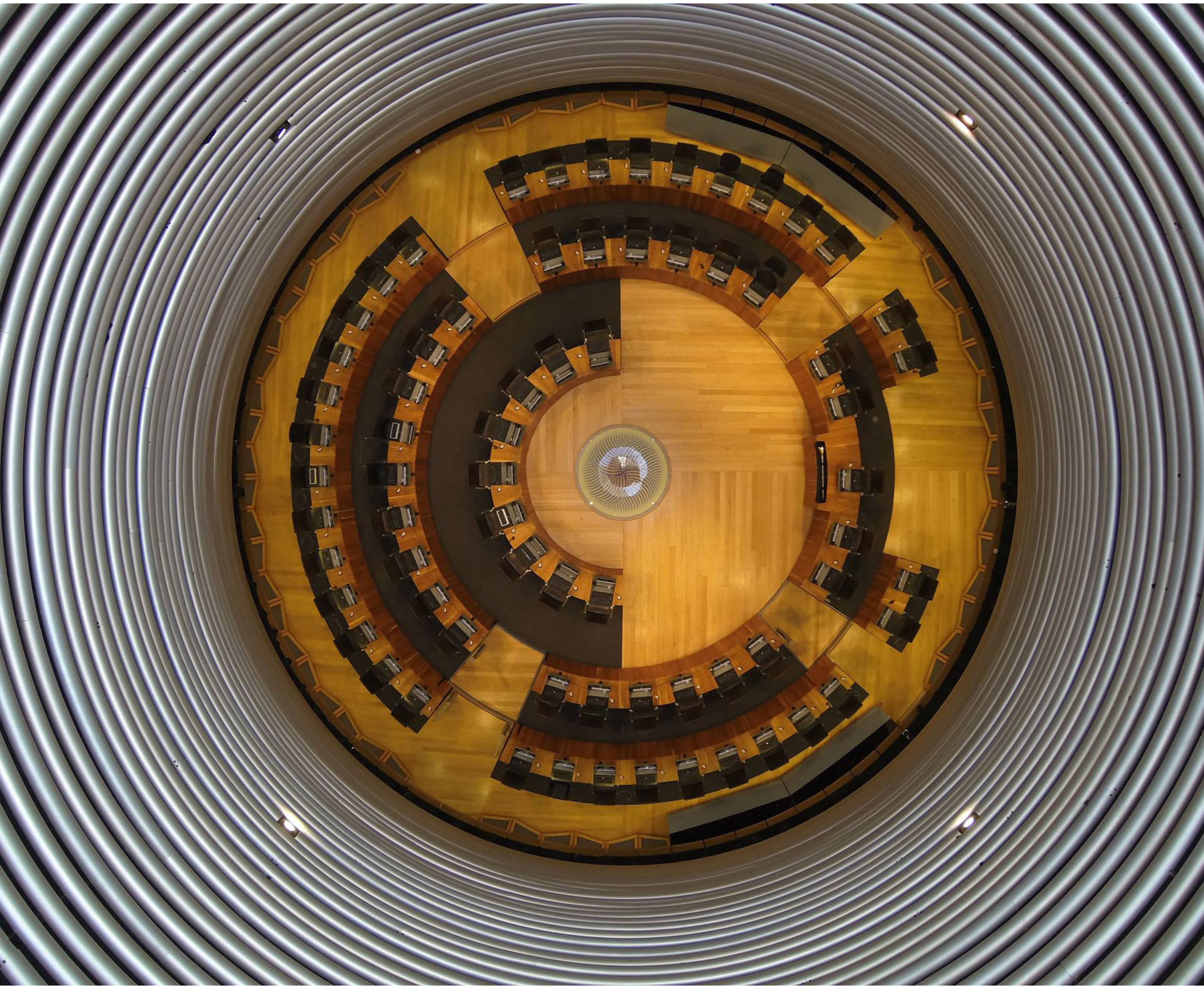
Welsh Parliament
Senedd Commission

Members Pension Scheme: Annual Report and Accounts 2020-21

July 2021



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The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

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Welsh Parliament
Senedd Commission

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Trustees and advisers

The Remuneration Board as part of its Determination for the Fifth Senedd 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 2020-21 has consisted of:

Role	Name	Date Appointed	Resigned
Independent Trustee (Chair)	Jill Youds	6 May 2016	
Trustee	Mike Hedges AM	6 May 2016	
Trustee	Nia Morgan	4 August 2016	
Trustee	Ieuan Wyn Jones	12 October 2017	6 May 2021
Trustee	Robert Evans	20 December 2018	

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

Scheme Administration

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

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

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

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

Scheme Advisers Appointed by the Trustees as at 31 March 2021

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

The Trustees' Report for the period ending 31 March 2021 to the Members of the Senedd Pension Scheme

Legislative Background to the Members of the Senedd Pension Scheme (the "Scheme")

The Welsh Parliament (the "Senedd") 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 Members of the Senedd ("the Members") and Office Holders. All Members are members of the Scheme from the date they enter the Senedd 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.

In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, gave rise to unlawful discrimination. On 15 July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment needed to be removed from all schemes for members with relevant service.

The Independent Remuneration Board of the Senedd is responsible for the rules of the Members Pension Scheme. Having considered the view of the Pension Board, the Board has agreed that a remedy should be adopted to remove the discrimination in the rules of the Members Pension Scheme as a result of the transitional protection provisions they currently contain. The Board have agreed to consult with the affected Members and the Senedd Commission on a proposed remedy.

The contribution made by the Senedd at 31 March 2021 was 19.9% of Members aggregate salaries. Members not subject to 'Transitional Protection' pay contributions at the rate of 10.5%. Those Members who are subject to 'Transitional Protection' continue to pay contributions at their existing rate of either 6% or 10% depending on whether they are accruing benefits on a 50th or 40th basis, respectively.

The main features are:

- Each year members build up a pension of 1/50th of their salary for that year.
- The pension built up each year is revalued in line with the Treasury orders made under the Public Service Pensions Act 2013, currently in line with the Consumer Price Index (CPI).
- Benefits built up in the Final Salary Scheme are fully protected and will continue to be linked to any future salary increases.
- Office Holders earn an additional Office Holder CARE pension of 1/50th of the Office Holder salary they earn each year.
- Normal Retirement Age is linked to State Pension Age (or 65, whichever is higher). Any Final Salary pension accrued before 6 May 2021 will continue to be payable at a Normal Retirement Age of 65.
- Pensions-in-payment are indexed to the changes in the Pensions Increase (Review) Order.
- A lump sum death in service gratuity equal to two years' salary with provision for more than one nominee.

Transfers

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

Developments during the Year

The professional Independent Chair of the Board is Jill Youds. Jill also chairs both the Judicial Pensions Board and the Legal Services Commission Scheme Trustee Board for the Ministry of Justice. Jill is a Trustee and the Senior Independent Director at the National Employment Savings Trust (NEST) and a non-executive director at Local Pensions Partnership.

During the year, the Board has undertaken training on the Funding valuation and reviewing the Investment strategy taking into account Environmental, Social and Governance (ESG) issues in relation to pension scheme investments with a particular focus on climate change. The Board considered how these issues influence sustainable investment returns and might impact Scheme funding and employee and employer contributions. During the year, the Board also received training on the Pensions Schemes Act 2021 and an update from the Scheme's legal adviser on pensions case law. All Trustees will continue to receive ongoing training to ensure they have the knowledge and understanding they need to carry out their role and meet the requirements of the Pensions Regulator and the Public Services Pensions Act 2013.

The Remuneration Board agreed with the Pension Board's proposal to amend the Scheme Rules to allow an extension of the timeline for completion of the Actuarial Valuation Report for 2020 in response to the concerns regarding the impact of COVID-19 that dominated markets during the first quarter of 2020. The final actuarial valuation results are expected to be reported in July 2021.

