Defined Benefit Pension Scheme Questionnaire

1. Purpose

1.1. As part of our review of the adherence by licensees to the six Price Control Pension Principles, a completed questionnaire is required from each licensee for each Defined Benefit (DB) scheme in which a licensee is/has been a participating employer since 1990. Where different employee groups are dealt with separately, provide the information 9e.g. benefits, liabilities) for each employee group.

1.2. It would be helpful if colleagues would complete this questionnaire even if you have previously supplied any of this information so that we can collate it in the same format for all.

1.3. This data will be used to assess the uniqueness of each scheme and in particular to ascertain what actions have been taken to satisfy principle 1.

2. Instructions for completion

2.1. Complete the data in the text boxes underneath or by the side of each question.

2.2. The size of answer boxes/tables will expand to accommodate overflowing text.

3. Background

3.1. What is the name of the scheme?

EDF Energy Pension Scheme (“EEPS”)

3.2. In what year was the scheme established?

1994

3.3. What was the background to the establishment of the scheme? (For example, did it supersede a previous scheme which is now closed to new entrants? If so, a separate questionnaire should be provided for that scheme.)

EDF Energy has three distribution licensees – EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc and EDF Energy Networks (SPN) plc. Whilst it is possible to prepare a separate pension questionnaire for each distribution licensee’s involvement in EEPS much of the information would be the same. Accordingly this questionnaire covers all three distribution licensees with regard to their involvement in EEPS. A separate questionnaire has been completed with regard to the three distribution licensees involved in the EDF Energy Group of the ESPS.

The scheme was established as the London Electricity 1994 Retirement Plan (LERP) - a DC scheme with a final salary underpin, and was amended in 2004 to the EDF Energy Pension Scheme (EEPS) – a DB scheme, on 01.03.2004.

At that date (01.03.04), the assets and members of the Seeboard Final Salary Pension

Plan (FSPP) and the Seeboard Pension Investment Plan (PIP) a DC scheme, were transferred into EEPS and all future accrual was on a DB basis with some minor differences to benefits and employee contribution rates for some former members of FSPP.

The scheme (EEPS) is open to all EDF Energy employees regardless of whether they work for the regulated or non-regulated part of the business. The majority of employees in the regulated business are in the closed EDF Energy Group of the ESPS.

3.4. Is the scheme, or any of its members, subject to any protected rights conditions from the time of privatisation? If so, provide details.

No.

3.5. Is the scheme closed to new entrants and/or future accruals? If so, when did it close, and what pension benefits are provided for subsequent entrants/accruals?

No – EEPS is an open scheme.

3.6. Have any of the scheme's liabilities been insured (or bought out with an insurer)? If so, provide details.

Pensions in payment accrued under the former LERP and PIP schemes are secured through individual annuities purchased with an insurer at the time of retirement.

The death in service lump sum for EEPS is insured.

4. Scheme membership

4.1. Provide the number of scheme members as at the date of each of the last three triennial actuarial valuations and as at the most recent scheme accounts date. (If full actuarial valuations have been carried out more frequently than triennially, include all full actuarial valuations in the last ten years.)

Name Scheme	**EEPS**			
Numbers of members	31/03/08	31/03/07	31/03/04	31/03/01
Active members	7353	6548	4008	1863
Deferred members	1859	1505	984	139
Pensioner members	103	66	10	3
Total	9315	8119	5002	2005

4.2. Provide equivalent tables to 4.1 separately for each regulated and unregulated business. [Insert tables as appropriate.]

Name of regulated business	EEPS - LPN			
Numbers of members	31/03/08	31/03/07	31/03/04	31/03/01
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				

Total				
Other members				
Active members	318	283	174	81
Deferred members	85	69	45	6
Pensioner members	5	3	0	0
Total	408	355	219	87
Name of regulated business	EEPS - SPN			
Numbers of members	31/03/08	31/03/07	31/03/04	31/03/01
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				
Total				
Other members				
Active members	157	140	86	40
Deferred members	42	24	22	3
Pensioner members	2	1	0	0
Total	201	174	108	43
Name of regulated business	EEPS - EPN			
Numbers of members	31/03/08	31/03/07	31/03/04	31/03/01
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				
Total				
Other members				
Active members	146	130	80	37
Deferred members	39	32	21	3
Pensioner members	2	1	0	0
Total	187	162	101	40
Name of unregulated business	ESPS - unregulated			
Numbers of members	31/03/08	31/03/07	31/03/04	31/03/01
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				
Total				
Other members				
Active members	6732	5995	3668	1705
Deferred members	1693	1370	896	127
Pensioner members	94	61	10	3
Total	8519	7426	4574	1835

