested in the Baillie Gifford Index-Linked Pension Fund, with the rest of the Fund in cash deposits or net current assets. The bulk of the assets invested in the Managed Fund are held in equities, with the balance being in bonds and cash. Net income to the Scheme is currently being held in cash, with a small amount being invested in the Index-Linked Pension Fund. As no new money is being invested in the Managed Fund, the proportion of the scheme's assets invested in equities is currently decreasing. The distribution of the total Scheme investments by asset class, taking account of the different types of asset in the Managed Fund, is depicted graphically in Chart 1 below. A numerical breakdown of the total Scheme assets is also provided at Appendix D.

Chart 1 - Distribution of the Scheme's assets



3.9 A substantial investment in equity type assets is appropriate for a relatively immature defined benefit pension scheme which is expected to continue in existence and which provides benefits linked to the level of earnings. However, as the pension scheme matures, the ratio of pensioners to active members can be expected to increase.

4 Funding Objective and Valuation Method

4.1 **<u>Funding Objective.</u>** The funding objective is to maintain a fund of assets which is expected to be sufficient from time to time to provide the benefits accrued to members and their beneficiaries up to that point. The aims are to ensure first that the cost of accruing benefits is met in full during the period of members' active participation in the Scheme and second that the cost met by the Assembly (in terms of regular "employer" contributions) is reasonably stable over time. These objectives are addressed by determining a contribution expressed as a level percentage of pensionable salary called the Standard Contribution Rate. This standard rate is such that it will be just sufficient to finance the benefits under the scheme as they accrue, provided that experience is in accordance with the actuarial assumptions made.

4.2 **<u>Valuation Method.</u>** In order to meet this funding objective, I consider it appropriate to adopt the Projected Unit Method of valuation, which was also adopted for the previous valuation of the scheme. Currently, it is the most common method in use for valuing defined benefit occupational pension schemes in the United Kingdom. Under the Projected Unit Method, the value of the assets held in the fund is compared directly to the value of pension liabilities accrued in respect of service prior to the valuation date. For active members, this method allows for pensionable service to date, but account is taken of the expected final pensionable salary (projected forward to allow for future pay increases). The Standard Contribution Rate is the cost of the benefits that are expected to accrue in the immediate future (in this case over a period of three years), again allowing for the projected level of final pensionable salary when the member eventually leaves service.

4.3 **<u>Actuarial Liability</u>**. Under the Projected Unit Method, the *Actuarial Liability* is the sum of the liabilities in respect of pensions already in payment and deferred benefits, and those in respect of benefits accrued for current Assembly Members up to the valuation date. These liabilities include the value of any pension rights transferred into the Scheme from other pension arrangements. The liability in respect of active staff is assessed by summing the discounted present value of the benefits accrued to the valuation date, based on earnings projected to retirement, or earlier exit, and taking account of pension increases thereafter. For pensions-in-payment and deferred pensioners, a similar calculation is made, which takes into account the provision for future pensions increases in line with changes in the Retail Prices Index.

4.4 **<u>Standard Contribution Rate</u>**. The Standard Contribution Rate is the rate of contributions which would need to be paid in order to meet the cost of pension benefits accruing over a defined period ("the control period"), if there were no surplus or deficiency in the scheme. Where actuarial valuations are carried out on a triennial basis, it is convenient to adopt a three-year period (effectively up to the date of the next actuarial valuation) as the control period. The Standard Contribution Rate, expressed as a percentage of pensionable payroll, is obtained as the discounted value of the pension benefits accruing during the control period, divided by the value of the projected pensionable earnings of members during the same period. If the actuarial assumptions are borne out in practice, the Standard Contribution Rate should be just sufficient to meet the cost of the benefits accruing over the control period. The method is such that the contribution rate should remain reasonably stable, provided that members who leave service are replaced by new entrants so that the distribution of staff in post by age, sex and benefit level does not change significantly.

