



Bill McKenzie
Senior Manager, Financial Issues, Distribution, Networks
Ofgem, 2nd Floor
9 Millbank
London
SW1P 3GE

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Dear Bill

PRICE CONTROL PENSION PRINCIPLES QUESTIONNAIRE

In our submission of 6 February 2009 I indicated that we were awaiting one piece of information from our actuary in respect of item 9.1.

This has now been received and an updated questionnaire is enclosed, all other parts of the questionnaire are unchanged.

If you have any questions on this response please contact Keith Mawson.

Yours sincerely



Ken Linge
Finance Director

CE ELECTRIC UK FUNDING COMPANY

Lloyds Court, 78 Grey Street, Newcastle upon Tyne NE1 6AF. Tel: (0191) 223 5151. Fax: (0191) 223 5152.
Registered Office: Lloyds Court, 78 Grey Street, Newcastle upon Tyne NE1 6AF. Registered in England: 3476201.

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 e.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?

Electricity Supply Pension Scheme – Northern Electric Group

3.2. In what year was the scheme established?

1990 – formerly part of the electricity nationalised industry scheme formed in 1949 followed by the merger of the Staff Scheme with the Industrial Staff Scheme in 1983.

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.)

The principal employer of the ESPS Northern Electric Group, Northern Electric plc, had its origins as the North Eastern Electricity Board, formed as part of the nationalisation of the electricity industry by the Electricity Act 1947. The apportioned assets of the nationalised industry scheme were transferred to Northern Electric plc in March 1990, and the company was floated on the stock market in December of the same year.

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.

As at 31 March 2008 approximately 82% of the total scheme membership are protected persons to whom the Protected Persons Regulations apply. As at 31 March

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2008, 91 % of active members, 90% of deferred members and 75% of pensioners are protected persons. These Regulations provide for the protection of the pension rights of existing and former employees in the Electricity Supply Industry in England and Wales on the transfer date, (31st March 1990), and their dependants, who are or were participants in the Electricity Supply Pension Scheme.

The pension rights protected fall into two categories, accrued and future pension rights. The Regulations lay a duty on employers to ensure the protection of the pension rights of protected persons in the event of the partial or total winding up of the Pension Scheme or any alternative scheme; the restructuring or change of ownership of the participating employers; or the transfer of employees (whether at the requirement of the employer or on a voluntary basis) from one employer to another within the Electricity Supply Industry. The Regulations preclude any amendment being made which would result in the accrued or future pension rights of a protected employee or beneficiary being reduced or contributions being increased. An explanatory note can be found at http://www.opsi.gov.uk/si/si1990/Uksi_19900346_en_5.htm.

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 was closed to new entrants, but not future accrual of benefits, on 23 July 1997. New employees have been offered defined contribution arrangements since that date. There are exceptions to this where individual employees are transferring from another electricity group, with continuous employment and protected rights, and therefore have a right to join the ESPS Northern Electric Group and have the facility to transfer accrued benefits on a day for day service basis. A similar situation arises in the case of a sale or acquisition where there is a block transfer of pension scheme members with protected rights. The final salary scheme could be offered on an exceptional basis to an unprotected new employee in an employment contract where the Executive Directors authorised it in an individual case e.g. to recruit at a senior level to attract the right individual for a senior post. Since closure of the scheme in 1997 this option has never been exercised.

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

No.

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	Northern Electric Distribution Limited
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Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	740	740	711	281
Deferred members	1616	2327	2838	3072
Pensioner members	3036	3064	3179	3293
Sub Total	5392	6131	6728	6646
Other members				
Active members	88	90	82	27
Deferred members	161	167	182	181
Pensioner members	1022	1040	1063	1001
Sub Total	1271	1297	1327	1209
Total	6663	7428	8055	7855
Name of regulated business	Yorkshire Electricity Distribution plc			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	812	828	934	-
Deferred members	84	81	71	-
Pensioner members	147	129	83	-
Sub Total	1043	1038	1088	-
Other member				
Active members	53	56	69	-
Deferred members	27	24	19	-
Pensioner members	13	10	11	-
Sub Total	93	90	99	-
Total	1136	1128	1187	-
Name of unregulated business	Northern Electric plc			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	45	41	49	56
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	45	41	49	56
Other members				
Active members	11	10	10	11
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	11	10	10	11
Total	56	51	59	67
Name of unregulated business	CalEnergy Resources Limited			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	-	-	-	-
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
SubTotal	-	-	-	-
Other members				