4.3. Which companies within your group currently participate in the scheme?

EDF Energy plc (Company registration number 2366852) – Principal Employer

Other Participating Employers:
EDF Energy Networks Ltd (3870728)
EDF Energy (Development) plc (3189877)
EDF Energy (Services) Ltd (2228168)
EDF Energy Contracting Ltd (2965182)
EDF Energy Powerlink Ltd (3221818)

EDF Energy (Energy Branch) plc (2449611)
EDF Energy Customers Plc (2228297).

4.4. Which companies have previously been participating employers in the scheme?

EDF Energy (South East) plc, EDF Energy (Transport Services) Ltd, EDF Energy (Contract Services) LTD, EDF Energy (SPN) plc, Seeboard Energy Ltd, 51 degrees Ltd, London Energy plc, Knight Debt Recovery Services Ltd, ECS Data Services Ltd, ECS Metering Services Ltd, EDF Energy (London Heat and Power) Ltd, EDF Energy (Cottam Power) Ltd, EDF Energy Networks (LPN) plc, EDF Energy (West Burton Power) Ltd, EDF Energy Networks (EPN) plc, Seeboard Contracting Services Ltd

5. Scheme benefits

5.1. Complete the following table, summarising the current scheme benefits. Where benefits are not the same for all members, provide a separate table for each group of members, and explain which employees are in each group. [Insert additional copies of the table as necessary]

	Example
Type of benefits	*Final salary*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*60 for service to 1 April 2005, 65 thereafter*
Definition of pensionable pay (specify any deductions in particular)	*Basic pay plus pensionable allowances. No deductions*
Member contributions	*5% of pensionable pay*
Accrual rate for member benefits	*1/60 for service to 1 April 2005, 1/70 for service thereafter*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*By commutation, 15:1 at age 60, 12:1 at age 65*
Dependants' provision	*Legal spouse, Civil Partner or nominated partner*
Dependant's pension on death after retirement	*50% of member's pension ignoring commutation*
Ill-health benefits	*Immediate unreduced pension. Service enhanced by 10 years (or period to NRA if less).*
Lump sum benefit on death in service	*3 x pensionable pay*
Pension increases in retirement (for excess pension over GMP)	*None for service to 5 April 1997. RPI subject to annual cap of 5% for service between 6 April 1997 and 5 April 2005. RPI subject to annual cap of 2½% for service after 6 April 2005.*
Pension increases in deferment (excess pension over GMP)	*In line with statutory revaluation requirements (RPI with annual cap of 5% over whole period)*

Specify which group of members	**EDF Energy Pension Scheme (EEPS)** – for all accrual from 1.3.04 onwards (except for FSPP members).
Type of benefits	Final Salary

Contracted in or out of S2P	Contracted Out
Normal retirement age (age when unreduced pension is payable)	65
Definition of pensionable pay (specify any deductions in particular)	Basic Pay plus any other emoluments or remuneration as decided by the principal employer.
Member contributions	Core member contributions are fixed at 4% for 80ths accrual. Members can choose to pay higher contributions to build up their pension at higher accrual levels of 1/70ths, 1/60ths or 1/50ths and member contributions for these accruals are age related and subject to change on an annual basis.
Accrual rate for member benefits	1/80ths is the core level but members may choose to pay higher contributions to accrue benefits at 1/70ths, 1/60ths or 1/50ths level.
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	Members may commute up to 25% of the value of their pension benefits. The commutation rate at age 65 is 16.38
Dependants' provision	Legal spouse, Civil Partner or nominated partner.
Dependant's pension on death after retirement	50% of member's pension at death without reduction for cash commutation taken.
Ill-health benefits	Member's pension built up to date plus half the pension the member could have built up between date of retirement and NRA, based on the core 1/80ths level.
Lump sum benefit on death in service	4 x pensionable pay
Pension increases in retirement (for excess pension over GMP)	Benefits accrued prior to 06.04.06, based on RPI capped at 5%. For benefits accrued after 06.04.06 increase is based on RPI max 2.5%
Pension increases in deferment (excess pension over GMP)	Benefits accrued prior to effective date of PA08, based on RPI capped at 5%. For benefits accrued after effective date of PA08 increase is based on RPI max 2.5%