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

- Baillie Gifford Diversified Growth
- BNY Mellon Sustainable Real Return Fund
- Legal & General Investment Management ("LGIM") Managed Property
- Partners Group Generations
- LGIM Ethical Global Equity Index (unhedged)
- LGIM Ethical Global Equity Index (GBP hedged)
- LGIM Over 5 Year Index-Linked Gilt
- LGIM Cash – please note this does not form part of the Scheme's strategic asset allocation and is utilised on an ad-hoc basis.

At their meeting of 16 November 2020, the Trustees considered proposed changes to the Scheme's investment strategy. The Trustees recognised that the current asset allocation across the two Diversified Growth funds could be better aligned with the Trustees' objectives to reduce the Scheme's exposure to the Oil and Gas sector to zero over a five-year period, subject to the availability, over that timescales of suitable investment vehicles for the size of the Scheme. In light of this, in December 2020 the Trustees agreed to reduce the Scheme's exposure to the Baillie Gifford Diversified Growth Fund in favour of the BNY Mellon Sustainable Real Return Fund.

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

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

In managing cash flow to the election, the Trustees sought advice from the Investment Adviser and it was agreed that net monthly contribution income should be held in the Scheme bank account to fund the cash requirement for members taking their benefits at the election. In addition, as any amount held in the Scheme bank account above the amount covered by the Financial Service Compensation Scheme would be exposed to the solvency risk of the bank(s), Trustees, on advice, decided to set up a cash fund with Legal and General Investment Management for cash funds over and above the protected amount.

The Trustees held a special meeting on 30 March 2020 where the Investment Adviser asked the Board to consider the possibility of moving part or all of the LGIM Global Ethical Equity Fund to a currency hedged fund due to the fall in sterling against the US Dollar which, although on a long term downwards trend versus other major currencies such as the US Dollar, had seen increased volatility since the Pension Board meeting on 16 March. The Pension Board agreed to hedge half the Scheme's direct equity exposure so that c.12.5% of the Scheme's assets held in direct equity holdings would remain exposed to overseas currency via the currency unhedged fund.

In December 2018, the Court of Appeal held that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful ("the McCloud judgement"). A written ministerial statement made by the Chief Secretary to the Treasury on 15 July 2019 set out the government's intention to remedy this discrimination across all public service pension schemes. HM Treasury undertook a consultation on a proposed remedy for the main public sector schemes and published a response to the consultation in February 2020 setting out how the discrimination would be remedied for the main public sector scheme.

The rules of the Members of the Senedd Pension Scheme, also contain transitional protection provisions and the Scheme's legal adviser has confirmed that the McCloud judgement applies to the Members of the Senedd Scheme and a remedy will need to be put in place to correct the discrimination caused by these transitional protection provisions. The decision as to what the remedy will be, rests with the Remuneration Board as they are responsible for the Rules of the Scheme.

The Pension Board have considered the implications of the McCloud Judgement for the Scheme. Having taken appropriate advice from the Scheme's legal adviser and Scheme actuary, the Board agreed a proposed remedy for the discrimination for consideration by the Remuneration Board. Once a proposed remedy is agreed, the Remuneration Board will consult with affected Members. Changes will then need to be made to the Scheme rules to correct the discrimination, subject to agreement by HM Treasury.

In line with new requirements in the Investment Consultancy and Fiduciary Management Market Investigation order 2019, the Chair signed a Compliance Statement confirming the Scheme's compliance with the order and this was submitted to the Competition and Markets Authority in December 2020.

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 Senedd session, and there are sometimes additional meetings for specific purposes. The Trustees met three times during the year. The Trustees also attended two special meetings on 4 September 2020 and 4 February 2021.

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

Internal Dispute Resolution

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

Financial Development of the Scheme

Preparation and Audit of Annual Accounts

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

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

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

Summary Financial Information

The table below shows the income and expenditure during the period for 2020-21 and comparative figures for 2019-20 and the net assets position.

- During the period, no new funds were remitted to the Fund Managers for investment. The Trustees decided at their meeting on 16 March 2020 that it would be prudent to build up a cash reserve in the Scheme bank account to cover any unforeseen issues that may arise as a result of the pandemic. Subsequently, the Trustees agreed to set up a cash fund with LGIM to hold this cash reserve and that this fund should be used to hold surplus income, and any additional cash flow needs. An amount of £670,000 was subsequently disinvested from the LGIM Ethical Global

Equity Index Fund – GBP hedged), and held as cash in reserve to cover the retirement lump sums payable to members who choose to draw their pension following the 2021 election and for members standing down at the election.

- A switch of assets to the value of £7,161,272 was made from the Baillie Gifford Diversified Growth Fund to the BNY Mellon Sustainable Real Return Fund and also an amount of £4,785,248.87 was switched from the LGIM Ethical Global Equity Index (unhedged) Fund to the LGIM Ethical Global Equity Index (GBP hedged) Fund.

The total market value of the Funds invested at 31 March 2021 was £43,589,404 (31 March 2020 £35,177,019).

	Year ended 31 March 2021 £	Year ended 31 March 2020 £
Member related income	1,448,355	1,462,907
Member related payments	1,294,515	1,161,172
Net additions from dealings with members	153,840	301,735
Net returns on investments	8,240,385	(2,202,447)
Net increase/(decrease) in fund	8,394,225	(1,900,712)
Net assets at start of year	35,249,567	37,150,279
Net assets at end of year	43,643,792	35,249,567

Actuarial review

Actuary's statement - covering financial year to 31 March 2021

The Members of the Senedd 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 48 to 49 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 2020, 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 Senedd. The report for the 2020 valuation is expected in July 2021.

The formal Actuarial certificate is included on pages 64-67.

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 Senedd's contribution. The latest valuation was completed as at 1 April 2020, and the report is expected to be laid on 6 July 2021 in accordance with the Scheme rules.

The statement from the Actuary dated 14 June 2021 recommended the contribution rate should remain the same at 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 14 June 2021 (at pages 64-67) confirms the adequacy of the Senedd Commission's contribution of 19.9% for the coming year. The current funding level is adequate to meet current benefits. These statements are based on the Scheme's assets and liabilities at the valuation date and exclude any costs arising from the McCloud judgement and GMP equalisation. These statements fully comply with the requirements of TAS 100 and Technical Accounting Standard (TAS) 300 issued by the Financial Reporting Council. The next triennial valuation is due as at 1 April 2020.

Membership

The membership of the Scheme at the beginning and end of the year and changes during the year are set out below.

Active members	
Contributory membership at start of year 1 April 2020 (58 Members of the Senedd. Of the 60 Members of the Senedd there are 42 Office Holders posts.)	58
New entrants in year	1
Leavers in the year	0
Retirements in the year	0
Death in service	(1)
Contributory membership at 31 March 2021	58

Pensioners	
In payment at 1 April 2020	64
Members retiring from active service in year	0
Members retiring from deferred status	0
New Dependants	1
Deaths in year	(1)
Pensioners in Payment at 31 March 2021	64

Deferred members	
At 1 April 2020	20
Members leaving with deferred rights	(0)
Members retiring from deferred status	(0)
Members transferring benefits out of the Scheme	(0)
Deferred Members at 31 March 2021	20

Pension increases

Payments from the Scheme during the year are disclosed in Note 5 to the accounts. Pensions in payment are reviewed each year in line with the Pensions Increase (Review) Order. The 2021 Order was laid before Parliament on 8 March 2021 and came into force on 12 April 2021.

Custody

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

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
BNYM Sustainable Real Return Fund	0.69
Partners Group Generations	1.35
LGIM Ethical Global Equity Index (unhedged)	0.35
LGIM Ethical Global Equity Index (hedged)	0.365
LGIM Managed Property	0.64
LGIM Over 5 Year Index-Linked Gilts Index	0.08
LGIM Cash	0.10

Assets to the value of £7,161,272 were switched from the Baillie Gifford Diversified Growth Fund to the BNY Mellon Sustainable Real Return Fund during January 2021. At the Pension Board meeting on 16 March a decision was made to hedge half the LGIM Ethical Global Equity Index Fund so that c.12.5% of the Scheme's assets held in direct equity holdings would remain exposed to overseas currency via the currency unhedged fund. A total of £4,785,249 was switched from the LGIM Ethical Global Equity Index Fund (unhedged) to the LGIM Ethical Global Equity Index Fund (GBP hedged).