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Active members	4	5	5	11
Deferred members	1	-	-	-
Pensioner members	-	-	-	-
Sub Total	5	5	5	11
Total	5	5	5	11
Name of unregulated business	Vehicle Lease and Service Limited			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	21	21	26	24
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	19	21	26	24
Other members				
Active members	3	3	4	4
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	3	3	4	4
Total	22	24	30	28
Name of unregulated business	Northern Electric Generation Ltd - Ceased participation 22 December 2001			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	-	-	-	4
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	4
Other members				
Active members	-	-	-	2
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	2
Total	-	-	-	6
Name of unregulated business	Northern Electric Properties Ltd - Ceased participation 31 August 2003			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	-	-	-	4
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	4
Other members				
Active members	-	-	-	2
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	2

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Total	-	-	-	6
Name of unregulated business	Northern Electric Retail Ltd - Ceased participation 16 August 2002			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	-	-	-	135
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	135
Other members				
Active members	-	-	-	32
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	32
Total	-	-	-	167
Name of unregulated business	Northern Electric Supply Ltd - Ceased participation on 31 December 2001 NPower Northern Ltd – Ceased participation on 31 March 2002			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	-	-	-	404
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	404
Other members				
Active members	-	-	-	94
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	94
Total	-	-	-	498
Name of unregulated business	Northern Electric Training Ltd - Ceased participation – 1 April 2001			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	-	-	-	4
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	4
Other members				
Active members	-	-	-	-
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	-

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Total	-	-	-	4
Name of unregulated business	Northern Info-com Ltd - Ceased participation 1 February 2005			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	-	-	-	111
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	111
Active members	-	-	-	20
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	20
Total	-	-	-	131
Name of unregulated business	Northern Metering Services Ltd - Ceased participation 21 September 2001			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	-	-	-	88
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	88
Other members				
Active members	-	-	-	12
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	-	-	-	12
Total	-	-	-	100
Name of unregulated business	Northern Utilities Services Ltd – Changed name to Integrated Utility Services Ltd			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	77	99	158	818
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	77	99	158	818
Other members				
Active members	7	12	18	88
Deferred members	-	-	-	-
Pensioner members	-	-	-	-
Sub Total	7	12	18	88
Total	84	111	176	906
Name of unregulated				

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business	Total of all Businesses			
Numbers of members	31 March 2008	31 March 2007	31 March 2004	31 March 2001
Members with protected rights from the time of privatisation				
Active members	1693	1729	1878	1940
Deferred members	1700	2408	2909	3072
Pensioner members	3183	3193	3262	3293
Sub Total	6576	7330	8049	8305
Other members				
Active members	166	176	188	292
Deferred members	188	191	201	181
Pensioner members	1035	1050	1074	1001
Sub Total	1389	1417	1463	1474
Total Members				
Active members	1859	1905	2066	2232
Deferred members	1888	2599	3110	3253
Pensioner members	4218	4243	4336	4294
Total	7965	8747	9512	9779

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

Northern Electric plc
CalEnergy Resources Limited
Integrated Utility Services Limited
Northern Electric Distribution Limited
Vehicle Lease and Service Limited
Yorkshire Electricity Distribution plc

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

CalEnergy Gas UK Ltd – ceased participation 31 December 2002 and superseded by CalEnergy Resources Limited
CE Electric Services Ltd – ceased participation 1 January 2006
Northern Electric Generation Ltd - ceased participation 22 December 2001
Northern Electric Properties Ltd - ceased participation 31 August 2003
Northern Electric Retail Ltd - ceased participation 16 August 2002
Northern Electric Supply Ltd - ceased participation 31 December 2001 and superseded by Npower Northern Ltd which ceased participation 31 March 2002
Northern Electric Telecom Ltd - ceased participation 1 April 1998

Northern Electric Training Ltd - ceased participation – 1 April 2001

Northern Electric Transport Ltd - ceased participation 31 December 1998 and superseded by Vehicle Lease and Service Ltd

Northern Info-com Ltd - ceased participation 1 February 2005

Northern Metering Services Ltd - ceased participation 21 September 2001

Northern Utility Services Ltd – changed name to Integrated Utility Services Ltd

Yorkshire Electricity Distribution Services Ltd - ceased participation 30 June 2005

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]

Benefit Structure	Description
Specify which group of members	Normal member
Type of benefits	Final salary
Contracted in or out of S2P	Contracted out
Normal retirement age (age when unreduced pension is payable)	Age 63 for members who joined after 1 April 1988. Age 60 to 65 for members who joined on or before 31 March 1988.
Definition of pensionable pay (specify any deductions in particular)	Basic pay plus pensionable allowances. No deductions. At the date of leaving or retirement, the higher of the last 12 months salary, the highest annual salary paid in the last five years increased in line with RPI, or the highest three year average salary paid in the previous ten years, increased in line with RPI. Salary is defined as basic salary plus certain pensionable elements allowable at the discretion of the Company.
Member contributions	5% or 6% of pensionable pay. Some members pay 5% according to marital circumstance and personal choice for service pre and post 1978. For members joining after 1978 6% contribution was compulsory.
Accrual rate for member benefits	1/80 for each year of contributing service, with a maximum 40 years at normal retirement age (NRA). Male members retiring between age 60 and 63 without company permission have reduced benefits for service pre May 1990 to equalise benefits re: Barber v Guardian Royal case.