Specify which group of members	**Seeboard Final Salary Pension Plan (FSPP)** – for former members of the Seeboard Final Salary Pension Plans.
Type of benefits	Defined Benefits
Contracted in or out of S2P	Contracted Out
Normal retirement age (age when unreduced pension is payable)	65
Definition of pensionable pay (specify any deductions in particular)	Basic Pay plus any other emoluments or remuneration as decided by the principal employer.
Member contributions	Member contributions are fixed at 6% for 60ths accrual. Members have the option to choose to switch to the EEPS accrual rates but would lose their right to a fixed 6% contribution rate for 1/60ths accruals.
Accrual rate for member benefits	1/60ths
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	Members may commute up to 25% of the value of their pension benefits. The commutation rate at age 65 is 16.38
Dependants' provision	Legal spouse, Civil Partner or nominated

	partner.
Dependant's pension on death after retirement	50% of member's pension at death without reduction for cash commutation taken.
Ill-health benefits	Member's pension built up to date plus half the pension the member could have built up between date of retirement and NRA, based on the core 1/60ths level.
Lump sum benefit on death in service	4 x pensionable pay
Pension increases in retirement (for excess pension over GMP)	Benefits accrued prior to 06.04.06, based on RPI capped at 5%. For benefits accrued after 06.04.06 increase is based on RPI max 2.5%
Pension increases in deferment (excess pension over GMP)	Benefits accrued prior to effective date of PA08, based on RPI capped at 5%. For benefits accrued after effective date of PA08 increase is based on RPI max 2.5%

Specify which group of members	**London Electricity 1994 Retirement Plan (LERP)** – for benefits accrued prior to 01.03.04
Type of benefits	Defined Contribution(with DB underpin)
Contracted in or out of S2P	Contracted Out
Normal retirement age (age when unreduced pension is payable)	60
Definition of pensionable pay (specify any deductions in particular)	Basic Pay plus any shift allowance chargehand/co-ordinator payment.
Member contributions	3% - 6%
Accrual rate for member benefits	N/A
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	Members may commute up to 25% of the value of their pension benefits.
Dependants' provision	Legal spouse, Civil Partner or nominated partner.
Dependant's pension on death after retirement	Members who are married must provide for a 2/3rds spouse's pension on death in retirement.
Ill-health benefits	The members LERP account will be used to purchase an ill health pension with an insurer for the member.
Lump sum benefit on death in service	As all active ex-LERP members are now EEPS members for accrual after 01.03.04, benefits will be as per EEPS
Pension increases in retirement (for excess pension over GMP)	Pension benefits secured with LERP account must increase annually by RPI max 5%
Pension increases in deferment (excess pension over GMP)	Investment growth (or fall) of account.

Specify which group of members	**Seeboard Personal Investment Plan (PIP)**– for benefits accrued prior to 01.03.04
Type of benefits	Defined Contributions
Contracted in or out of S2P	Contracted In
Normal retirement age (age when unreduced pension is payable)	65
Definition of pensionable pay (specify any deductions in particular)	Basic Pay plus any other emoluments or remuneration as decided by the principal employer.
Member contributions	1-4%
Accrual rate for member benefits	N/A
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	Members may commute up to 25% of the value of their pension benefits.

Dependants' provision	Members could, if they wished, secure an annuity with provision for a dependant's pension
Dependant's pension on death after retirement	As per the annuity chosen by the member on retirement.
Ill-health benefits	No ill health provision
Lump sum benefit on death in service	As all active ex-PIP members are now EEPS members for accrual after 01.03.04, benefits will be as per EEPS
Pension increases in retirement (for excess pension over GMP)	As per the annuity chosen by the member on retirement.
Pension increases in deferment (excess pension over GMP)	Investment growth (or fall) of account.