The cost of fund management in 2020-21 was £236,058 (2019-20 £231,049) with 'Other Expenses' of £69,272 (2019-20 £67,019).

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

Investment policy

The Investment Policy for the Scheme is determined by the Trustees and is reviewed from time to time. The policy in force at 31 March 2021 is set out in the Statement of Investment Principles, which has been adopted by the Trustees and is available to Members on request from the Scheme Secretariat. The policy does not allow for any employer-related investment.

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

The Trustees have prepared a Statement of Investment Principles in accordance with section 35 of the Pensions Act 1995 which sets out their policies on investment and their strategy for achieving them, a copy of which is available on request from the Scheme Secretariat.

Day to day responsibility for the management of investments has been delegated to respective underlying investment managers. The underlying investment managers operate in accordance with guidelines and restrictions set out in their Fund prospectus. Instructions regarding the day-to-day management of investments for cashflow purposes will be given by the Trustees to Mobius from time to time.

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

Impacts of COVID-19

Following historic market falls at the end of Q1 2020 brought about by the pandemic, markets (specifically risk markets including equities) enjoyed largely consistent positive performance across the remainder of 2020 and into the first quarter of 2021.

Broadly speaking, the second and third quarters of 2020 were marked by a continued 'rebounding' of assets prices following the earlier falls. This was not without a degree of uncertainty for investors however, as the reopening of regions and sectors of the global economy did so tentatively and the emergence of subsequent 'waves' of the virus, and their resulting lock-down measures, served to weigh on investor confidence. This was reflected in the sustained demand for safe haven assets (such as government bonds) over the period.

The fourth quarter of 2020 saw a sharp increase in investor confidence driven primarily by three factors: (i) the resolution of the US Presidential Election in which Democratic candidate, Joe Biden, won; (ii) the announcement of viable COVID-19 vaccines from Moderna and Pfizer; and (iii) the securing of a deal by the UK Government with respect to the UK's ongoing relationship with the EU. By the end of 2020 a number of regional equity indexes had recovered to (and in some cases surpassed) their pre-COVID-19 levels. It is notable that the positive themes of vaccines and a Democratic US presidency continued to boost investor confidence across the first quarter of 2021.

Over the period, there was valuation uncertainty surrounding the Scheme's holdings in the LGIM Managed Property Fund. In light of the escalation of the COVID-19 pandemic, the LGIM Property Fund's valuer issued a Material Uncertainty clause (which was triggered as assets within the portfolio could not be accurately and fairly priced). Dealing on the Fund was accordingly temporarily suspended on 17th March 2020. As at 1st October 2020, dealing on the Fund resumed and the suspension was lifted. This resumption of trading was a reflection of a decision made by the board of Legal and General Assurance (Pensions Management) Limited that markets had sufficiently stabilised, in conjunction with the fact that the Fund's independent valuer removed the material uncertainty clause from the UK property asset valuations. This was the only holding of the Scheme impacted by valuation uncertainty over the period.

However, during the period, given heightened volatility and lower liquidity in markets, the costs of trading many of the Scheme's funds increased. Please note, as at 31 March 2021, trading spreads had returned to near pre-pandemic levels.

Credit markets, following a strong performance across 2020 reversed their performance in the first quarter of 2021. As discussed previously, heightened investor confidence leads to a wholesale rotation into risk assets (which some have associated with the beginning of a new economic cycle) and as such falling demand for safe-haven assets such as UK Government Debt put upwards pressure on bond yields. This accordingly led to notable falls in fixed income asset prices and some debt assets saw their 2020 gains largely eroded.

Against this backdrop, the Scheme's assets generated a strong performance of c.23.6% over the 12 months to 31 March 2021. Given the diversified nature of the Scheme's assets, it is expected that Scheme performance would be below that of equity markets over the period. The Scheme's performance is derived from a number of other asset classes in addition to equities, which helps the Scheme manage risk within the investment portfolio. However, the Scheme did significantly outperform UK Government Bonds and the Scheme's discount rate (Consumer Price Index plus 2.5%) over the period, which returned -10.4% and 3.2%, respectively. Exposure to risk assets (both via passive equity holdings and the Scheme's active multi-asset managers) were the principal drivers of Scheme performance over the period.

The Scheme's exposure to UK Government Bonds via the LGIM Over 5-Year Index-Linked Gilts Index weighed on performance to some extent as the Fund returned c.2.5% over the 12-month period. In a similar fashion, falls in fixed income prices lead to a muted performance from a number of the Scheme's multi-asset managers, relative to equities, who hold exposure to the asset class.

Performance to 31 December 2020

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

	3 months (%)	1-year (%)	3-years pa (%)	5-years pa (%)
Baillie Gifford Diversified Growth	5.4	2.3	2.9	4.6
UK Base Rate plus 3.5% per annum	0.9	3.7	4.0	4.0
Relative performance	4.5	(1.4)	(1.1)	0.6
BNY Mellon Sustainable Real Return[1]	5.8	10.0	N/A	N/A
1-month Sterling LIBOR plus 4% per annum	1.0	4.3	N/A	N/A
Relative performance	4.8	5.7	N/A	N/A
Partners Group Generations[2]	4.0	1.7	5.5	N/A
Absolute target of 7-11% per annum	1.8	7.0	7.0	N/A
Relative performance	2.2	(5.3)	(1.5)	N/A
LGIM Ethical Global Equity Index (unhedged)	7.9	11.2	10.4	14.1
FTSE4Good Global Equity Index (unhedged)	7.9	11.6	10.8	14.5
Relative performance	0.0	(0.4)	(0.4)	(0.4)
LGIM Ethical Global Equity Index (sterling hedged)	11.6	10.1	9.2	10.6
FTSE4Good Global Equity Index (sterling hedged)	11.7	10.6	9.5	11.0
Relative performance	(0.1)	(0.5)	(0.3)	(0.4)
LGIM Managed Property	2.1	(1.5)	1.4	2.8
Benchmark[3]	2.1	(1.1)	2.3	3.9
Relative performance	0.0	(0.4)	(0.9)	(1.1)
LGIM Over 5-Year Index Linked Gilts Index	1.4	12.3	6.1	9.3
FTSE Actuaries Index-Linked (Over 5 Year) Index	1.4	12.4	6.1	9.3
Relative performance	0.0	(0.1)	0.0	0.0
Scheme's estimated performance	**6.3**	**7.0**	**5.7**	**7.3**

Source: Baillie Gifford, BNY Mellon, Partners Group and LGIM; net of fees. [1]Fund incepted April 2018. [2]Fund incepted April 2016. [3]Benchmark is the AREF/IPD UK Quarterly All Balanced Property Funds Index.

Performance to 31 March 2021

The table below details the performance of the Scheme's funds and their respective targets to 31 March 2021.