4.5 If, in practice, the average age of the active membership rises over time, the Standard Contribution Rate could be expected to increase slightly. Conversely, if the average age of the active membership falls, then the Standard Contribution Rate could also be expected to fall. This might happen, for example, following an Assembly election if a number of older members retiring were to be replaced by younger members.

4.6 **Recommended Contribution Rate**. The recommended contribution rate is obtained by reducing (or increasing) the Standard Contribution Rate to reflect any surplus (or deficiency) in the value of the assets in relation to that of the Actuarial Liability. The period over which the contribution rate is adjusted would depend on the extent of the surplus (or deficiency) and should be considered in the context of the funding objective for the Scheme and the demographic profile of the membership.

4.7 **Office Holders.** An Office Holder who participates in the scheme will normally pay supplementary contributions on the difference between a Member's salary and the aggregate of the participant's Office Holder and Assembly salary (the "relevant" salary of the Office Holder). In most cases, Members will hold Office Holder posts for only part of their service as a Member.

4.8 The valuation method adopted for Office Holders is again the Projected Unit Method. The Actuarial Liability is calculated for benefits in respect of service given before the valuation date, and the Standard Contribution Rate is calculated as sufficient to cover the liabilities accruing in respect of future service. Since there is no separate fund for Office Holders' benefits, these liabilities are aggregated with those for "normal" benefits, and a common Standard Contribution Rate is determined.

4.9 **Scheme Specific Funding Requirement.** It is our understanding that the Scheme is exempt from Scheme Specific Funding Requirement introduced by the Pensions Act 2004.

5 Actuarial Assumptions

5.1 In order to derive the present value of benefits already accrued and benefits accruing over the next three years (and hence the *Actuarial Liability* and *Standard Contribution Rate*), it is necessary to make a number of assumptions. Future expenditure on benefits needs to be compared with future income from contributions and from the returns likely to be achieved by investing those contributions and from the assets already held in the fund. In assessing the expenditure on benefits, it is necessary to allow for the probability of the occurrence of each event giving rise to benefit and the length of time that the pension benefits will continue to be paid once the member has left the scheme. Assumptions therefore have to be made in relation to both *financial* aspects of the pension scheme and the *demographic* aspects of the scheme membership.

5.2 **Financial Assumptions.** The scheme can expect income and outgo to occur over a very long period in the future. The financial assumptions should therefore represent a long-term view of expected future conditions.

5.3 One critical assumption is the rate of return expected to be achieved on the assets of the Scheme. In order to ensure that the assets and liabilities are valued consistently, this rate is also that used to discount to the valuation date the projected future benefit expenditure of the scheme. However, increases in pension benefits are awarded under the Pensions (Increase) Acts and are therefore linked to increases in the Retail Prices Index. Benefits awarded at retirement are related to the level of Members' salaries at that time. The most important financial assumptions therefore relate to the expected excess of the return on the Scheme's investments over the rates of increase in earnings and prices. The valuation result is much more sensitive to these assumed "real" rates of investment return (ie relative to wage and price inflation), than to the absolute levels of the assumed rate of return on investments or of inflation.

5.4 The financial assumptions adopted for the 2005 valuation were that, in the long term, investment yields would exceed general increases in earnings by 2% a year, and price increases by 3.5% a year. These assumptions have been retained for the current valuation. The long term assumption for the gross investment return has been set at 6% a year. This is also the same as the assumption adopted for the 2005 valuation. However, the gross interest rate has very little effect on the overall valuation of the scheme liabilities or on the ongoing contribution rate. The main financial assumptions for this valuation are summarised in Table 2.

Table 2: Financial assumptions for valuation

Gross Rate of Investment Return	6.0% pa
Real Rate of Return, net of Earnings increases	2.0% pa
Real Rate of Return, net of Price/Pension increases	3.5% pa
Implied rate of price inflation	2.5% pa
Implied rate of general Earnings increases	4.0% pa

5.5 **Demographic Assumptions.** For the valuation, assumptions are needed on such factors as rates of mortality, retirement and withdrawal. Where possible, the past experience of the scheme is used as a guide. However, as the Scheme is too small for the experience to be statistically significant enough to derive all the demographic assumptions, we have also had regard to experience and trends in other larger schemes. In considering the appropriateness of the assumptions for an actuarial valuation, it is important to have regard to the long-term scenario, taking account of the likely incidence of Assembly elections. The most important aspects of the assumptions made are described below.