5.2. Do you have a salary sacrifice arrangement for any group of employees? If so:

When was it introduced?	No
To which groups of employees does it apply?	
What percentage of eligible members participates in the arrangement?	
How is the reduction in salary calculated?	
Is the saving in employer's National Insurance Contributions shared between the employer and employees? If so, how?	

5.3. Are Additional Voluntary Contribution (AVC) facilities available to members? If so:

Is this on a defined contribution basis, by buying added years, or both?	Yes – on a DC basis
Does the employer contribute to members' AVCs?	No

5.4. Does the scheme accept transfers in?

If no, when did the scheme cease to accept transfers in?	No, transfers in have never been accepted.
If yes, has ceasing to accept transfers in been considered?	

6. Changes to scheme benefits

6.1. Provide details of any changes to scheme benefits and/or member contributions since 1990. For each change: [Insert additional tables as necessary]

Describe the change.	01/03/2004
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	The scheme was established as the London Electricity 1994 Retirement Plan (LERP) - a DC scheme with a final salary underpin, and was amended to the EDF Energy Pension Scheme (EEPS) – a DB scheme for service after 01.03.2004. At that date (01.03.04), the assets and members of the Seeboard Final Salary Pension Plan (FSPP) and

	the Seeboard Pension Investment Plan (PIP) a DC scheme, were transferred into EEPS and all future accrual was on a DB basis with some minor differences to benefits and employee contribution rates for some former members of FSPP.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	Rationalisation of multiple pension arrangements following merger of London Electricity plc and Seeboard plc.
Provide details of any consequential or associated changes in other terms and conditions or pension benefits.	As per above
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	This change did not result in any costs savings for the employer or members.
For decreases in member contribution rates, state whether the decrease was directly met by an equivalent increase in employer contribution rates at the same time.	N/A

6.2. Have member contribution rates been reduced, and currently remain, below the maximum level allowed under the Electricity and Gas Acts for members covered by protected rights? If so, why?

N/A

6.3. Have you ever restricted any new (or existing) elements of salaries to make them non-pensionable, or restricted salaries for pension scheme members relative to non-members? If so, provide details.

No – Bonus, allowances and overtime payments have always been non-pensionable.

6.4. Have you ever offered cash, or other benefits, in return for employees giving up their protected rights? Have there been any other modifications to protected rights terms? If so, please provide details, including the percentage of eligible employees who accepted.

No

6.5. Where redundancy benefits were provided by the scheme, have such benefits been removed or reduced for any employees? If so provide details, including savings.

Redundancy benefits are not provided by the scheme.

6.6. Quantify the overall saving achieved in pension costs due to changes in scheme benefits or member contributions since 1990.

Since the inception of EEPS and it's predecessors, there have not been any changes to scheme benefits or member contributions which have resulted in any savings.

However when the employer's other pension scheme, the EDF Energy Group of the ESPS (previously the London Electricity Group and the Seeboard Group) were closed to new entrants in the early 1990s, the schemes that were put in place for new entrants after this date (i.e. the predecessors of EEPS) resulted in lower employer costs than ESPS. It is not possible to quantify the employer cost savings of this change.

7. Actuarial valuation results

7.1. Provide the following information as at the date of each of the last three triennial actuarial valuations. (If full actuarial valuations have been carried out more frequently than triennially, include all full actuarial valuations in the last ten years.) Results should be taken from ongoing actuarial funding valuations, unless stated otherwise. If appropriate, provide additional information on recommended employer contributions.

	31.03.07 (EEPS)	31.03.04 (EEPS)	31.03.01 (FSPP)
Under Pensions Act 2004? (yes/no)	Yes	No	No
Funding method (for example, Projected Unit)	Projected Unit	Projected Unit	Projected Unit
Market value of assets	£104.8m	£28.6m	£2.8m
Actuarial value of assets, if not at market value			
Actuarial value of liabilities	£109.9m	£28.8m	£2.3m
Ongoing funding level (%)	95%	99%	123%
Deficit recovery period (years)	1 year	None	None
Employer contribution rate for future accruals (%) of pensionable pay	10%	10%	6.9%
Employer contribution rate after surplus/deficit (%)of pensionable pay	10%	10%	8%
Solvency (or buy-out) funding level (%)	56%	61%	100%

7.2. Describe the basis on which the employer contribution rate has been set.

The cost of future benefit accrual plus life assurance costs and is expressed as a percentage of employee pensionable pay. This is currently set at 10%.

