ofgem

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?

Scottish Hydro Electric Pension Scheme

3.2. In what year was the scheme established?

1948

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.)

To give members of the newly formed entity (North of Scotland Hydro Electric Board) a pension arrangement.

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.

Protected Person Schedule of the 1989 Electricty Act

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?

The scheme is not formally closed to to new members however, only a few recruits as agreed by the Chief Executive have been allowed entry since 1999. Between 1999 and 31 March 2006 4 new employees joined class 2 section of the scheme. On 1 April 2006 Class 3 membership was set up and since then 110 have joined mainly as the result of an acquisition of Slough Heat and Power in Janaury 2008.

For new employees after 1999 the option of a defined contribution SSE Group Personal Pension Plan is available.

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

All benefits, including pensions in payment and death in service lump sums and spouses' pensions, are self-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.)

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

Name of regulated business	**Scottish Hydro-Electric Power Distribution plc & Scottish Hydro Electric Transmission Ltd (See Section 7.5)**			
Numbers of members	31/03/00 Valuation	31/03/03 Valuation	31/03/06 Valuation	31/03/08 Accounts
Members with protected rights from the time of privatisation				
Active members	1091	1223	1090	1014
Deferred members	1131	1136	1131	1098
Pensioner members	2149	2161	2149	2169
Total	4371	4520	4370	4281
Other members				
Active members				
Deferred members				
Pensioner members				
Total			.	

Name of unregulated business	**Scottish & Southern Energy plc and other Group Companies**			
Numbers of members	31/03/00 Valuation	31/03/03 Valuation	31/03/06 Valuation	31/03/08
Members with protected rights from the time of privatisation				
Active members	424	589	525	488
Deferred members	545	548	545	529
Pensioner members	1035	1041	1035	1045
Total	2004	2178	2105	2062
Other members				
Active members				
Deferred members				
Pensioner members				
GRAND TOTAL	6375	6698	6475	6343

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

SSE plc and its wholly owned subsidiaries.

The rationale for the split between regulated & unregulated businesses within the SSE Group is explanied in Section 7.5 of this questionairre.

We have been trying to obtain from our Pensions Administration system the split of the scheme membership between protected & unprotected members. We have been unable to obtain this information for the last 3 actuarial valuation dates and the date of the last scheme accounts in the timescale required to complete this questionairre. We are required to change the coding and set up of the system. This change request has been requested and we will provide this information to Ofgem as soon as possible. In the absence of this information we are able to provide figures of the active members at 31/01/2009 between protected & unprotected. Total Active members at this date are 1553 of which 783 are protected and 770 are unprotected.

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

Scottish Power plc participated in the Scheme as Cruachan Power Station was given to them as part of the deal on privatisation. Staff at this station already in our scheme continued to do so although they were employed by Scottish Power. There are currently 2 members who are employed by Scottish Power who remain in the Hydro Pension Scheme.

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]

	CLASS1
Type of benefits	*Final salary (Class 1)*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*63 (60 if pre -1988 female member)*
Definition of pensionable pay (specify any deductions in particular)	*Basic pay plus pensionable allowances. No deductions*
Member contributions	*6% of pensionable pay*
Accrual rate for member benefits	*1/60 for all service*
Lump sum terms on retirement (specify	*By commutation, 16.6 at age 63*

commutation rate at NRA, if applicable)	
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 based on prospective pensionable service to normal retirement age.*
Lump sum benefit on death in service	*4 x pensionable pay*
Pension increases in retirement (for excess pension over GMP)	*Full RPI*
Pension increases in deferment (excess pension over GMP)	*In line with statutory revaluation requirements (RPI with no annual cap)*

Specify which group of members	**CLASS 2 from 1 January 1996**
Type of benefits	*Final salary (Class 1)*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*63 (60 if pre -1988 female member)*
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 all service*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*By commutation, 16.6 at age 63*
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 based on prospective pensionable service to normal retirement age.*
Lump sum benefit on death in service	*4 x pensionable pay*
Pension increases in retirement (for excess pension over GMP)	*Full RPI up to 5% maximum*
Pension increases in deferment (excess pension over GMP)	*In line with statutory revaluation requirements (RPI capped at 5% per annum)*
Specify which group of members	**CLASS 3 from 1 April 2006**
Type of benefits	*Final salary*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*65 for all members*
Definition of pensionable pay (specify any deductions in particular)	*Basic pay plus pensionable allowances. No deductions*
Member contributions	*6% of pensionable pay*
Accrual rate for member benefits	*1/80 for all service*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*By commutation determined by scheme actuary on retiral*
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 based on prospective pensionable service to normal retirement age.*