	3 months (%)	1-year (%)	3-years pa (%)	5-years pa (%)
Baillie Gifford Diversified Growth	(0.8)	17.6	2.4	4.4
UK Base Rate plus 3.5% per annum	0.9	3.6	4.0	3.9
Relative performance	(1.7)	14.0	(1.6)	0.5
BNY Mellon Sustainable Real Return[1]	0.6	21.0	N/A	N/A
1-month Sterling LIBOR plus 4% per annum	1.0	4.2	N/A	N/A
Relative performance	(0.4)	16.8	N/A	N/A
Partners Group Generations[2]	2.7	24.3	6.9	N/A
Absolute target of 7-11% per annum	1.8	7.0	7.0	N/A
Relative performance	0.9	17.3	(0.1)	N/A
LGIM Ethical Global Equity Index (unhedged)	4.3	37.5	14.0	14.7
FTSE4Good Global Equity Index (unhedged)	4.5	38.0	14.4	15.1
Relative performance	(0.2)	(0.5)	(0.4)	(0.4)
LGIM Ethical Global Equity Index (sterling hedged)	6.8	47.6	12.8	12.8
FTSE4Good Global Equity Index (sterling hedged)	6.9	48.1	13.1	13.2
Relative performance	(0.1)	(0.5)	(0.3)	(0.4)
LGIM Managed Property	1.9	1.9	1.6	3.1
Benchmark[3]	2.2	2.5	2.4	4.1
Relative performance	(0.3)	(0.6)	(0.8)	(1.0)
LGIM Over 5-Year Index Linked Gilts Index	(7.0)	2.5	3.5	6.3
FTSE Actuaries Index-Linked (Over 5 Year) Index	(7.0)	2.6	3.5	6.4
Relative performance	0.0	(0.1)	0.0	(0.1)
LGIM Cash	0.0	0.0	0.4	0.3
7-day LIBID	0.0	0.0	0.4	0.3
Relative performance	0.0	0.0	0.0	0.0
Scheme's estimated performance	**1.6**	**23.6**	**6.6**	**8.2**

Source: Baillie Gifford, BNY Mellon, Partners Group and LGIM; net of fees. [1]Fund incepted April 2018. [2]Fund incepted April 2016. [3]Benchmark is the AREF/IPD UK Quarterly All Balanced Property Funds Index. Please note, the Scheme initially invested in the LGIM Cash holding during Q1 2021.

Following the impacts of the COVID-19 pandemic on markets (some of which reached their recent lowest point near the end of the first quarter of 2020), the Scheme's risk assets have enjoyed largely consistent rises over the subsequent 12 months. All of the Scheme's active funds (with the exception of the LGIM Managed Property Fund) have outperformed their respective targets over the one-year period into 31 March 2021. This contrasts to the twelve-month performance of the Scheme's active managers as at 31 December 2020, where all of the Scheme's active managers (with the exception of BNY Mellon) had underperformed their respective targets. This is a reflection of the presence of the first quarter of 2020 in the twelve-month period ending 31 December 2020 but not in the same period ending 31 March 2021. Over the first 3 months of 2020, the emergence of COVID-19 as an existential economic headwind led to global equity markets incurring substantial losses of c.20%.

Over the three-year term to 31 March 2021, the performance of the Scheme's active managers was mixed but generally reflected underperformance by each manager against their respective targets. The BNY Mellon Sustainable Real Return Fund is an exception to this and outperformed its target over the period. This reflects the defensive characteristics of the Fund's investment process which seek to offer capital protection through periods of market stress.

When contrasting Scheme performance for periods ending 31 December 2020 and 31 March 2021 respectively, we can see that performance over periods to the latter is stronger (notably in the case of the twelve-month period) across all periods save for the immediate quarter. Comparative underperformance between the first quarter of 2021 and the fourth quarter of 2020 is a reflection of the significant rise in yields seen in global fixed income markets at the start of 2021. This had a notable negative impact on the Scheme's LGIM Over 5-Year Index-Linked Gilts holding (which returned c.-7.0% over the period) and active Multi-asset funds (which have fixed income exposure).

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

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

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

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

Source: Baillie Gifford

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

Source: Newton

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

Investment-related: mitigate investment risk and, where possible, enhance investment returns.

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

Source: Partners Group

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

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

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

The Scheme is invested in LGIM's Ethical Global Equity Index (in both the sterling hedged and un-hedged variants), whose objective is to track their respective FTSE 4Good Developed Indexes, which has been designed to be composed of constituents who demonstrate strong ESG practices. Of the other LGIM funds the Scheme is invested in, one invests in UK Government Index-Linked Debt ("Index-Linked Gilts"), another in UK commercial Property and the other invests in cash/ "cash-like" securities.

Source: LGIM

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

Signature

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

Signature

Nia Morgan
Trustee

Investment Report – for the Year Ended 31 March 2021

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

Portfolio Valuation 31 March 2020

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

Portfolio Valuation 31 March 2021

	31 March 2021 GBP
Bailie Gifford Diversified Growth Fund	6,705,288
BNY Mellon Sustainable Real Return Fund	13,240,982
Partners Group Generations	4,272,143
LGIM Ethical Global Equity Index (unhedged)	6,374,959
LGIM Ethical Global Equity Index (hedged)	6,185,046
LGIM Managed Property	1,951,397
LGIM Over 5 Year Index-Linked Gilts Index	4,017,643
LGIM Life Cash Fund	841,946
Total	43,589,404

Distribution of Assets

The distribution of assets was as follows:

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

	31 March 2021 %
Baillie Gifford Diversified Growth[1]	15.4
BNY Mellon Sustainable Real Return[1]	30.4
Partners Group Generations	9.8
LGIM Ethical Global Equity Index (unhedged)	14.6
LGIM Ethical Global Equity Index (sterling hedged)	14.2
LGIM Managed Property	4.5
LGIM Over 5 Year Index-Linked Gilts Index	9.2
LGIM Cash[3]	1.9
TOTAL	100.0

[1]Over the 12-month period, the Scheme's allocation between the Baillie Gifford Diversified Growth Fund and the BNY Mellon Sustainable Real Return Fund was changed. The resultant strategic asset allocation was 17% and 33%, respectively.

[2]Over the period, the Scheme allocated half of its holdings in equity to the LGIM Ethical Global Equity Index (sterling hedged) Fund (the sterling hedged variant of the Scheme's existing equity fund).

[3]Over the 12-month period the LGIM Cash Fund was introduced which the Trustees, during times of high cash flow requirements (such as those before an election), may make use of for risk management purposes. Please note, the Fund does not form part of the Scheme's strategic asset allocation.

Performance Objective

The Trustees have selected funds with the following performance objectives for the investment managers which takes account of the liability profile of the fund and the level of risk that the Trustees believe appropriate.

Baillie Gifford Diversified Growth Pension Fund	Fund (Net of Scheme AMCs)	Benchmark +3.5%
To outperform the UK base rate by at least 3.5% per annum (net of fees) over rolling five-year periods with an annualised volatility of less than 10%.		
Five Years (p.a.)	4.4	3.9
Three Years (p.a.)	2.4	4.0
One Year	17.6	3.6

BNY Mellon Sustainable Real Return Fund	Fund (Net of Scheme AMCs)	Benchmark
To achieve a minimum return of cash (1-month LIBOR) +4% p.a. over a rolling 5-year period before fees. In doing so, the strategy aims to achieve a positive return on a rolling 3-year basis.		
Since inception (p.a.)	8.2	4.5
One Year	21.0	4.2

Partners Group Generations Fund	Fund (Net of standard Fees)	Benchmark
The Fund targets a net return of 7% to 11% pa net of fees over a full market cycle. The lower end of this target (i.e. 7% pa) has been used in the performance table below.		
Since Inception (p.a.) (Apr 2016)	7.7	7.0
Three Years (p.a.)	6.9	7.0
One Year	24.3	7.0

LGIM Ethical Global Equity Index Fund (unhedged)	Fund (Net of standard Fees)	Benchmark
The investment objective of the Fund is to track the performance of the FTSE4Good Global Equity Index (less withholding tax) to within +/-0.5% p.a. for two years out of three.		
Five years (p.a.)	14.7	15.1
Three Years (p.a.)	14.0	14.4
One Year	37.5	38.0

LGIM Ethical Global Equity Index Fund (sterling hedged)	Fund (Net of standard Fees)	Benchmark
The investment objective of the Fund is to track the performance of the FTSE4Good Global Equity Index (sterling hedged) (less withholding tax) to within +/-0.5% p.a. for two years out of three.		
Five years (p.a.)	12.8	13.2
Three Years (p.a.)	12.8	13.1
One Year	47.6	48.1

Over the period, the Scheme allocated half of its holdings in equity to the LGIM Ethical Global Equity Index (sterling hedged) Fund (the sterling hedged variant of the Scheme's existing equity fund).