The shortfall of the assets relative to the technical provisions are being met through a deficit repair programme. The deficit repair contributions are expressed as a fixed monetary amount payable over one year and is not linked to pensionable pay.

7.3. Have actual employer contributions been in line with the rates in 7.1? If not, provide details of actual contributions, and explain why they differ to the rates in 7.1.

Yes, 10% since 2004. Maintained at 8% from 2001 to 2004 for the former FSPP scheme.

7.4. Provide details of the basis on which the deficit recovery period was set at each triennial valuation, including the factors that were taken into account when setting the recovery period, and whether there were any discussions with The Pensions Regulator.

2007 – deficit calculated as £5.1m on the same basis as the technical provisions. Deficit recovery period set at 1 year from 1 April 2008. The one year recovery plan further evidenced the employer's commitment to EEPS and the Trustees took this into account when setting the assumptions for the technical provisions.

2004 – deficit calculated as £0.3m on the same basis as the scheme liabilities. No deficit recovery period was set as the scheme had returned to fully funded at the date of the actuary's valuation report.

2001 (FSPP) scheme was in surplus.

7.5. On what basis do you identify/attribute deficits and pension costs to each regulated and non-regulated business in the scheme?

Headcount information is derived directly from the company's reporting system SAP. The organisational cost centre structure for EDF Energy Networks Ltd (which incorporates the three DNO's) is based on Hubs and Clusters and places direct staff and support staff in the relevant DNO area. EDF Energy's SAP payroll system reports on the total numbers in pension arrangements and attributes the appropriate pension cost on a pro-rated basis based on headcount.

8. Actuarial assumptions

8.1. Provide the following information on the assumptions underlying ongoing actuarial funding valuations as at the date of each of the last three triennial actuarial valuations. (If full actuarial valuations have been carried out more frequently than triennially, include all full actuarial valuations in the last ten years.)

	31.03.07	31.03.04	31.03.01
Pre-retirement nominal rate of return	6.5%	6.5%	5.7%

Pre-retirement real return above price inflation	3.2%	3.6%	3.4%
Pre-retirement real return above salaries	1.7%	2.1%	1.9%
Promotional salary scale (if not in salary assumption)			
Post-retirement nominal discount rate (i.e. real rate of return to value liability)	5.5%	5.5%	5.7%
Post-retirement real return above price inflation	2.2%	2.6%	3.4%
Post-retirement real return above pension increases	2.2% pre 06 3% post 06	2.6%	3.4%
Proportion of pension commuted at retirement	50% commuting 25% of pension	None	None
Mortality table used to value current pensioners*	PA00 mc YOB	PA92 mc (YOB 1935) + 2 yrs	PMA 92-3 (male) or PFA92-3 (female)
Expectation of life at 60 for male pensioner	86.7	83.8	83.9
Expectation of life at 60 for female pensioner	89.6	86.8	86.9
Mortality table used to value future pensioners*	PA00mc YOB	PA92 mc (YOB 1965) + 2 yrs	PMA 92-3 (male) or PFA92-3 (female)
Expectation of life for male who will be aged 60 in 20 years	87.9	85.9	83.9
Expectation of life for female who will be aged 60 in 20 years	90.7	88.7	86.9

** Specify the mortality table used, including any age ratings: e.g. PMA/PFA92 U=2004 x-1 with medium cohort improvement factors subject to a 1% underpin.*

8.2. Summarise the basis on which the discount rates were determined.

For the 2007 valuation - the trustee considered the expected risk and return of the current investment strategy, any likely future changes in the investment strategy, the strength of the employer covenant, the Pension Regulator's trigger points.