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Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	3/80ths of pensionable pay, up to a maximum of 25% of lifetime allowance by commutation. The commutation factor for a male member at age 60 is £19.50 lump sum for every £1.00 of pension converted, and for a female at age 60 £19.80 for every £1.00 of pension converted.
Dependants' provision	Legal spouse, Civil Partner or nominated partner/dependant.
Dependant's pension on death after retirement	2/3rds of member's pension (ignoring commutation).
Ill-health benefits	Immediate unreduced pension. Service enhanced to NRA with maximum of 40 years.
Lump sum benefit on death in service	4 x pensionable pay with age related enhancement to maximum of 4.5 x pensionable pay.
Pension increases in retirement (for excess pension over GMP)	Pensions in excess of GMP are increased in line with RPI subject to 5% guarantee, excess over 5% at discretion of employer.
Pension increases in deferment (excess pension over GMP)	Pensions in excess of GMP are increased in line with RPI subject to 5% guarantee, excess over 5% at discretion of employer.

Benefit Structure	Description
Specify which group of members	Senior managers (8 Active members, 4 Deferred members)
Type of benefits	Final salary
Contracted in or out of S2P	Contracted out
Normal retirement age (age when unreduced pension is payable)	Age 63 for members who joined after 1 April 1988. Age 60 to 65 for members who joined on or before 31 March 1988.
Definition of pensionable pay (specify any deductions in particular)	Basic pay plus pensionable allowances. No deductions. At date of leaving/retirement, the higher of the last 12 months salary, the highest annual salary in the last 5 years increased in line with RPI, or the highest 3 year average annual salary in the last 10 years increased in line with RPI. Salary is defined as basic salary plus certain pensionable elements allowable at the discretion of the Company.
Member contributions	6% of pensionable pay.
Accrual rate for member benefits	1/30 for each year of contributing service from 1 April 1995, maximum 20/30ths. Male members retiring between age 60 and 63 without company permission have reduced benefits for service pre May 1990 to equalise benefits re: Barber v Guardian Royal case.
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	3/80ths of pensionable pay, up to a maximum of 25% of lifetime allowance by commutation. The commutation factor for a male member at age 60 is £19.50 lump sum for every £1.00 of pension converted, and for a female at age 60 £19.80 for every £1.00 of pension converted.
Dependants' provision	Legal spouse, Civil Partner or nominated

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	partner/dependant.
Dependant's pension on death after retirement	2/3rds of member's pension (ignoring commutation). For some members, historic benefits are payable at a lower rate.
Ill-health benefits	Immediate unreduced pension. Service enhanced to NRA with maximum of 20/30ths.
Lump sum benefit on death in service	4 x pensionable pay with age related enhancement to maximum of 4.5 x pensionable pay.
Pension increases in retirement (for excess pension over GMP)	Pensions in excess of GMP are increased in line with RPI subject to 5% guarantee, excess over 5% at discretion of employer.
Pension increases in deferment (excess pension over GMP)	Pensions in excess of GMP are increased in line with RPI subject to 5% guarantee, excess over 5% at discretion of employer.

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

When was it introduced?	1 December 2007.
To which groups of employees does it apply?	All contributing members of the final salary and defined contribution pension schemes.
What percentage of eligible members participates in the arrangement?	Approximately 15%.
How is the reduction in salary calculated?	Equivalent to the value of the members' normal contribution - 5% or 6% of pensionable pay.
Is the saving in employer's National Insurance Contributions shared between the employer and employees? If so, how?	No.

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?	Both.
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?	
If yes, has ceasing to accept transfers in been considered?	There has not been any consideration given to ceasing to accept transfer values into the NE Group. Since privatisation there has only been one bulk transfer value in of staff related to the Yorkshire Electricity Group. The commercial agreement included the "intra scheme" transfer of accrued pension benefits for both protected and unprotected scheme members in accordance with the rules of the Electricity Supply Pension Scheme Northern Electric Group (NE Group). From inception of the NE Group in March 1990 to closure of the scheme in July 1997 there were small numbers of individual intra scheme and cash equivalent transfer values received in relation to new employees joining the scheme. Since

	closure of the scheme in 1997 only those few individuals with continuous employment and protected rights have been allowed to join and transfer benefits into the scheme.
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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.	Improvement to Spouse pension
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	Following the March 1992 actuarial valuation, with effect from 1 April 1993 an increase from 50% to 58.33% for all past and future pensionable service. Following the March 1995 actuarial valuation and from 1 April 1996 an increase from 58.33% to 66.7% for all past and future pensionable service.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	To apply valuation surplus in 1992 and 1995.
Provide details of any consequential or associated changes in other terms and conditions or pension benefits.	None.
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	No cost to member. Surplus used from March 1992 and March 1995 actuarial valuations totalled £26.2m. Calculation of the effect on current scheme deficit by the introduction of this improvement to benefits would be a very time consuming and expensive exercise.
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.