Lump sum benefit on death in service	*4 x pensionable pay*
Pension increases in retirement (for excess pension over GMP)	*3% maximum*
Pension increases in deferment (excess pension over GMP)	*In line with statutory revaluation requirements (RPI capped at 3% per annum)*

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

When was it introduced?	N/A
To which groups of employees does it apply?	N/A
What percentage of eligible members participates in the arrangement?	N/A
How is the reduction in salary calculated?	N/A
Is the saving in employer's National Insurance Contributions shared between the employer and employees? If so, how?	N/A

5.2. 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 – It is possible to buy added years service or pay into an AVC provider
Does the employer contribute to members' AVCs?	No

5.3. Does the scheme accept transfers in?

If no, when did the scheme cease to accept transfers in?	Existing scheme members can transfer previous pension benefits into the scheme. The actuary in conjunction with the Trustees agree factors involved.
If yes, has ceasing to accept transfers in been considered?	The Trustees reviewed this process and agreed that they would continue to accept transfer into the scheme.

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.	5% Benefit Improvement
State the effective date of the change, and what periods of service (or which groups of	All members as at 1 May 1996 received additional service or pension on the accrued service or pension at the date.

members) were affected by the change.	
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	Legslation that governed irrecoverable surpluses required a reduction on the surplus. This was achieved by increasing members benefits by 5% in the scheme at that time.
Provide details of any consequential or associated changes in other terms and conditions or pension benefits.	**Please see Class 2 to members under 5.1 above**
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	Pre 1/4/96 liabilities are 5% higher
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.	No reduction in member contributions made
Describe the change.	In 1992 The Company and Scheme Trustees agreed to change the accrual rate from 80ths to 60ths in line with the existing practice when moving from the Public Sector to the Private Sector. To offset the impact of this change which appears to be a benefit improvement the cash commutation factor for lump sum conversions was amended so that the impact on the Scheme was cost neutral.
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	On 1 April 1992 it was agreed between the Company and Trustees to increase the accrual rate from 80^{ths} to 60ths.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	In line with Private Sector Practice
Describe the change.	**Change to Retirement Age due to Barber Judgement**
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	On 17 May 1990 Retirement ages for men and women were equalised at age 63 for men and women. Pre 88 males and females were affected but not to their detriment.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply	European Court of Justice (Barbour v GRE 1990)

valuation surplus”).	
Describe the change.	**Finance Act 2004 Changes**
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	Trivial Pension Commutation now available. Civil partnership dependent pensions now can be paid.
Explain briefly the reasons for the change (for example, “to comply with the Pensions Act 1995”, “to reduce costs”, or “to apply valuation surplus”).	Finance Act 2004

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?

No

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

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.

No

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

Nil

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.

	31/03/00	31/03/03	31/03/06
Under Pensions Act 2004? (yes/no)	No	No	Yes
Funding method (for example, Projected Unit)	Projected unit	Projected unit	Projected unit
Market value of assets	919.8m	614m	970m
Actuarial value of assets, if not at market value	687.0m	614m	970m
Actuarial value of liabilities	577.3m	658m	942m
Ongoing funding level (%)	119%	93%	103%
Deficit recovery period (years)	n/a	n/a – deficit became surplus by time valuation was signed off.	n/a
Employer contribution rate for future accruals (%) of pensionable pay	20%	20.1%	32.5%
Employer contribution rate after surplus/deficit (%)of pensionable pay	0%. Set for 5 yrs but to be reviewed in 2003.	20%. Set for 10 yrs but to be reviewed in 2006.	20% rising to 27.5% but reviewed in 2009.
Solvency (or buy-out) funding level (%)	126%	70%	80%

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

Set by the actuary in conjunction with the Trustees and Company.

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.

In 2000 the contribution was nil. In 2003 the actuary set a rate of 20.1% and the Trustees agreed on a rate of 20%, In 2006 the actuary set a rate of 32.5% and the Trustees agreed on a rate of 27.5% because the financial position of the Scheme improved following the valuation date.

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.

2000 – no deficit

2003 – there was a slight deficit at the valuation date but at the point of agreeing the schedule of contributions this deficit had become a surplus given changes in market conditions

2006 – no deficit

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

Ongoing service contributions are able to be identified within the accounting records of SHEPD & the main related party service providers. This has been done via the RRP process for the past 3 years.

At DPCR4 the SHE Pension Scheme was not in deficit therefore no split was assumed for the split between regulated & non regulated activities. The SHE Pension Scheme has historically included a higher proportion of unregulated members than the England & Wales DNO's due to the Generation activities that have been undertaken. It is likely that the SHE scheme will be in deficit at the next actuarial valuation which is due on 31st March 2009.