The trustees decided to retain separate discount rates for pre and post retirement and considered a range of discount rates equal to the long term gilt yield plus 1.7% p.a. – 2.2% pa for pre-retirement and a range of gilts plus 0.3%, 0.5% & 0.7% pa for post retirement.

The discount rate was finalised as gilts plus 1.7% for pre-retirement and gilts plus 0.7% for post retirement.

Prior to 2007 these were set by the scheme actuary having consulted with the employer.

8.3. Summarise the basis on which the salary increase assumptions were set, including consistency with the employer's long-term plans or pay policies.

For the 2007 valuation - the company's input was sought on future salary increases (general and promotional) and this was reviewed against the experience of the scheme and the company's other scheme. The trustees considered a range of salary increase assumptions from RPI plus 1% to RPI plus 2% and decided on a salary assumption of RPI plus 1.5%.

8.4. Summarise the method and assumptions used to calculate the actuarial value of the assets, if different to market value.

Market value used.

8.5. To what extent do the actuarial assumptions reflect the employer's covenant, in particular the employer's position as a regulated utility company and the extent of any unregulated business.

The strength of the employer's covenant was a key factor in deciding all of the assumptions used in the last valuation but particularly in setting the discount rate.

9. Merged schemes

9.1. Where schemes have been merged or demerged, with assets and liabilities being transferred from or to other schemes, provide the following information (for each merger/transfer):

Date of merger/transfer.	01.03.2004
Background to the merger/transfer and name of other pension scheme(s).	The scheme was established as the London Electricity 1994 Retirement Plan (LERP) - a DC scheme with a final salary underpin, and was amended in 2004 to the EDF Energy Pension Scheme (EEPS) – a DB scheme, on 01.03.2004. At that date (01.03.04), the assets and members of

	the Seeboard Final Salary Pension Plan (FSPP) and the Seeboard Pension Investment Plan (PIP) a DC scheme, were transferred into EEPS and all future accrual was on a DB basis with some minor differences to benefits and employee contribution rates for some former members of FSPP.
Number of active, deferred and pensioner members involved in the merger/transfer, and total number of active, deferred and pensioner members in the pension scheme at the merger/transfer date, separately for each regulated and unregulated business.	**LERP** Actives – 1347, deferreds – 120 **FSPP** Actives – 922, deferreds 182, pensioners 9 **PIP** Actives - 209, deferreds 105
The amount of the transfer value and the principles/basis underlying its calculation.	A bulk transfer of the assets of the PIP and FSPP schemes amounting to a total of £10,240,998 at market value was carried out at 01.03.04.
The extent to which the transfer value was scaled back to reflect underfunding.	All assets were bulk transferred into the EEPS scheme.
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	The FSPP scheme was in surplus at the date of transfer. This amounted to £535k at the 2001 valuation date.

10. Investment strategy

10.1. Summarise the approach to risk underlying the scheme's investment strategy, indicating how (and why) this has changed in the last ten years.

- From the outset of EEPS in 2004 it was acknowledged that the membership was predominantly comprised of younger employees new to the business or existing employees who had been unable to join the ESPS. The aim was to make the portfolio more efficient by controlling risk and diversify as the assets under management grow i.e. as EEPS develops.

- In addition there was an initial aim from an employer perspective to keep the ongoing employer contribution rate at around 10% of pensionable payroll. By adopting an initial asset allocation of 50% equities and 50% bonds, which has then evolved in small efficient steps, the funding position of the scheme has remained relatively stable meaning that the 10% ongoing employer contribution rate has been maintained.

- EEPS is a young scheme and as it grows the trustees will diversify the assets and they will consider the impact which investing any new asset class is likely to have on risk and return before making any decision to invest. The trustees regularly monitor the funding position of EEPS and the strength of the employer's covenant.

- Prior to being merged into EEPS in 2004 the FSPP assets were invested in a pooled 'Pension Builder Fund' in respect of predominantly younger new hires to whom membership of the Seeboard ESPS Group was no longer available and who did not wish to join the alternative DC (SIP) plan. The 'Pension Builder Fund' broadly invested 70% in UK equities and 30% overseas equities and from time to time held small amounts of cash. A broad aim was to maximise return with an adequate control of risk as most employees would be a long way from retirement while the strategic target was to outperform the 70:30 benchmark by 1 % per annum over a rolling 3 year period. The assets grew from around £2.2m in 2000 to £8.8m in 2004 prior to the merger into EEPS. The intention was to spread the risk by diversification as the fund grew and made it more economical to diversify and this was finally achieved within EEPS after the 2004 merger.