Describe the change.	Removal of National Insurance modification reduction
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	Following the March 1992 actuarial valuation, the National Insurance modification reduction to scheme benefits was removed for those members to whom the reduction would have applied at state pension age.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	To apply valuation surplus.
Provide details of any	None.

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consequential or associated changes in other terms and conditions or pension benefits.	
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	Benefit calculation and associated record keeping simplified. Members' pension un-reduced. Surplus used from March 1992 actuarial valuation £0.5m. Calculation of the effect on current scheme deficit by the introduction of this improvement to benefits would be a very time consuming and expensive exercise.
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.

Describe the change.	Funeral Expenses
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	Following the March 1998 and March 2001 actuarial valuations, a funeral benefit of £1000 per family was paid with effect from 1 April 1999 and 1 April 2002.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	To apply valuation surplus.
Provide details of any consequential or associated changes in other terms and conditions or pension benefits.	None.
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	Total surplus used from the March 1998 and March 2001 actuarial valuations totalled £400k. Funeral benefit payments ceased on 31 March 2005. Calculation of the effect on current scheme deficit by the introduction of this improvement to benefits would be a very time consuming and expensive exercise.
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.

Describe the change.	Additional service years
State the effective date of the change, and what periods of service (or which groups of	Pension scheme members in service on 1 April 1999 and 1 April 2002 were granted between one half year and two full years additional pensionable

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members) were affected by the change.	service.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	To apply valuation surplus arising from the March 1998 and March 2001 actuarial valuations.
Provide details of any consequential or associated changes in other terms and conditions or pension benefits.	Additional years of service would only be granted if total benefits including additional years did not exceed Her Majesty's Revenue and Customs limits on benefits.
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	Total surplus used from March 1998 and March 2001 actuarial valuations totalled £11.7m. Calculation of the effect on current scheme deficit by the introduction of this improvement to benefits would be a very time consuming and expensive exercise.
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.

Describe the change.	Pensions Increase
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	On two occasions, following the March 1998 and March 2001 actuarial valuations, a one-off pension increase of 1% to pensions in payment on 1 April 1999 and 1 April 2002 was paid. In addition, a one off payment of £500 was made with April 1999 pension payment to those in receipt of a pension as at 31 March 1999 and a further £500 in the April 2002 payment to pensioners who retired before 1 April 2002.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	To apply valuation surplus.
Provide details of any consequential or associated changes in other terms and conditions or pension benefits.	None.
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	Increased annual pension, with a compound effect when future increases are applied. Surplus used from the March 1998 and March 2001 actuarial valuations totalled £11.7m. Two ex gratia one off lump sum pension payments were paid by the Company on 1 April 1999 and 1 April 2002 totalling £4.3m. Calculation of the effect on current scheme deficit by the introduction of this improvement to benefits

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	would be a very time consuming and expensive exercise.
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.

Describe the change.	Death benefit in deferment
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	On two occasions, following the March 1998 and March 2001 actuarial valuations, an improvement was made to benefits paid on death in deferment. The first improvement increased the lump sum death benefit from a contributions refund to five times the value of the annual pension payable and the second improvement increased the value to five times the pension payable plus the tax free lump sum.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	To apply valuation surplus.
Provide details of any consequential or associated changes in other terms and conditions or pension benefits.	None.
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	Total surplus used from the March 1998 and March 2001 actuarial valuations totalled £0.2m. Calculation of the effect on current scheme deficit by the introduction of this improvement to benefits would be a very time consuming and expensive exercise.
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.

Describe the change.	Employee contribution holiday
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	For ex YE Group members the normal contribution payable from 31 December 2001 was 3% up to 31 March 2002. From 1 April 2002 to 31 March 2003 for all members, including ex YE Group, employee normal contribution was reduced from 6% to 3%.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to	To apply valuation surplus and smooth the transition for ex YE Group members.

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reduce costs", or "to apply valuation surplus").	
Provide details of any consequential or associated changes in other terms and conditions or pension benefits.	None.
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	<p>Surplus used from March 2001 actuarial valuation was £1.8m.</p> <p>Calculation of the effect on current scheme deficit by the introduction of this improvement to benefits would be a very time consuming and expensive exercise.</p>
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.