LGIM Managed Property Fund	Fund (Net of Scheme AMCs)	Benchmark
The Fund aims to outperform the AREF/IPD UK Quarterly All Balanced Property Funds Index over three and five-year periods.		
Five Years (p.a.)	3.1	4.1
Three Years (p.a.)	1.6	2.4
One Year	1.9	2.5

LGIM Over 5 Year Index-Linked Gilts Index Fund	Fund (Net of Scheme AMCs)	Benchmark
The investment objective of the Fund is to track the performance of the FTSE Actuaries Index-Linked (Over 5 Year) Index to within +/-0.25% p.a. for two years out of three.		
Five Years (p.a.)	6.3	6.4
Three Years (p.a.)	3.5	3.5
One Year	2.5	2.6

LGIM Cash Fund	Fund (Net of Scheme AMCs)	Benchmark
The investment objective of the Fund is to perform in line with 7 Day GBP LIBID.		
Five Years (p.a.)	0.3	0.3
Three Years (p.a.)	0.4	0.4
One Year	0.0	0.0

Over the 12-month period the LGIM Cash Fund was introduced which the Trustees, during times of high cash flow requirements (such as those before an election), may make use of for risk management purposes. Please note, the Fund does not form part of the Scheme's strategic asset allocation.

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

Summary Risk Statistics

Bailie Gifford Diversified Growth Pension Fund	
Delivered volatility	6.7%

Annualised volatility calculated over 5 years to end of March 2021.

Source: Baillie Gifford

BNY Mellon Sustainable Real Returns Fund	
Delivered volatility (p.a.)	6.7%

Annualised volatility calculated since the Fund's inception (April 2018) to end of March 2021. Volatility calculated using daily prices for the Fund due the shorter period since inception.

Source: Newton

Economic and Market Background – 12 Months to 31 March 2021

Market Background

Over the 12 months to March 2021, global markets were dominated by their recovery from the historic market turmoil seen at the start of 2020. Substantial and coordinated effort by governments and central banks (such as the Federal Reserve, Bank of England and European Central Bank), as well as advancements in the production and roll-out of vaccine programs, resulted in an investor confidence rally for the majority of the period. Also significant were the outcomes of the US Presidential election, with the victory for the Democrat Party, and the securing of a suitable framework for trade between the UK and the EU following the end of the Brexit-transition-period. Both events further boosted investor sentiment towards the end of 2020.

Developed equity markets enjoyed broadly consistent positive performance over the period. Such was the sustained nature of the recovery that many market indexes not only recovered from their COVID-19 shocks, but actually moved to new record levels. Equities did not rise in uniform fashion however, some traditionally 'growth' oriented sectors such as technology enjoyed steeper recoveries whilst other more cyclically sensitive sectors such as energy saw prices recover more slowly. During 2021, this has reversed, with more cyclically sensitive sectors outperforming.

Safe haven assets, such as UK Government bonds and the US Dollar experienced mixed returns over the period. Over 2020 there was sustained demand for government bonds, reflected in lower yields and higher bond prices. This reversed sharply in the first quarter of 2021 however, with investors pricing in a turn in the economic cycle. Accordingly yields rose sharply over the period and bond prices fell to a degree where prices seen in 2020 were largely eroded.

Source: Quantum Advisory

Multi Asset

Generally, most multi-asset funds mirrored equity market direction over the period. Many traditional strategies enjoyed consistent positive returns over the period to the end of 2020. Multi-asset funds with exposure to fixed income assets saw some muted performance in Q1 of 2021 and rising yields were a source of negative returns. Funds with greater allocations to equity (relative to fixed income) experienced stronger overall performance as they were able to capture upside trends in equity markets.

Source: Quantum Advisory

Government Bonds

Long term nominal UK government bonds yields generally rose over the year to 31 March 2021, whilst long term real UK government bond yields fell, with nominal UK gilts returning -10.4% and their index-linked counterparts returning 2.6%. This is reflective of rising inflation expectations over the period which had a positive impact on the price of index-linked gilts relative to their nominal counterparts. Gilt demand was largely informed by investors rotating (in Q1 2021) to risk assets at the expense of holding government bonds, this had the effect of pushing down prices and driving up yields.

Source: Quantum Advisory

Property

UK Property experienced pronounced difficulties over the period as the asset class was stressed by continued lockdown measures implemented by the UK Government. This had the effect of further challenging sectors which are highly dependent on footfall (such as retail and leisure assets). Retail assets were already facing structural challenges coming into the period and these were only exacerbated. Some sectors such as industrial assets fared better over the period as they were able to reopen sooner and the areas such as warehouses benefitted from the sharp growth in online retail as shoppers spent their money online instead of on the physical high street.

Source: Quantum Advisory

Private Markets

Private markets enjoyed consistent positive performance across the period, following sharp losses incurred over the first quarter of 2020. It is significant to note that this was driven by two principal factors: (i) significant positive performances in public equity markets (to which private markets show a degree of correlation); and (ii) accommodative monetary policy which allowed for increased access to cheap lending (which drove a rise in private markets transactions later in the period). Ultimately, private markets lagged public ones over the period however this is a reflection of the greater volatility associated with public markets (which were recovering from steeper relative falls incurred as at the end of Q1 2020 due to the COVID-19 pandemic when compared to private markets assets).

Source: Partners Group

Largest Holdings – Top Ten Largest Holdings

Baillie Gifford Diversified Growth Pension Fund	% of Portfolio
Baillie Gifford Global Income Growth Fund	4.7
Baillie Gifford Global Alpha Growth Fund	4.4
Baillie Gifford Long Term Global Growth Investment Fund	3.8
Baillie Gifford Emerging Markets Bond Fund	2.6
Baillie Gifford Worldwide Japanese Fund	2.4
Plutus CLO Fund	2.2
WisdomTree Nickel	2.1
UBS CSI 500 NTR Index plus 8.25%	2.1
Baillie Gifford Worldwide Global Strategic Bond Fund	1.9
Baillie Gifford US High Yield Credit	1.9

BNY Mellon Sustainable Real Return Fund	% of Portfolio
BNP Paribas Issuance B.v. 0.0% 18/11/2021	2.5
WisdomTree Physical Swiss Gold	2.3
Greencoat UK Wind	2.2
iShares Physical Gold	2.0
Linde	1.9
CME Group	1.6
Texas Instruments	1.5
Barclays Bank PLC S&P Coll Nts 10/08/2021	1.5
JPMorgan Chase	1.5
Barclays Bank PLC S&P Coll Nts 07/08/2021	1.5

Partners Group Generations Fund	% of Portfolio
GlobalLogic	4.8
Techem Metering	1.5
Zabka Polska SA	1.4
CPA Global	1.4
Ammega	1.2

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	5.8
Microsoft Corp	5.3
Alphabet Cl A	1.8
Alphabet Cl C	1.8
Johnson & Johnson	1.3
Visa Inc Class A	1.1
Walt Disney Company	1.0
Home Depot Inc	1.0
Procter & Gamble Company	1.0
Nvidia Corp	0.9

Please note that the Scheme is invested in the unhedged and sterling-hedged share classes of the LGIM Ethical Global Equity Index Fund however both share classes share the same underlying top ten holdings.

LGIM Managed Property Fund	% of Portfolio
Brentford – West Cross Industrial Park	4.7 – 5.0
London – Strand Island Site	4.4 – 4.7
Basingstoke – Kingsland Business Park	3.1– 3.5
Manchester – One Piccadilly	2.8 – 3.1
Reading – Apex Plaza	2.8 – 3.1
London – 76-88 Wardour Street	2.5 – 2.8
Cambridge – Cambridge Science Park	2.2 – 2.5

London – Yotel London Clerkenwell	2.2– 2.5
Maidenhead – Grenfell Island	1.9 – 2.2
Bedford – Interchange Retail Park	1.9 – 2.2

LGIM Over 5 Year Index-Linked Gilts Index Fund	% of Portfolio
UK Treasury 1.25% 2055	6.1
UK Treasury 0.125% 2068	5.8
UK Treasury 0.375% 2062	5.6
UK Treasury 0.5% 2050	5.0
UK Treasury 1.125% 2037	4.9
UK Treasury 0.75% 2047	4.8
UK Treasury 0.625% 2040	4.7
UK Treasury 1.25% 2032	4.6
UK Treasury 0.125% 2044	4.5
UK Treasury 0.625% 2042	4.5

