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?

E.ON UK Group of the Electricity Supply Pension Scheme

3.2. In what year was the scheme established?

1983 – however in its present form it was established from 1 April 2005 by the merger of four former separate Groups of the ESPS.

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.)

In 1983 it was the successor to two separate electricity industry schemes, the Industrial Staff and Staff pension schemes.

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.

Yes, all members, including pensioners, deferred pensioners and dependants who were members at 30 March 1990 or eligible to join at that date are Protected Persons under the Electricity Act 1989 and associated regulations.

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?

Closed to new entrants from 1 December 2008. All new staff joining after 1 December 2008 are not eligible to join, other than those to whom a contract of employment had already been given. Employees who are Protected Persons who are employed either directly or as a result of the TUPE transfer are still able to join.

Some benefit categories were closed to new entrants in the past:

EME Category (formerly a separate ESPS Group) closed to new members Dec 1991.

Midlands Category (formerly a separate ESPS Group) closed to new members in 1992 [note: The Company was acquired in 2003 and it is not clear exactly when the ESPS Group was closed. However a new scheme was introduced in 1992 – the assumed closure date of the former ESPS Group].

Eastern Category (formerly a separate ESPS Group) closed to new entrants during 2003 [note: The Company was acquired in 2002 and effectively closed to new members during 2003].

Powergen Category (formerly a separate ESPS Group) closed to new members from 1 April 2005.

EMEPP Category (formerly a separate pension scheme that replaced the EME ESPS Group in 1991) closed to new members from 1 April 2005.

EGPS Category (formerly a separate pension scheme) closed to new members during 2003 [note: The Company was acquired in 2002 and effectively closed to new members during 2003].

RB Plan (Retirement Balance Plan) a new category providing benefits for all new staff after 1 April 2005. Closed to new entrants with effect from 1 December 2008.

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

No. However there are a few liabilities that were under insurance policies at the time of privatisation (1990) that remain in force. The total value of these as at 31 March 2008 was £0.1m.

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.)

Note: Records are not kept for protected and non-protected members so the following table only shows total membership.

Numbers of members	31/03/2001*	31/03/2004*	31/03/2007	31/03/2008
Includes members with protected rights from the time of privatisation				
Active members	9,714	4,772	9,274	10,925
Deferred members	10,196	10,600	10,774	10,806
Pensioner members	31,512	30,870	30,227	29,931
Total	51,422	46,242	50,275	51,662

* this represent the total membership for the four separate Groups of the ESPS at these dates because at these dates they were separate pension schemes. For the 31 March 2007 and 31 March 2008 these include other pension schemes transferred in under one or more of the merger agreements included in section 9 of this questionnaire.

The following information located from examination of actuarial valuation extracts provided by the pension scheme administrator direct. These have not been reconciled to other data supplied as part of the requirements for examination of the regulated business pension costs.

Name of regulated business	**Combined membership of four Groups of ESPS, 2001 and 2004 and total membership for 2007 and 2008**			
Numbers of members	31/03/2001*	31/03/2004*	31/03/2007	31/03/2008
Members with protected rights from the time of privatisation				
Active members	7,407	3,921	3,230	n/a
Deferred members	8,769	8,429	7,545	
Pensioner members	31,342	30,531	29,460	
Total	47,518	42,881	40,235	
Other members				
Active members	2,307	1,545	6,440	n/a
Deferred members	1,427	2,129	3,985	
Pensioner members	170	341	754	
Total	3,904	4,015	11,179	

Note: n/a = not available at this time. 2007 includes schemes transferred in at that date.

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

Name of regulated business	**Central Networks East plc (data is for EME Group or benefit category as best estimate to show split)**			
Numbers of members	31/03/2001*	31/03/2004*	31/03/2007	31/03/2008
Members with protected rights from the time of privatisation				
Active members	1,434	1,074	986	
Deferred members	2,472	2,248	1,905	
Pensioner members	6,190	6,071	5,986	
Total	10,096	9,393	8,877	
Other members				
Active members	139	118	116	
Deferred members	205	198	187	
Pensioner members	36	51	97	
Total	380	367	400	

Name of regulated business	**Central Networks West plc & Central Networks Services Ltd (data is for Midlands Group or benefit category as best estimate to show split)**			
Numbers of members	31/03/2001*	31/03/2004*	31/03/2007	31/03/2008
Members with protected rights from the time of privatisation				
Active members	2,205	1,672	1,236	
Deferred members	1,277	1,288	1,276	
Pensioner members	6,840	6,742	6,590	
Total	10,322	9,702	9,102	
Other members				
Active members	97	67	45	
Deferred members	119	133	139	
Pensioner members	13	21	33	
Total	229	221	217	