5.6 **Mortality.** At the 2005 valuation, the assumed post-retirement mortality rates for pensioners (other than those retiring on ill-health grounds) were based on a standard set of mortality tables known as the "92 Series" tables (based on amounts of pension). An allowance for improvement in longevity since the base year of 1992 was also incorporated. For the 2008 valuation, further allowances for continuing improvements in longevity have been incorporated, with future improvements in line with the principal 2006-based principal population projections.

5.7 Table 3 below shows how long a 65 year old member would be expected to live, on average, on the assumptions made for this valuation, compared to the assumptions made for the 2005 valuation,

Table 3: Assumed life expectancy of a 65 year old

	Male	Female
2008 Valuation	23.3 years	26.4 years
2005 Valuation	19.5 years	22.6 years

5.8 In addition, for current AMs who will not, in most cases, reach age 65 until several years in the future, an allowance for further improvement in longevity has been incorporated which would increase the assumed life expectancy by up to 2 years.

5.9 **In Service** For this valuation we have revised our assumptions for the withdrawal pattern of AMs, in light of experience at recent elections. The proportion of AMs assumed to leave the Assembly at each election varies by the age of the member, according to the following pattern:

Age at election date	Proportion of members who leave the Assembly
Under 63	20%
63 to 75	80%
75	100%

5.10 This aims to reflect more accurately withdrawal patterns in practice, as members are unlikely to leave the Assembly in between elections or at their normal retirement age. This change has the effect of reducing the liabilities of the scheme, and required contribution rate, and partly offsets the mortality basis change, which increases the scheme's liabilities and contribution rate. Table 4 below shows the average age that current members are assumed to leave the Assembly.

Table 4

Age at valuation date	Average expected age of leaving Assembly (with next election taking place in 2011)
40	54
50	61
60	64
70	73

5.11 **Value of Assets.** It is essential to place a value on the scheme's assets which is consistent with the value placed on the scheme's liabilities. The liabilities have been valued by discounting expected benefits using a real discount rate of 3.5% per year, which takes account of market yields at the valuation date. Accordingly, I consider that it is appropriate that the value of the assets should be taken at their market value for this valuation.

5.12 This is a different approach than used at the 2005 valuation where benefits were discounted using long-term average rates of return, and assets were assessed by discounting the future stream of income expected to be produced by the assets on assumptions which are consistent with those used for valuing the liabilities. However, in practice there was little material difference between the two approaches in 2008.

5.13 Investment management expenses are assumed to be met from the return achieved by the manager, and the valuation rate of interest of 6% pa is taken to be net of these expenses.

5.14 **Expenses** For the previous valuation, the Standard Contribution Rate included an allowance for future service expenses of around 1% of pay. This has been retained for this valuation, and in addition a small reserve for expenses associated with paying benefits in respect of past service benefits has been established at £0.25 million.

5.15 **Sensitivity.** The results of the valuation are sensitive to changes in the assumptions adopted. The most significant assumptions for the liabilities are those for the rate of return over both salary and pension increases and the mortality rates of pensioners. If the actual rate of return relative to either salary or pension increases were lower than assumed, then this would generate a deficit in the scheme. Lower assumed rates of mortality would also generate deficit in the scheme. Conversely, higher rates of return or mortality than assumed would generate surplus in the scheme.

6 Results of the Valuation

6.1 It is appropriate to consider the results of the valuation in two parts. The first set of results relates to the liabilities that have already accrued for current and former members in respect of service given before the valuation date of 1 April 2008 (the Actuarial Liability). The results for this aspect of the valuation are set out in Table 5. The second set of results relates to the liabilities expected to accrue in respect of future service for current active members, and this is discussed in paragraph 6.4 below.