LGIM Cash	% of Portfolio
UK Treasury	22.7
Bred-Banque Populaire	8.4
Cooperatieve Rabobank UA	8.4
BNP Paribas London	8.4
PMC Loan	8.4
Sumitomo Mitsui Banking	8.3
National Bank of Canada	8.1
Bank of Tokyo-Mitsub London	8.1
DZ Bank AG	8.1
Nationwide Building Society	6.2

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

Statement of Trustees' Responsibilities for the Financial Statements

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

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

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

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

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

Summary of Contributions paid in the year

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

	2020-21 £	2019-20 £
Employer normal contributions	950,830	1,040,069
Employee normal contributions	497,500	543,652
Total	**1,448,330**	**1,583,721**

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

	2020-21 £	2019-20 £
Contributions paid	1,448,330	1,583,721
Less opening debtor	0	(121,153)
Add closing debtor	0	0
Total Contributions reported in the Financial Statements	**1,448,330**	**1,462,568**

Signature

Jill Youds
Chair of Trustees
(On behalf of the Trustees)
Date 5 July 2021

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 Members of the Senedd Pension Scheme (MSPS). The responsibilities of the Trustees are clearly defined in the Statement of Trustees' responsibilities on page 37.

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

The Pensions Team within the Financial Services of the Senedd provide secretarial and administrative services to the Trustees and this arrangement is covered by a Memorandum of Understanding between the Senedd Remuneration Board (the Board), the Senedd 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 MSPS. 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.

A year on since the first Covid 19 lock down in the UK, the Scheme Secretariat continue to work from home. The Secretariat use Commission issued equipment to carry out their roles, which is fitted with remote access capability allowing secure connection to the network. The same level of cyber security applies when staff work remotely as when they attend the office.

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

Governance Framework

During the year there were three Trustee meetings in July, November and March and two special meetings held in September 2020 and in February 2021. All meetings have been held online due to lock down restrictions as a result of the pandemic. The attendance below shows the proportion of all meetings attended by Trustees appointed at these dates.

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

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

- The Auditor's report on the Financial Statements
- Business Continuity
- Review of the Investment Adviser against their Objectives
- Annual review of Environmental, Social and Governance Investments
- Asset Liability Modelling
- Investment Strategy Review
- Statement of Investment Principles
- McCloud Remedy
- Actuarial Valuation Report (2020)

This information together with additional briefing papers prepared by the Secretariat provided good quality data which allowed the Trustees to exercise their functions effectively over the period of this report. In addition, the internal audit of the Scheme administration carried out in 2018 reported a substantial assurance opinion rating on the administration of the Scheme and concluded that the Scheme's framework of governance, risk management and control is adequate and effective and made no recommendations for changes.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the MSPS 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 MSPS for the year ended 31 March 2021 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 Senedd Commission, with responsibility for the development and maintenance of the control framework.

Personal Data Incidents

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

Risk Management

During the period of this report the risk register for the Scheme was reviewed, updated and agreed with the Trustees as part of the medium-term business plan. Each risk is identified and given a score based on factors such as likelihood of the risk materialising, the impact that the risk might have if it did occur. The risk rating reflects the controls currently in place to manage each identified risk. The risk register is reviewed at each meeting by the Trustees.

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

- Investment: Risk of investments not producing sufficient return with a resulting impact of the funding position of the Scheme. Investment performance is reviewed by Trustees at each Trustee meeting with the Scheme's investment consultant producing an annual report on investment performance;
- Pension Scheme Records: Risk of incomplete or inaccurate records leading to incorrect/unauthorised payments or decisions being taken with incomplete information. Accurate records have been maintained of past and present members, transactions into and out of the Scheme and of Trustees meetings;
- Scheme Administration: Trustees monitor the steps taken by the administrative staff to manage risks in their areas of responsibility at each Trustee meeting;
- Members: There is a procedure in place to resolve disputes about the Scheme with members. Information is provided to Scheme members on a regular basis through newsletters and in group meetings.
- General Data Protection Regulations (GDPR) compliance : Action Plan implemented to ensure all the requirements are covered and processes documented. A Data Breach Management Procedure has been put in place. Privacy Notices are issued to all Members. There is a Data processing Agreement in place between the Trustees and the Commission.
- Business Continuity: There are process in place in the event of a major event occurring to ensure that are far as possible normal service is maintained following a major event that disrupts normal activities. There are plans in place to ensure the payment of pensions and that member benefits are paid, contributions are remitted on time and banking can be carried out remotely.

Review of effectiveness

We are assisted in the development and maintenance of the internal controls by the senior managers within the Senedd who have responsibility for the development and maintenance of the internal control framework and which is reviewed each year by the Senedd 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 5 July 2021 by:

Signature

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

Signature

Nia Morgan
Trustee

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

I have audited the financial statements of Members of the Senedd Pension Scheme for the year ended 31 March 2021 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 2021, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The trustees are responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities

Responsibilities of the Trustees for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Members of the Senedd Pension Scheme's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and management override of controls;
- Obtaining an understanding of the Members of the Senedd Pension Scheme's framework of authority as well as other legal and regulatory frameworks that the Scheme operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Scheme;

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the trustees and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of the trustees;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Members of the Senedd Pension Scheme's controls, and the nature, timing and extent of the audit procedures performed.

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

Signature

Ann-Marie Harkin	24 Cathedral Road
For and on behalf of the Auditor General for Wales	Cardiff
7 July 2021	CF11 9LJ

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

Accounts for the year to 31 March 2021

Fund Account	Note	2020-21	2019-20
Contributions and benefits		£	£
Employer Contributions	4	950,830	960,497
Employee Contributions	4	497,500	502,071
Total Contributions		1,448,330	1,462,568
Interest Receivable		25	339
Other income		0	0
		1,448,355	1,462,907
Benefits paid or payable	5	(995,415)	(1,058,828)
Professional Fees	10	(294,674)	(96,665)
Administration expenses	8	(4,426)	(5,679)
		(1,294,515)	(1,161,172)
Net Additions from dealings with Members		153,840	301,735
Investment income			
Change in market value of Investments	11	8,545,715	(1,904,379)
Investment management expenses	12	(305,330)	(298,068)
Net returns on investments		8,240,385	(2,202,447)
The net amount of increase in the fund		8,394,225	(1,900,712)
Opening net assets of the Scheme		35,249,567	37,150,279
Closing net assets of the Scheme		**43,643,792**	**35,249,567**

Statement of Net Assets	Note	As at 31 March 2021 £	As at 31 March 2020 £
Investment assets			
Pooled investment	9	43,589,404	35,177,019
Total investments		43,589,404	35,177,019
Current Assets	6	152,164	130,208
Current Liabilities	7	(97,776)	(57,660)
Total Net Assets of the Scheme		**43,643,792**	**35,249,567**

The Financial Statements summarise the transactions and net assets of the Scheme and do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position, which does take account of such obligations is dealt with in the Report on Actuarial Liabilities included on pages 64-Error! Bookmark not defined. and these Financial Statements should be read in conjunction with that Report.

Approved by the Trustees on 5 July 2021:

Signature

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

Signature

Nia Morgan
Trustee

The notes on pages 50-62 form part of these accounts.

Notes to the Accounts

1. Basis for Preparation

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

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

The actuarial report does take these liabilities into account (an actuarial statement can be found at pages 64-67).

2. Accounting Policies

The Scheme's principal accounting policies are:

Investment Income

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

Contributions

- Employee contributions are accounted for when they are deducted from members' pay.
- Employer normal contributions are accounted for on the same basis as employee contributions.

Transfers

- All transfer out values paid on a cash basis to other pension Schemes are calculated and verified by the Scheme's Actuary in accordance with the Pension Schemes Act 1993.
- Benefits are accounted for in the period in which they fall due for payment and refunds of contributions are accounted for when they are made.
- Individual transfers out are accounted for when paid or received which is normally when member liability is accepted /discharged.

Expenses

- Expenditure is accounted for in the period to which it relates.