Describe the change.	Removal of rounding up of service to complete years for ill-health retirements
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	From 1 April 1999 the requirement for employees retiring due to ill health to pay contributions for rounding up of service to complete years was removed.
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	To apply valuation surplus.
Provide details of any consequential or associated changes in other terms and conditions or pension benefits.	None.
Quantify the benefits / costs / savings separately to the employer and to members, and the effect on the current scheme surplus or deficit.	<p>Surplus used from March 1998 actuarial valuation £1.0m.</p> <p>Calculation of the effect on current scheme deficit by the introduction of this improvement to benefits would be a very time consuming and expensive exercise.</p>
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?

Contribution rates are currently at the maximum but see previous table where employee contributions holidays had been funded out of surplus.

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.

There have been no additional items of salary approved as pensionable in Northern Electric Group since privatisation.

Payments such as overtime, ex gratia payments have never been treated as pensionable.

Since the acquisition of part of the Yorkshire Electricity Group in 2001 those Yorkshire Electricity Group members whose employment contracts included bonus payments continue to have up to 50% of the bonus payment classified as pensionable. The bonus payment paid to employees in Northern Electric Group has never been treated as pensionable for the calculation of benefits.

Following the Finance Act 2004, the salary cap was retained for all employees who joined the scheme between April 1989 and 23 July 1997. This was to avoid a windfall benefit arising to those individuals who were subject to the salary cap by the application of a higher annual salary for benefit calculation purposes.

For a small number of employees a small pensionable allowance was re-classified as non-pensionable. The consequential reduction in employer contributions was de minimis.

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.

In 2002 the Retail business was sold to Powerhouse on commercial terms that did not include mirror image pension scheme benefits for future employment. Approximately 55 staff were employed by Powerhouse and in consideration for the loss of future accrual in a mirror image scheme the staff involved accepted an ex gratia payment made by the Company totalling approximately £350k.

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.

The pension scheme rules for the payment of early retirement benefits in full from age 50 have not been removed, but the application of the rules has not been exercised in bulk redundancy programs since 2005 and in a few one off cases since then the benefits paid have been fully funded.

In October 1999 the company introduced a rule to facilitate early retirement at no cost to the company or the scheme whereby members could request early payment of benefits from age 50 on a reduced basis depending on age. In the case of an active member the permission of the company is required before leaving. Early payment of reduced benefits from deferment can be made with the approval of the Trustees.

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

No savings from improvements to benefit structure. Closure of the final salary scheme in 1997 has reduced employer contributions and the future liabilities to pay benefits to employees joining the Company from 23 July 1997. In 2008/9 employer contribution to the final salary scheme has averaged 26% and the employer contribution to the money purchase scheme has averaged 7.5%.

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 March 2007	31 March 2004	31 March 2001
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	£926.7m	£678.8m	£736.2m
Actuarial value of assets, if not at market value	-	-	£720.0m
Actuarial value of liabilities	£1021.8m	£869.1m	£629.2m
Ongoing funding level (%)	90.7%	78.1%	114.4%
Deficit recovery period (years)	3.75	13	N/A
Employer contribution rate for future accruals (%) of pensionable pay	23.5% for normal members; 41.9% for senior managers	20.6% for normal members; 60.4% for senior managers	13.5% for normal members; 38.8% for senior managers
Employer contribution rate after surplus/deficit (%) of pensionable pay	23.5% + £28.4m p.a. or 73.3% in total	20.6% + £23.1m p.a.	0%
Solvency (or buy-out) funding level (%)	75.6%	66%	Not calculated

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

The employer contribution rate in respect of future service accruals has been set using the actuarial assumptions set out in Section 8, and the Projected Unit Method. For the 2007 valuation a three year control period was used. For the 2004 and 2001 valuations a one year control period was used.

The contribution rate for future accrual for normal members (at all three valuations) and for senior members at the 2007 valuation were calculated purely based on the cost of accruing benefits. The rate for senior members at the 2001 and 2004 valuations also included elements of amortising previously incurred past service costs.

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.

The actual employer contributions have been in line with the rates in 7.1, other than in respect of the 2007 valuation, when additional contributions of 2.8% of pay was payable in respect of the management expenses of running the Group. Previously these expenses had been payable directly by the Company.

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.

For the 2007 valuation the deficit recovery period was set in line with the Pension Regulations Code of Practice on Funding Defined Benefits, which states (amongst other factors) that a deficit should be made good as quickly as the employer can reasonably afford. Taking account of the worsening deficit position before completion of the Schedule of Contributions in March 2008, the Company deemed that it should pay deficit contributions of £28.4m p.a., an increase of £5.3m from the previous valuation, which were equivalent to spreading the deficit over three years and nine months, and the Trustees accepted this proposal. There were no discussions with the Pensions Regulator over this.