6.2 **Past Service Assessment**. The liabilities for past service and the assets of the Fund have been determined on the methodology set out in Section 4, using the actuarial assumptions described in Section 5 of this report. The results of the valuation in relation to past service liabilities are set out below:

Table 5: Valuation Statement as at 1 April 2008

	Actuarial Liability	**Value at 31 March 2008** *(£ million)*
	Current Members – service up to 31 March 2008:	
(1)	(a) Assembly Members	7.07
(2)	(b) Office holders	1.13
	Members with Deferred Benefits:	
(3)	(a) Former Assembly Members	1.30
(4)	(b) Former Office Holders	0.06
(5)	**Pensions in Payment to Former Members and Dependants**	1.57
(6)	**Total liabilities for benefits = (1) to (5)**	11.14
(7)	**Expenses**	0.25
	Overall Result	
(8)	**ACTUARIAL LIABILITY = (6) + (7)**	**11.39**
(9)	**VALUE OF ASSETS**	**11.35**
	Surplus/(Shortfall)	
(10)	**SHORTFALL OF ASSETS TO LIABILITIES = (9) – (8)**	**(0.04)**
(11)	**FUNDING LEVEL = (9) / (8)**	**99.7%**

6.3 The results show that, on the 2008 valuation assumptions, there is small deficiency of £40,000. The funding level on an ongoing basis (ratio of assets to liabilities) has increased slightly since the previous valuation, and is almost in balance at 99.7%.

6.4 **Future Service Assessment**. The Standard Contribution Rate (calculated using the Projected Unit Method) required to cover the cost of ongoing accruals of benefits following the valuation date is assessed as 33.5% of pensionable pay, including an allowance for scheme expenses. After deducting Members' contributions (nearly all at the 10% rate), the share of the Standard Contribution Rate to be met by the Assembly is 23.7% of pay. The assessed Standard Contribution Rate can be expected to remain stable if the distribution of the membership by age, by salary and by benefit option remains broadly constant, based on a constant set of actuarial assumptions and the existing benefit structure.

6.5 The Standard Contribution Rate shown in paragraph 6.4 (excluding any allowance for expenses) has increased from 31.5% at 31 March 2005 to 33.5% at 31 March 2008. The increase is primarily due to the strengthening of the mortality assumption, partly offset by the change to the withdrawal assumptions.

6.6 **Adjustment for Deficiency**. The contribution rate payable until the next review needs to be determined by modifying the Standard Contribution Rate to reflect the valuation shortfall of £40,000. If this shortfall was met by additional Assembly contributions expressed as a percentage of ordinary payroll over a period of 15 years from the valuation date, the additional contributions payable from the Assembly would be about 0.1% of pensionable pay for this period, leading to a total Assembly contribution rate of 23.8% of pay.

7 Analysis of the Results

7.1 **Valuation Result**. The result of the valuation in respect of the past service is a position of broad balance, with the ratio of assets to liabilities being very slightly under 100%. Many factors have operated on the Scheme during this period, some positive and some negative, and these have almost balanced out, producing a minor shortfall of £0.04 million. Table 6 demonstrates the 2008 position relative to 2005.

Table 6: Comparison of 2005 and 2008 valuation results

£million	2005	2008	% change
Assessed value of assets	6.10	11.35	+186%
Assessed value of liabilities	6.18	11.39	+184%
Shortfall	0.08	0.04	
Funding level (%)	98.7%	99.7%	+1.0%

7.2 The change in the assessed value of the liabilities is explained almost entirely in terms of three main factors. First, as would be expected in a scheme which has, in the inter-valuation period, increased the length of its history from six to nine years, there has been a significant increase in the average service of the membership. Second, salaries have increased by a compound average of 4.7% a year. Finally, there has been a significant strengthening of the mortality assumptions.

7.3 The increase in the assessed value of the assets has almost exactly matched the increase in the liabilities. An approximate summary of the inter-valuation financial experience is set out in Table 7 (in which net new money is assumed to be received mid-year), which shows that almost all of the investment income was achieved during 2005/6.