10.2. To what extent does the scheme's investment strategy reflect the employer's covenant, in particular the employer's position as a regulated utility company and the extent of any unregulated business?

In setting the investment strategy the trustees have taken into account the overall strength of the employer's covenant which includes both the regulated and unregulated businesses.

10.3. Provide details of the scheme's asset allocation as at each of the last 9 years' scheme accounts dates (percentage).

Please note that data is given as at 31 March each year. To 31 March 2004 it is taken from the FSPP which merged into EEPS and from31 March 2005 onwards from EEPS. The former LERP assets are not given as this was a DC scheme although contracted-out on a final salary basis that invested in a range of equity, bond and cash funds as selected by the members.

Asset class	2008	2007	2006	2005	2004	2003	2002	2001	2000
UK equities	20.7	25.5	30.0	29.7	70.2	69.5	69.5	67.9	66.2
Overseas equities	21.0	25.5	20.4	19.7	29.8	30.3	30.2	31.6	33.0
UK property									
Overseas property									
Hedge funds									
UK fixed-interest gilts									
UK index-linked gilts									
UK corporate bonds	38.2	49.0	49.6	50.6					
Overseas bonds									
Cash	10.0	0.0	0.0	0.0	0.0	0.2	0.3	0.5	0.8
Global Tactical Asset Allocation (GTAA)	10.1								
High Lease to Value Property (HLVP) – invests in properties with secure tenants such as local authorities with an to achieve a bond like return over the longer term.	0.0								

10.4. If materially different to the above, provide the intended asset allocation: Same approach used as for table 10.3.

No table is required.

10.5. Summarise the scheme's current target investment strategy if different to that as at the most recent scheme accounts date in 10.3 or 10.4.

- The weighting within overall equities of 45% is now being split 40% UK and 60% overseas equities.
- The cash holding at 31 March 2008 was the result of a conscious decision as the trustees continued to monitor property markets rather than fund HLVP to the predetermined 10% level.
- The trustees have committed some funds from cash deposits to HLVP and will invest further cash up to the benchmark weighting set out below when market conditions are considered more appropriate.
- The current strategy is to be invested 45% equities (60%UK,40% overseas and nearly 100% currency hedged), 35% corporate bonds, 10% GTAA and 10% HLVP.

10.6. Provide details of any expected future changes to the scheme's investment strategy.

- During 2009 the trustees will review the current strategy, reassess the degree of currency hedging in respect of overseas equities, consider active management of equities and bonds, consider conventional property and other alternative asset classes, and reassess the decision to use cash-benchmarked GTAA funds.

10.7. What is the long-term annual expected rate of return on the scheme's assets, based on its current target investment strategy?

- The current strategy has a long term expected annual return of 3.5%per annum above gilts (gilts are defined as over 15 year government fixed interest bonds).
- In current market conditions this is estimated as being equal to an expected total return of 7% per annum.

10.8. Explain the background to any significant changes in investment strategy over this period, and their effects on expected rates of return.

- The investment strategy in 2004 upon the scheme being established was to invest 50% in equities and 50% in corporate bonds which had an expected annual return of 2.2%per annum above gilts (gilts are defined as over 15 year government fixed interest bonds).
- Since 2004 the trustees have changed the investment strategy in small, efficient steps so as to increase the expected future return whilst not significantly increasing the levels of risk.
- These changes have included diversifying the asset allocation by investing in property (High Lease to Value funds), having a wider spread of non-UK equities, investing in global tactical asset allocation funds and implementing a currency hedging programme.

10.9. Provide the scheme's actual investment returns for each of the last 9 years.

Up to 2004 returns are based on FSPP and from 2005 on EEPS.

	2008	2007	2006	2005	2004	2003	2002	2001	2000
Investment return (%)	-3.3	7.0	18.8	7.6	28.7	-30.3	-2.8	-13.0	18.4

[redacted]