For the 2004 valuation the deficit recovery period was set at 13 years, equal to the approximate, average future working lifetime of the active membership, in line with common actuarial practice at the time.

The 2001 valuation disclosed a surplus, and so there was no deficit recovery period.

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

Deficits

At each valuation the actuary provides an analysis of the overall scheme liability between pensioner and active members. It is assumed that the overall assets of the scheme are held to match the overall liability so any deficit recovery is "shared" between pensioner and active members pro-rata to their respective liabilities.

Pensioners –the scheme members represent the history of the group and therefore comprise individuals who had varying degrees of involvement with the distribution business and those whose period of service pre-dates any regulated/non-regulated

classification. Within the overall numbers we can separately identify those Yorkshire staff who retired since 2001 and these are all allocated to YEDL and are therefore 100% distribution related. The balance of pensioners is allocated to NEDL. The pensioner liability is then allocated to each company pro-rata to these numbers.

Actives – the payroll system identifies the staff to the individual participating companies. The active liability is then allocated to each company pro-rata to the number of their active members. Currently 91% of active members are directly employed in the two regulated businesses. A further 4% of actives are in related parties functions who undertake activities for the regulated business.

Other pension costs

The actuarial valuation identifies the level of ongoing contributions which are payable in respect of active members. The payroll system applies this percentage to the individual ESPS active members within each of the participating employers.

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 March 2007	31 March 2004	31 March 2001
Pre-retirement nominal rate of return	6.0%	6.0%	6.3%
Pre-retirement real return above price inflation	2.8%	3.1%	4.0%
Pre-retirement real return above salaries	1.8%	1.6%	3.0%
Promotional salary scale (if not in salary assumption)	N/A	N/A	N/A
Post-retirement nominal discount rate (i.e. real rate of return to value liability)	5.0%	5.0%	5.3%
Post-retirement real return above price inflation	1.8%	2.1%	3.0%
Post-retirement real return above pension increases	1.8%	2.0%	2.8%
Proportion of pension commuted at retirement	None	None	None
Mortality table used to value current pensioners*	110% of PNMA (Birth Year), medium cohort subject to a 1.25% p.a. underpin. 135% PNFA00 (Birth Year), medium cohort subject to a 0.75% p.a. underpin.	PMA92/PFA 92, Base Year 2002 rated up 1 year, reducing by 0.4% p.a.	PMA92/PFA 92, base year 2010, rated +2 (Male), +3 (female)

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Expectation of life at 60 for male pensioner	26.3	22.8	21.7
Expectation of life at 60 for female pensioner	26.7	26.1	23.7
Mortality table used to value future pensioners*	110% of PNMA (Birth Year), medium cohort subject to a 1.25% p.a. underpin. 135% PNFA00 (Birth Year), medium cohort subject to a 0.75% p.a. underpin.	PMA92/PFA 92, Base Year 2002 rated up 1 year reducing by 0.2% p.a. before retirement, and 0.4% p.a. after retirement.	As current pensioners, but with base year 2020
Expectation of life for male who will be aged 60 in 20 years	28.8	23.7	22.6
Expectation of life for female who will be aged 60 in 20 years	28.3	27.2	24.6

* 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 discount rates were determined based on the fixed gilt yield of appropriate duration at the valuation date, plus a prudent allowance for the expected investment return of the Group assets above this risk free rate.

A lower discount rate is assumed post retirement than pre retirement due to the expectation that the Group will back post retirement liabilities with lower risk, lower return assets.

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 assumptions were set following agreement between the Group Trustees and the Company. Factors taken into account when setting these assumptions were the employer's long term plans on pay policy, together with analysis of the actual pay increases granted over the previous inter-valuation period.

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

N/A – the market value of assets was used. The 2001 actuarial valuation applied a smoothing adjustment to the market value of assets. Both the smoothed and unsmoothed asset values are set out in section 7.1.

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 Group Trustees took detailed independent advice over the employer's covenant, including its position as an owner of a regulated utility company, when agreeing the actuarial assumptions and deficit recovery period for the 2007 actuarial valuation.