Other Investment Expenses

- Where the final quarter expenses are not known at the published date, other investment expenses are calculated for each fund from the average of all quarterly expense information received and are based on the end of month valuations.
- In this year's report the last quarter's expenses were not known for the Managed Property Fund, therefore they have been calculated using the average of the other expenses across the 3 other quarters.
- Other investment expense information has been provided by Mobius Life and LGIM and have been calculated by grossing up the 'expenses' figures and are accounted for in the period to which they relate.

Tax

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

Valuation of investments

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

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

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

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

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

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

3. Secretariat

The cost of providing staff for the Scheme's secretariat continues to be met directly by the Senedd Commission under the terms of the Memorandum of Understanding agreed between the Senedd Commission and the Trustees. The costs were estimated to be £116,215 (2019-20 £111,925) for the period covered by these accounts.

4. Contributions Receivable

	2020-21 £	2019-20 £
Employer Contributions:		
Normal	950,830	960,497
Employee Contributions:		
Normal	497,500	502,071
Total	1,448,330	1,462.568

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

5. Benefits Payable

	2020-21 £	2019-20 £
Pensions	852,480	807,427
Lump Sum Benefits	136,713	240,140
Taxation where lifetime or annual allowances exceeded	6,222	11,261
Total	995,415	1,058,828

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

6. Current Assets

	31 March 2021 £	31 March 2020 £
Cash at Bank	140,982	129,916
Other debtors and prepayments	11,183	292
Total	152,164	130,208

7. Current Liabilities

	31 March 2021 £	31 March 2020 £
Creditors: amounts payable within one year	(97,776)	(57,660)
Total	(97,776)	(57,660)

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

8. Administration Costs

	2020-2021 £	2019-2020 £
Training	3,993	4,582
Other Administration	433	1,097
Total	4,426	5,679

9. Pooled Investment Vehicles

	31 March 2021 £	31 March 2020 £
Bailie Gifford Diversified Growth Pension Fund	6,705,288	11,723,320
BNY Mellon Sustainable Real Return Fund	13,240,982	4,991,190
Partners Group Generations Fund	4,272,143	3,437,660
LGIM Ethical Global Equity Index Fund	6,374,959	9,285,978
LGIM Ethical Global Equity Index Fund hedged	6,185,046	0
LGIM Managed Property Fund	1,951,397	1,819,919
LGIM Over 5 Year Index-Linked Gilts Index Fund	4,017,643	3,918,952
LGIM Life Cash Fund	841,946	0
Total	43,589,404	35,177,019

10. Professional fees

	2020-21 £	2019-20 £
Actuarial Fees	233,738	31,397
Independent Trustee	11,113	11,722
Investment Consultancy	26,083	31,316
Audit Fees	13,079	13,079
Legal Fees	10,661	9,151
Total	294,674	96,665

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

The actuarial fee this year has seen a marked increase as a result of work carried out in relation to the triennial funding valuation which has been complicated by the impact of COVID19 and the McCloud judgement. Separate actuarial advice, including significant scenario testing, was also required to understand the implications of the McCloud judgement and the potential remedy. There was also an element of work undertaken in respect of the 2017 and 2020 cost cap valuations which is a requirement of the Public Services Pensions Act and this work is ongoing and will continue into the following year.

11. Investment reconciliation

Fund	Market Value at 1 April 2020 (£)	Purchases (£)	Disposal and Sales (£)	Change in Market Value (£)	Investment Manager Expenses (£)	Net Change in Market Value (£)	Market value at 31 March 2021 (£)
Baillie Gifford Diversified Growth	11,723,320	--	(7,161,272)	2,232,099	(88,859)	2,143,240	6,705,288
BNY Mellon Sustainable Real Return [1]	4,991,190	7,161,272	--	1,145,401	(56,881)	1,088,520	13,240,982
Partners Group Generations	3,437,660	--	--	928,344	(93,861)	834,483	4,272,143
LGIM Ethical Global Equity Index (unhedged)	9,285,978	--	(4,785,249)	1,894,624	(20,395)	1,874,229	6,374,959
LGIM Ethical Global Equity Index (hedged)	--	4,785,249	(670,000)	2,090,837	(21,040)	2,069,797	6,185,046
LGIM Managed Property	1,819,919	--	--	152,305	(20,827)	131,478	1,951,397
LGIM Over 5 Year Index-Linked Gilts Index	3,918,952	--	--	102,060	(3,369)	98,691	4,017,643
LGIM Life Cash	--	842,000	--	44	(98)	(54)	841,946
Net Investment Assets	35,177,019	12,788,521	(12,616,521)	8,545,715	(305,330)	8,240,385	43,589,404

Fund	Market Value at 1 April 2019 (£)	Purchases (£)	Disposal and Sales (£)	Change in Market Value (£)	Investment Manager Expenses (£)	Net Change in Market Value (£)	Market value at 31 March 2020 (£)
Baillie Gifford Diversified Growth Fund	12,684,960	176,618	--	(1,036,910)	(101,348)	(1,138,258)	11,723,320
Invesco Global Targeted Returns Fund [1]	5,227,679	151,978	(5,466,832)	116,096	(28,921)	87,175	--
BNY Mellon Sustainable Real Return Fund [1]	--	5,466,832	--	(462,766)	(12,876)	(475,642)	4,991,190
Partners Group Generations Fund	3,744,178	--	--	(212,897)	(93,621)	(306,518)	3,437,660
LGIM Ethical Global Equity Index Fund	9,649,470	--	--	(326,698)	(36,794)	(363,492)	9,285,978
LGIM Managed Property Fund	1,914,027	--	--	(72,799)	(21,309)	(94,108)	1,819,919
LGIM Over 5 Year Index-Linked Gilts Index Fund	3,845,556	--	(15,000)	91,595	(3,199)	88,396	3,918,952
Net Investment Assets	**37,065,870**	**5,795,428**	**(5,481,832)**	**(1,904,379)**	**(298,068)**	**(2,202,447)**	**35,177,019**

The distribution of assets is shown in the Fund Managers Investment Report on page 27. Investment income for the underlying funds that Members of the Senedd Pension Scheme invests in can't be determined as there are no distributions from the fund, all income and any tax recoveries being rolled up so increasing the value of the units.

12. Investment Management Expenses

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

Fund	AMC (%)
Baillie Gifford Diversified Growth	0.65
BNY Mellon Sustainable Real Return Fund	0.69
Partners Group Generations	1.35
LGIM Ethical Global Equity Index (unhedged)	0.35
LGIM Managed Property	0.64
LGIM Ethical Global Equity Index Fund (hedged)	0.365
LGIM Over 5 Year Index-Linked Gilts Index	0.08
LGIM Life Cash Fund	0.1

Over the period, the Trustees transitioned a portion of assets from the Baillie Gifford Diversified Growth Fund into the BNY Mellon Sustainable Real Return Fund in line with agreed changes to the Scheme's investment strategy regarding their Diversified Growth holdings. In the process of implementing this, the Scheme incurred dealing costs of £7,179. The Trustees also agreed to switch approximately half of the Scheme's holdings in the LGIM Ethical Global Equity Index Fund into a GBP hedged variant of the Fund. In the process of implementing this, the Scheme incurred dealing costs of £154. Furthermore, the Scheme introduced the LGIM Cash Fund, however, no dealing costs were associated with the Fund over the period.

'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.