Table 7: simplified inter-valuation financial experience of Scheme (£millions)

Financial Year	2005/06	2006/07	2007/08
Assets at start	6.0	9.0	10.3
Net income (new money)	1.0	0.9	1.1
Interest plus capital gains	2.0	0.4	0.0
Assets at end	9.0	10.3	11.4
Implied rate of return	32%	4%	0%

8 Recommendation

8.1 **Future Service.** The results of the valuation show that, on the method and assumptions described earlier in this report, the joint Standard Contribution Rate of the scheme is assessed as 33.5% of pay. Members contribute at the rate of 6% or 10% of relevant pay, according to their accrual rate (1/50th or 1/40th respectively), to meet part of the Standard Contribution Rate. As nearly all members contribute at the 10% level, the average member contribution rate is close to this level at 9.8% of pay. Accordingly, the Assembly share of the cost of benefits accruing for future service is assessed as 23.7% of pay (being 33.5% less 9.8%).

8.2 **Past Service**. The National Assembly for Wales pension fund is substantially in balance, with the value of the assets falling marginally short of the liabilities accrued prior to the valuation date by £0.04 million.

8.3 **Recommended Rate of Assembly Contribution**. Under Section S3(b) of the Rules, I am required to recommend the contribution rate to be paid by the Assembly to the Scheme. Taking into account all the factors described in this report, I recommend that the Assembly contribution payable from 1 April 2009 until the results of the next valuation are available should be 23.8% of pensionable payroll.

DGrant Ballantine

D G Ballantine
March 2009
Fellow of Faculty of Actuaries

9 Appendix A – Summary of the main provisions of the scheme

1. **Eligibility** All members elected to the National Assembly for Wales are automatically entered from date elected, but may opt-out of membership subject to certain conditions.

2. **Contributions** Contributions are required at a rate of 6% or 10% of pensionable salary from all scheme members. The Assembly contributions are paid at a rate recommended from time to time by the Actuary.

3. **Pensionable Salary** This is the basic salary, subject, at the Trustees' discretion, to the 'earnings' cap. The basic salary may be abated if member is also an MP or MEP.

4. **Final Pensionable Pay** This is the pensionable salary in the last 12 months.

5. **Normal Retirement** The normal retirement age is 65 for men and women. Members receive a pension of 1/50ths or 1/40ths for each year of pensionable service, to a maximum of 2/3rds of the earnings cap. Service while a member's salary is abated as an MP or MEP, is reduced pro-rata to the reduction in salary.

6. **Early Retirement** Pensions may be paid before age 65 in the following circumstances:

   - For members who joined the scheme before 6 April 2006, full accrued pensions may be paid from age 60 where service (including that as MP or MEP) as a Member exceeds 20 years, and from an age between 60 and 65 where service is between 20 and 15 years.
   - Abated pensions may be payable from earlier ages to Members aged 50 or over for members who joined the scheme before 6 April 2006, and aged 55 or over for those who joined the scheme after that date.

7. **Ill-health Retirement** An ill-health retirement pension may, subject to medical evidence, be awarded at any age. Ill-health pensions from the basic scheme are calculated by reference to potential service to age 65.

8. **Commutation** Members may, on retirement, commute part of their pensions for a lump sum that is actuarially equivalent in value to the amount of pension given up.

9. **Death in Service Benefits** If a Member dies in service, the following benefits are payable:

   - Short-term spouse's pension: Member's full pay for 3 months
   - Long-term spouse's or eligible partner's pension: Spouse or partner receives 5/8ths of the pension that the member would have received had Member retired due to ill-health on date of death. Spouse and partner pensions cease on re-marriage or the equivalent.
   - Lump Sum: 4 times pensionable salary
   - Children's pensions are also payable where appropriate

10. **Death in Deferment Benefits** If a Member dies during a period of deferment, the following benefits are payable:

- Spouse's or eligible partner's pension: 5/8ths of the Member's pension
- Children's pensions are also payable where appropriate

11. **Death in Retirement Benefits** If a member dies while retired, the following benefits are payable:
    - Short-term spouse's pension: full rate of the Member's pension or the long-term rate if greater
    - Long-term spouse's or eligible partner's pension: 5/8ths of the Member's pension, ignoring any reduction for commutation of a lump sum
    - Lump Sum: 5 year guarantee on Member's pension.
    - Children's pensions are also payable where appropriate

12. **Pension Increases** Pensions in deferment are increased in line with the Retail Price Index. For pensions in payment, the excess pension over the GMP will be increased with RPI. On voluntary early retirement, pensions increases are not paid until age 55.