For the purposes of this questionnaire we have assumed that 67.5% of any future deficit i due to regulated activities of the Scottish Hydro Distribution & Transmission businesses a that 32.5% is due to unregulated activities. It has been extremely difficult to make an assessment of which part of the business scheme members worked in during their careers due to the lack of historic information that is available for pensions scheme members, particularly pensioners and deferred members. The systems available to SSE do not cont this information and it is therefore not possible to assess where pensioners and deferred members worked within SSE, SHE plc and the North of Scotland Hydro Electric Board. The 67.5% assessment is based on an analysis of the Scottish Hydro Electric plc Regulatory Accounts from 1990/91 until 1999/00. This shows that of the company employees during this time an average of 50% of these employees were engaged in Distribution activities. A further 5% were involved in Transmission activities.

It is our assessment that prior to 1990 a higher percentage of staff would have been involved in Distribution activities than in Supply and Generation. Following privatisation more focus was placed on customer service activities within Supply and that this would have increased the numbers involved in Supply post privatisation. Historically staff within Distribution & Transmission would be paid more than staff withn the Supply business and also have lower levels of staff turnover. In addition pre 1983 SHE only operated Hydro Generation activities and there was a significant increase in staff numbers in Generation following the opening of Peterhead Power Station. Therefore in our view the percentage of regulated staff attributable to any pension deficit should be increased by a further 12.5% to reflect these factors.

Therefore we believe that using the 2 factors above of approx 55% of staff during the 1990's being attributable to Regulated Activities with a further uplift of 12.5% to account for the pre privatisation staff activity split gives a total percentage of 67.5% to regulated activities and 32.5% to unregulated activities. The 67.5% should be split 60% to Distribution & 7.5% to Transmission.

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.)

<table>
<tr><th></th><th>31/03/00</th><th>31/03/03</th><th>31/03/06</th></tr>
<tr><td>Pre-retirement nominal rate of return</td><td>6%</td><td>5.6%</td><td>5.2%</td></tr>
<tr><td>Pre-retirement real return above price inflation</td><td>3.5%</td><td>3.1%</td><td>2.2%</td></tr>
<tr><td>Pre-retirement real return above salaries</td><td>1.5%</td><td>0.8%</td><td>-0.1%</td></tr>
<tr><td>Promotional salary scale (if not in salary assumption)</td><td><table><tr><th>Age</th><th>M %</th><th>F %</th></tr><tr><td>20</td><td>11.2</td><td>12.0</td></tr><tr><td>30</td><td>21.4</td><td>16.0</td></tr><tr><td>40</td><td>26.9</td><td>17.0</td></tr><tr><td>50</td><td>32.4</td><td>17.0</td></tr><tr><td>60</td><td>38.2</td><td>17.0</td></tr></table></td><td></td><td></td></tr>
<tr><td>Post-retirement nominal discount rate (i.e. real rate of return to value liability)</td><td>6%</td><td>5.1%</td><td>4.7%</td></tr>
<tr><td>Post-retirement real return above price inflation</td><td>3.5%</td><td>2.6%</td><td>1.7%</td></tr>
<tr><td>Post-retirement real return above pension increases</td><td>3.5%</td><td>2.6%</td><td>1.7%</td></tr>
<tr><td>Proportion of pension commuted at retirement</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Mortality table used to value current pensioners*</td><td>PMA80/PFA80 cal 2010 spouses rated up 1 year</td><td>PMA80/PFA 80 cal 2010 spouses rated up 1 year, ill-health rated up 10 years</td><td>110% PMA92sc/ 110% PFA92sc year of use 2006, ill-health rated up 10 years</td></tr>
<tr><td>Expectation of life at 60 for male pensioner</td><td>18.5 years</td><td>18.5 years</td><td>25.6 years</td></tr>
<tr><td>Expectation of life at 60 for female pensioner</td><td>22.8 years</td><td>22.8 years</td><td>28.5 years</td></tr>
<tr><td>Mortality table used to value future pensioners*</td><td>Pre retirement: AM80/AF80 Post retirement: PMA80/PFA80 cal 2020 spouses rated up 1 year, ill-health rated up 10 years</td><td>Pre retirement: AM80/AF80 Post retirement: PMA80/PFA 80 cal 2020 spouses rated up 1 year, ill-health rated</td><td>Pre retirement: AM92 -5 /AF92 -5 Post retirement: 110% PMA92sc/ 110% PFA92sc year of use</td></tr>
</table>

		up 10 years	2006, ill-health rated up 10 years
Expectation of life for male who will be aged 60 in 20 years	16.4 years	16.4 years	26.5 years
Expectation of life for female who will be aged 60 in 20 years	21.3 years	21.3 years	29.2 years

** 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.

The yield on over 15 year fixed interest gilts at the valuation date plus an allowance for the Scheme holding assets with a higher risk profile, of 1% pre retirement and 0.5% post retirement p.a.