Fund	Investment management		Other Expenses		Total	
	2020-21 £	2019-20 £	2020-21 £	2019-20 £	2020-21 £	2019-20 £
Baillie Gifford Diversified Growth	(75,998)	(85,000)	(12,861)	(16,348)	(88,859)	(101,348)
BNY Mellon Sustainable Real Return	(49,681)	(10,452)	(7,200)	(2,424)	(56,881)	(12,876)
Partners Group Generations	(53,920)	(53,782)	(39,941)	(39,839)	(93,861)	(93,621)
LGIM Ethical Global Equity Index (unhedged)	(20,395)	(36,794)	--	--	(20,395)	(36,794)
LGIM Ethical Global Equity Index (hedged)	(21,040)	(36,794)	--	--	(21,040)	(36,794)
LGIM Managed Property	(11,557)	(12,901)	(9,270)	(8,408)	(20,827)	(21,309)
LGIM Over 5 Year Index-Linked Gilts Index	(3,369)	(3,199)	--	--	(3,369)	(3,199)
LGIM Life Cash Fund	(98)	--	--	--	(98)	--
Total	(236,058)	(231,049)	(69,272)	(67,019)	(305,330)	(298,068)

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

13. Investment Fair Value Hierarchy

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

At 31 March 2021	**Category (a) £**	**Category (b) £**	**Category c (i) £**	**Category c (ii) £**	**Total £**
Pooled Investment vehicles	10,583,517	28,733,744	-	4,272,143	43,589,404
Cash deposit			-		
Total	10,583,517	28,733,744	-	4,272,143	43,589,404

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(ii).

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

14. Investment risks

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

Cashflow risk – this is the risk of a shortfall in liquid assets relative to immediate liabilities. In the short-term there are relatively few cash outflows and the Scheme is cashflow positive. However, the Trustees will monitor this risk over time and adjust the investment strategy as necessary to ensure sufficient liquidity exists. Over the period, the Scheme introduced a Cash Fund which the Trustees, during times of high cash flow requirements (such as those before an election), may make use of for risk management purposes.

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.

Currency risk – this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. The Scheme makes use of sterling assets, currency hedged funds and active currency management for the majority of its invested assets.

Inflation risk - this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in inflation. The Scheme invests in an index-linked Gilt fund, which provides partial protection against rises in UK inflation. Furthermore, the Scheme's return seeking assets are expected to exhibit returns greater than inflation (i.e., positive real returns) over the longer term and at any point in time may have exposure to inflation linked assets.

Other financial material considerations – this is the risk that financially material considerations (including, but not limited to, ESG factors (including climate change)) can potentially impact the Scheme in terms of both risk and return. With specific regard to ESG factors, the Trustees consider how these are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustees also periodically consider publicly available ESG related publications pertaining to the incumbent investment managers. Furthermore, the Trustees review the ESG credentials of its managers through an annual ESG report and questions its advisors on the managers' approach to ESG at Trustees' meetings.

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

The investments of the Scheme will be managed to contain these risks to a level acceptable to the Trustees. However, the Trustees are aware that a totally risk averse investment strategy is likely to give lower returns over the longer term than investments with an element of uncertainty over the return. The Scheme is funded from public funds and therefore the Trustees wish to provide the benefits at a cost that is not prohibitive.

When considering risk, the Trustees will have regard to the advice of their professional advisers and to the general consensus of accepted practice of occupational pension schemes in the United Kingdom. This will not prevent the Trustees from accepting risk in their investment strategy where they believe it provides a worthwhile reward for the Scheme.

14.1. Investment policy

The Trustees set investment policy after seeking advice from Quantum Advisory on the suitability of certain asset classes having regard to the nature, timing and currency of the Scheme's liabilities as well as the funding level and the Trustees and Senedd'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. The Trustees believe that the most cost-effective way of investing to achieve suitable diversification is to use pooled investment products. The Trustees have decided to utilise the Mobius Life Limited implementation solution to provide flexibility for their investment portfolio and to minimise administration fees.

The investment criteria of pooled investment products are set by the documents governing those products. The Trustees of an individual pension scheme investing in such a pooled product cannot decide or amend these criteria. However, the Trustees of the Scheme can take full account of the stated investment objectives and ranges of permitted investments of the pooled product when deciding how to invest the Scheme's assets.

In order to meet the objective of diversifying the Scheme assets and allowing the use of growth asset classes to provide higher expected returns, the Trustees will invest in a range of asset classes that predominantly seek to provide equity-type returns. The asset mix of such funds is usually tailored to the needs of a typical pension scheme and the Trustees consider the Scheme to be of a similar type.

The Trustees or their investment managers may hold cash on deposit if it is awaiting investment, reinvestment or payment to members, or as part of the investment strategy from time to time. All cash deposits must be with a recognised bank or banks authorised to conduct banking business within the United Kingdom.

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. In order to take advantage of the tax reliefs granted to registered pension schemes, the Trustees will only invest in pooled investment products that can claim similar tax advantages by only allowing investment by other tax-approved pension schemes or registered charities.

In line with this policy, and in order to achieve sufficient diversification, the Trustees have invested in seven pooled funds: a Property fund, two Diversified Growth funds, a Private Markets, an Ethical Global Equity hedged and unhedged fund, and an Index-Linked bond fund. . In addition, the Scheme holds a Cash Fund which the Trustees, during times of high cash flow requirements (such as those before an election), may make use of for risk management purposes.

15. Related Party Transactions

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

Independent Auditor's Statement

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

I have examined the summary of contributions to the Members' of the Senedd Pension Scheme for the scheme year ended 31 March 2021 which is set out on page 38.

In my opinion contributions for the scheme year ended 31 March 2021 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 signed on behalf of the trustees and employer on 5 July 2021.

Scope of work on statement about contributions

My examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 38 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Respective responsibility of Trustees and Auditors

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

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

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

Actuary's statement covering financial year to 31 March 2021

Members of the Senedd 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 Members of the Senedd Pension Scheme (the Scheme) was carried out with an effective date of 1 April 2020 and results are provided in the report dated 5 July 2021. The principal objective of the formal actuarial assessment is to make 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 Senedd.

Method

For the 2020 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 valuation showed a deficit of £1.3m. Reflecting this as an adjustment to the Standard Contribution Rate over 15 years would have given rise to an employer contribution rate of 19.8%. However following discussions with the Trustees and the Commission, it was agreed that it would be prudent to retain the current employer contribution rate of 19.9%.

Since March 2020 the UK has been dealing with the COVID-19 pandemic which has had a significant impact on investment markets. The 2020 valuation assumptions were set under conditions which were different from those at the time of discussions with the Trustees. Therefore an updated estimate of the scheme's funding position at 31 December 2020 was provided to the Trustees. This review demonstrated that the employer contribution rate of 19.9% remained adequate.

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	¾ % 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 improvements in line with principal 2016-based population projections produced by the Office for National Statistics.	

Further details of the methods and assumptions used, including details of the extent to which the COVID-19 pandemic has been taken into account, are set out in the report on the actuarial valuation as at 1 April 2020, dated 5 July 2021.

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 Senedd 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 continued 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.

Similar transitional protection was introduced across the public sector when the schemes were reformed in 2015. The transitional protection was challenged in the courts by members of the firefighters and judicial schemes and found to be discriminatory on age grounds. This is known as the McCloud judgement. It has been agreed that eligible members of the Scheme will receive remedy in respect of the McCloud judgement and a reserve has been made for this cost in the 2020 valuation liabilities. Hence the estimated costs of the McCloud remedy are allowed for in the employer contribution rate that has been agreed following completion of the 2020 valuation calculations.

Following the 2017 valuation the Senedd Commission's contribution rate was set at 19.9% of pensionable pay. This included an allowance for expenses and was the Commission's share of the standard contribution rate without any reduction made to remove the surplus which was present in the scheme at that date. This rate remained in payment throughout 2020-2021. Based on the assumptions adopted for the 2020 valuation, the Senedd Commission's share of the standard contribution rate is 18.0% of pensionable pay (including an allowance for expenses). An increase of 1.8% would be required to cover the deficit of 1.3m at 1 April 2020 and it has been agreed that no change should be made from April 2021 to the Senedd Commission contributions of 19.9%.

Security of prospective rights

In my opinion, the resources of the Scheme are likely in the normal course of events to meet in full the liabilities of the Scheme as they fall due excluding any costs which may arise as a result of GMP equalisation. In giving this opinion, I have assumed that both member and employer contributions will be paid to the

Scheme as described in the paragraph titled 'Contribution Rate' above, subject to review at successive actuarial valuations.

Next actuarial assessment

The next formal actuarial valuation of the Scheme will be undertaken with an effective date of 1 April 2023. 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.

Julia Leunig
Fellow of the Institute and Faculty of Actuaries
14 June 2021

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