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.	Staff transferred in from Yorkshire Electricity Group on 31 December 2001
Background to the merger/transfer and name of other pension scheme(s).	Acquisition of the Distribution business from Yorkshire Electricity Group Yorkshire Electricity Group of the Electricity Supply Pension Scheme
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,	1188 active members only transferred in to YEDL. At December 31 2001, prior to the transfer, membership was Actives 1200 (before the transfer of 1188

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separately for each regulated and unregulated business.	<p>actives from Yorkshire Electricity Group)</p> <p>The actives, deferred members and pensioners employed/allocated in the businesses, excluding the active members of Northern Electric Supply Limited who transferred out on 1 February 2002, were as follows:</p> <p>Northern Electric Distribution Limited</p> <table> <tr> <td>Actives</td><td>161</td></tr> <tr> <td>Deferred members</td><td>1158</td></tr> <tr> <td>Pensioners</td><td>4349</td></tr> </table> <p>The remaining active members were employed in the following businesses:</p> <table> <tr> <td>Northern Electric plc</td><td>70</td></tr> <tr> <td>Northern Electric Generation Ltd</td><td>5</td></tr> <tr> <td>Northern Electric Properties Ltd</td><td>6</td></tr> <tr> <td>Northern Electric Training Ltd</td><td>4</td></tr> <tr> <td>Northern Info-com Ltd</td><td>47</td></tr> <tr> <td>Northern Utilities Services Ltd</td><td>867</td></tr> <tr> <td>CalEnergy Resources Limited</td><td>11</td></tr> <tr> <td>Vehicle Lease and Service Limited</td><td>29</td></tr> <tr> <td>Yorkshire Electricity Distribution Limited</td><td>1188</td></tr> </table>	Actives	161	Deferred members	1158	Pensioners	4349	Northern Electric plc	70	Northern Electric Generation Ltd	5	Northern Electric Properties Ltd	6	Northern Electric Training Ltd	4	Northern Info-com Ltd	47	Northern Utilities Services Ltd	867	CalEnergy Resources Limited	11	Vehicle Lease and Service Limited	29	Yorkshire Electricity Distribution Limited	1188
Actives	161																								
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CalEnergy Resources Limited	11																								
Vehicle Lease and Service Limited	29																								
Yorkshire Electricity Distribution Limited	1188																								
The amount of the transfer value and the principles/basis underlying its calculation.	£71.3m received on 21 March 2003, including a payment of £1.5m by the company to "top-up" the transfer value to ensure that actuarially equivalent benefits were provided.																								
The extent to which the transfer value was scaled back to reflect underfunding.	The transfer value was sufficient to provide actuarially equivalent benefits.																								
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	The estimated deficit for the NE Group on an ongoing basis as at 31 December 2008 is £347.1m. The estimated deficit in respect of the transferred members has been calculated very approximately and																								

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	is around £90m.
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Date of merger/transfer.	Former Supply staff were transferred to Innogy Group on 1 February 2002.																						
Background to the merger/transfer and name of other pension scheme(s).	Sale of the Supply business to Innogy Group. Innogy Group of the Electricity Supply Pension Scheme.																						
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.	<p>801 actives only transferred out.</p> <p>At 31 January 2002, prior to the transfer, membership of the final salary scheme was:</p> <p>Actives 2365 (excluding 801 actives of Northern Electric Supply Ltd transferred to Innogy Group)</p> <p>The actives, deferred members and pensioners were employed/allocated in the businesses as follows:</p> <p>Northern Electric Distribution Limited</p> <table> <tr> <td>Actives</td><td>156</td></tr> <tr> <td>Deferred members</td><td>1158</td></tr> <tr> <td>Pensioners</td><td>4349</td></tr> </table> <p>The remaining active members were employed in the following businesses:</p> <table> <tr> <td>Northern Electric plc</td><td>69</td></tr> <tr> <td>Northern Electric Properties Ltd</td><td>6</td></tr> <tr> <td>Northern Electric Training Ltd</td><td>4</td></tr> <tr> <td>Northern Info-com Ltd</td><td>44</td></tr> <tr> <td>Northern Utilities Services Ltd</td><td>858</td></tr> <tr> <td>CalEnergy Resources Limited</td><td>11</td></tr> <tr> <td>Vehicle Lease and Service Limited</td><td>29</td></tr> <tr> <td>Yorkshire Electricity Distribution</td><td>1188</td></tr> </table>	Actives	156	Deferred members	1158	Pensioners	4349	Northern Electric plc	69	Northern Electric Properties Ltd	6	Northern Electric Training Ltd	4	Northern Info-com Ltd	44	Northern Utilities Services Ltd	858	CalEnergy Resources Limited	11	Vehicle Lease and Service Limited	29	Yorkshire Electricity Distribution	1188
Actives	156																						
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Northern Info-com Ltd	44																						
Northern Utilities Services Ltd	858																						
CalEnergy Resources Limited	11																						
Vehicle Lease and Service Limited	29																						
Yorkshire Electricity Distribution	1188																						

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	Limited
The amount of the transfer value and the principles/basis underlying its calculation.	£41.2m paid on 6 March 2003.
The extent to which the transfer value was scaled back to reflect underfunding.	The transfer value was sufficient to provide actuarially equivalent benefits in the receiving scheme.
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	Not applicable.