13. **SERPS/S2P** The scheme is contracted out of the State Second Pension.

14. **Concurrent Memberships** If a Member is also a member of the UK or the European Parliament, benefits and contributions are based on one-third of the full Assembly salary.

15. **Leaving Service** There is no qualifying service period for preserved benefits, as immediate vesting applies. If a Member leaves with less than 2 years qualifying service, the member may alternatively be paid a refund of his own contributions, subject to certain deductions. Members with preserved pensions are entitled to an N/50ths or N/40ths pension deferred to age 65, where N is the number of years of pensionable service

10 Appendix B – Membership at 1 April 2008

<u>TABLE 1 - SITTING MEMBERS CONTRIBUTING TO THE SCHEME</u>

Numbers	
Number of contributing members at 1 April 2005	60
<u>New Members</u>	
Members elected 2005-2008	<u>14</u>
<u>Leaving Members</u>	
Members leaving the House 2005-2008:	
Deaths	1
Retirements on pension (on age or ill-health grounds)	4
Resignation or loss of seat	9
Number of contributing Members at 1 April 2008	60
Service and Pay at 1 April 2008	
Average pensionable service (years)	6.47
Average pay	£51,899
Average age	51.1

Table 2 – BENEFICIARIES OF THE SCHEME

Preserved Pensioners as at 1 April 2008	
Number of former members with preserved pensions	16
Average annual preserved pension including increases to 1 April 2008	£6,378
Average age	52.2
Pensioners and Dependents as at 1 April 2008	
Numbers of beneficiaries in receipt of pensions	14
Average annual pension including increases to 1 April 2008	£6,310
Average age	65.5

TABLE 3 – OFFICE HOLDERS

Contributors	
Number of Office Holders contributing at 1 April 2008	33
Salaries on which contributions are based	£816,000

11 Appendix C – Consolidated revenue account

CONSOLIDATED REVENUE ACCOUNT FOR THE PERIOD
1 April 2005 to 31 March 2008

		£'000
Balance at 1 April 2005		5,966
Income over period from 1 April 2005 to 31 March 2008:		
Assembly regular contributions	2,345	
Member regular contributions	984	
Member purchase of added years	20	
Transfers in	109	
Total Income (excluding interest)		**3,458**
Expenditure over period from 1 April 2005 to 31 March 2008:		
Retirement benefits	252	
Death benefits	62	
Professional fees and administration costs	165	
Total Expenditure		**478**
Interest on cash deposits and change in market value of investments over period from 1 April 2005 to 31 March 2008:		**2,404**
Balance at 31 March 2008		**11,350**

12 Appendix D – Analysis of the investments of the scheme

TYPE OF ASSET	Value At 31 March 2008 £ '000	Distribution of fund assets at 31 March 2008 *(%)*
UK Equities	3,797	33.5%
Overseas Equities		
North America	925	8.1%
Europe	1,587	14.0%
Japan	341	3.0%
Pacific (ex Japan)	526	4.6%
Other Overseas	1,013	8.9%
	4,391	38.7%
Fixed Interest		
UK Bonds	695	6.1%
Overseas Bonds	193	1.7%
	888	7.8%
Index-Linked		
UK Bonds	641	5.6%
Overseas Bonds	90	0.8%
	731	6.4%
Cash & Deposits	1,392	12.3%
Current Assets and Liabilities	152	1.3%
TOTAL ASSETS OF THE SCHEME	**11,350**	**100.0%**

Figures may not total exactly due to rounding