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.

The salary increase assumption was set using actual membership data for the Scheme containing salary information, consultation with the Company and looking at past trends in salary growth in general.

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

Market value has been 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.

Whilst the employer's covenant is taken into consideration, the actuarial assumptions are set with reference to the scheme rules, regulatory and statutory guidance and the membership/maturity profile.

However, as far as the Trustees are concerned the existence of regulated and unregulated activities of the sponsoring employer are irrelevant when setting actuarial assumptions.

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.	1 April 2001 (Welsh Water)
Background to the merger/transfer and name of other pension scheme(s).	As a result of a corporate transaction (SSE purchsed SWALEC business)
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.	67 Active members joined the Scheme.
The amount of the transfer value and the principles/basis underlying its calculation.	£966,000 (Transfers were calculated on a cash equivalent basis and any shortfall was met by SSE plc)
The extent to which the transfer value was scaled back to reflect	See above

underfunding.	
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	Not known

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.

The Scheme has agreed an investment and contribution strategy that balances the long term objective the liabilities as they fall due. The Scheme has accepted some risk in the investment strategy.

Following improvements in the funding level in 2007, the Scheme de-risked, lowering its exposure to equities (from 60% to 40% of the Scheme's assets) in favour of bonds.

Also in the past 5 years the Scheme has increased its strategic allocation to property as a diversifying asset class. Also in the past 6 years, within equities, a private equity strategic allocation has been introduced.

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?

An assessment is made by the Trustees and Actuary of the strength of the employers covenant. However as far as the Trustees are concerned the existence of regulated and unregulated activities of the sponsoring employer are irrelevant when setting and agreeing the scheme investment strategy.

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

Asset class	**31/3/01**	**31/3/02**	**31/3/03**	**31/3/04**	**31/3/05**	**31/3/06**	**31/3/07**	**31/3/08**	**Date**
UK equities	44.4	44.7	43.5	34.4	34.9	33.7	25.4	12.4	
Overseas equities	28.2	30.2	28.2	31.9	30.1	33.3	32.3	22.8	
UK property	6.4	6.7	9.1	8.1	8.6	9.0	10.5	8.8	
Overseas property									
Hedge funds									
UK fixed-interest gilts	10.6	9.0	8.6	15.1	15.9	15.2	19.4	30.4	
UK index-	3.4	3.0	4.0	5.9	5.5	4.6	8.3	19.7	

linked gilts									
UK corporate bonds									
Overseas bonds	5.6	4.1	3.8	2.4	2.2	1.5			
Cash	1.3	2.3	2.8	2.2	2.3	1.5	1.8	2.6	
Other (give details)									
Other (give details)									

10.4. If materially different to the above, provide the intended asset allocation:

Asset class	**31/3/01**	**31/3/02**	**31/3/03**	**31/3/04**	**31/3/05**	**31/3/06**	**31/3/07**	**31/3/08**	**Date**
UK equities	45	45	45	34.5	34.5	34.2	25.7	15	
Overseas equities	30	30	30	30.9	30.9	30.8	31.5	25	
UK property	5	5	5	7.5	7.5	9	10.4	10.8	
Overseas property									
Hedge funds									
UK fixed-interest gilts	10	10	10	17.5	17.5	16.8	21	30.5	
UK index-linked gilts	4	4	4	5.9	5.9	5.7	11.4	18.7	
UK corporate bonds									
Overseas bonds	4	4	4	2.5	2.5	2.3			
Cash	2	2	2	1.2	1.2	1.2			
Other (give details)									
Other (give details)									

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.

40% equities, 10% property, 33% broad market bonds, 17% index-linked

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

The Scheme intends to disinvest some of its equities and invest in bonds on achievement of an improved funding position.

The Scheme also intends following a Liability Driven Investment strategy for its bond allocation, better matching the proceeds to the cashflows.

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

Approximately 5% p.a. (based on a weighted average of longer term asset return assumptions, weighted by benchmark allocation)

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

There has been a phased de-risking of the Scheme, reducing equity exposure in favour of gilts reflecting a maturing Scheme (and triggered by improved funding level targets). Bonds have a lower expected return than equities.

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

	'08	'07	'06	'05	'04	'03	'02	'01	'00
Investment return (%)	2.6	5.5	26.3	11	23.2	-19.7	0.3	8.6	13

[redacted]