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 Group Trustees have looked to reduce the risk inherent in the scheme's investment strategy over the last ten years. This desire to reduce risk has been driven by the increasing maturity of the Group, together with a desire to reduce the chance of a large deterioration in the Group's funding level due to a mis-match between the assets and the liabilities.

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?

The investment strategy is set by the Group Trustees in the full knowledge of the employer's covenant.

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 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
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Defined Benefit Pension Scheme Questionnaire

	2008	2007	2006	2005	2004	2003	2002	2001	2000
UK equities	13.4	25.7	32.5	31.8	37.6	43.4	42.5	40.1	45.0
Overseas equities	13.5	24.6	18.4	17.8	23.1	20.5	16.5	17.0	26.0
UK property	10.4	11.2	10.9	11.0	9.4	9.9	5.1	5.1	4.0
Overseas property	-	-	-	-	-	-	0.2	-	0.1
Hedge funds	-	-	-	-	-	-	-	-	-
UK fixed-interest gilts	11.8 ¹	20.8	28.5 ¹	29.0 ¹	7.5	17.3	17.2	19.8	22.1
UK index-linked gilts	12.9	7.4	6.8	8.7	8.7	7.5	7.0	6.7	-
UK corporate bonds	-	10.0	¹ This is UK fixed interest (i.e. gilts plus corporate bonds.	¹ This is UK fixed interest (i.e. gilts plus corporate bonds.	11.4 This is UK fixed interest (i.e. gilts plus corporate bonds.	¹ This is UK fixed interest (i.e. gilts plus corporate bonds.	¹ This is UK fixed interest (i.e. gilts plus corporate bonds.	-	-
Overseas bonds	-	-	1.8	1.0	1.2	0.1	0.1	-	-
Cash	2.1	0.3	1.1	0.7	1.1	1.3	3.4	3.9	1.7
Other Managed Funds (UK) Non-Property	35.9	-	-	-	-	-	8.0	7.4	1.1
Other (give details)	0.1	-	-	-	-	-	-	-	-

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

Asset class	31 March 2008	31 March 2007	31 March 2006	31 March 2005	31 March 2004	31 March 2003	31 March 2002	31 March 2001	31 March 2000
UK equities	19	31	31	30	30	N/A	N/A	35	35
Overseas equities	25	21	21	20	20	N/A	N/A	20	20
UK property	10	10	10	10	10	N/A	N/A	-	5
Overseas property	-	-	-	-	-	N/A	N/A	-	-
Hedge funds	-	-	-	-	-	N/A	N/A	-	-
UK fixed-interest gilts	-	9	9	9	9	N/A	N/A	-	-
UK	22	8	8	8	8	N/A	N/A	12.5	17.5

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index-linked gilts									
UK corporate bonds	24	21	21	23	23	N/A	N/A	15	20
Overseas bonds	-	-	-	-	-	N/A	N/A	15	-
Cash	-	-	-	-	-	N/A	N/A	2.5	2.5
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.

The Group's target investment strategy is currently under review. The current strategy as documented in the current Statement of Investment Principles is 54% return seeking assets (split 44% UK and overseas equities and 10% property) and 46% liability matching assets (bonds).

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

As stated in 10.5, the Group's investment strategy is currently under review, in conjunction with the Group's investment advisers. It is not yet possible to say how the strategy may change from that set out above.

However both the Trustees and the Company have agreed that a de-risking of the investment strategy would be targeted over the medium to long term maturity of the scheme as the membership declines.

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

Based on advice received from the Group's investment advisers, the long-term annual expected rate of return of the current investment strategy is 3.6% p.a. above gilts.

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

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The investment strategy has gradually de-risked over the last ten years, with a decreasing equity allocation and an increasing bond allocation. These changes will have decreased the expected return of the Group's investment portfolio, as well as reducing risk levels. The balance of the Group's equity holdings between UK and overseas equities has also changed over time due to a desire to increase diversification. Reviews of the investment strategy have normally happened triennially, following each actuarial valuation.

In 2007 the Group Trustees indicated a desire to further de-risk the equity allocation from 50% to 35%, via five switches (each of 3%) from equities to bonds. Two of these switches were made in 2007, but the remainder of the switches were put on hold at the request of the Company, pending further discussions over the investment strategy which should conclude shortly. The Group's bond portfolio was also reviewed and revised over 2007.

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

	31 March 2008	31 March 2007	31 March 2006	31 March 2005	31 March 2004	31 March 2003	31 March 2002	31 March 2001	31 March 2000
Investment return (%)	-1.8	6.9	22.2	9.2	20.8	-17.5	0.8	-1.7	11.8