Name of regulated business	**Central Networks West plc (not a participating employer)**			
Numbers of members	31/03/2001*	31/03/2004*	31/03/2007	31/03/2008
Members with protected rights from the time of privatisation				
Active members		0	0	0
Deferred members		0	0	0
Pensioner members		0	0	0
Total		0	0	0
Other members				
Active members		0	0	0
Deferred members		0	0	0
Pensioner members		0	0	0
Total		0	0	0

Name of unregulated business	**E.ON UK plc and all other participating employers (Powergen, Eastern for 2001 and 2004 and other schemes transferred in for 2007 data)**			
Numbers of members	31/03/2001*	31/03/2004*	31/03/2007	31/03/2008
Members with protected rights from the time of privatisation				
Active members	3,768	1,175	1,008	
Deferred members	5,020	4,893	4,364	
Pensioner members	18,312	17,718	16,884	
Total	27,100	23,786	22,256	
Other members				
Active members	3,572	1,360	6,279	
Deferred members	1,457	1,798	3,359	
Pensioner members	174	269	624	
Total	5,203	3,427	10,562	

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

E.ON UK plc (Principal Employer)
Central Networks East plc (formerly Principal Employer)
Central Networks Services Ltd
E.ON IS UK Ltd
E.ON Energy Ltd (formerly Powergen Retail Ltd)
E.ON UK Cogeneration Ltd
E.ON UK CHP Ltd
E.ON Energy Trading UK Staff Company Ltd (from 1 April 2008)
E.ON UK Property Services Ltd (from 1 January 2009)
E.ON Climate and Renewables UK Ltd (from 1 January 2009)

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

Central Networks West plc (former Principal Employer)

There are a significant number of other participating employers in the four separate former ESPS Groups as well as in the other pension schemes that have transferred in through merger agreements. None of these had employees who had any role in respect of the regulated business and it was considered an unhelpful, time consuming and expensive exercise to add all previously participating employers.

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	***Powergen Category***
Type of benefits	*Final Salary*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*63 (members who joined before 1 April 1988 have normal retirement age of 60 with reduced benefit in respect of service before 17 May 1990)*
Definition of pensionable pay (specify any deductions in particular)	*Basic salary plus regular additional payments such as shift pay. Overtime payments are not pensionable. No deductions.*
Member contributions	*6%*
Accrual rate for member benefits	*1/80 for each year of service. After nine years service rounded up to next complete year and benefits reduced by amount of contributions that would have been paid during the rounded up period.*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*3/80 for each year of service. Ability to surrender part of pension for additional lump sum up to the permitted maximum of 25% of pension pot. Commutation rate at age 63 £18.18 per £1 pa pension.*
Dependants' provision	*66.67% of member's pension (before any additional commutation) in respect of all contributors and for all pensioners and deferred pensioners who left or retired after 1 January 1997. A lower rate of 61.38% applies to most other pensioners and deferred pensioners before this date.*
Dependant's pension on death after retirement	*See above*
Ill-health benefits	*Pension and lump sum payable immediately based on service to normal retirement age.*
Lump sum benefit on death in service	*Four times pensionable earnings with additional benefits on a sliding scale if death occurs after age 55.*
Pension increases in retirement (for excess pension over GMP)	*Change in Retail Prices Index to previous September except that if RPI greater than 5% the Employer can limit increase to less than RPI but not less than 5%.*
Pension increases in deferment (excess pension over GMP)	*Change in RPI to previous September.*

Specify which group of members	***EME Category***
Type of benefits	*Final salary*
Contracted in or out of S2P	*Contracted out on Protected Rights basis*
Normal retirement age (age when unreduced pension is payable)	*63 (members who joined before 1 April 1988 have normal retirement age of 60 with reduced benefit in respect of service before 17 May 1990)*
Definition of pensionable pay (specify any deductions in particular)	*Basic salary plus regular additional payments such as shift pay. Overtime payments are not pensionable. No deductions.*
Member contributions	*6%*
Accrual rate for member benefits	*1/80 for each year of service. After nine years service rounded up to next complete year and benefits reduced by amount of contributions that would have been paid during the rounded up period.*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*3/80 for each year of service. Ability to surrender part of pension for additional lump sum up to the permitted maximum of 25% of pension pot. Commutation rate at age 63 £18.18 per £1 pa pension.*
Dependants' provision	*57.14% of the member's pension (before any additional commutation) in respect of all contributors who left retired or died after 1 April 1999 and to all pensioners and deferred pensioners left or retired before 1 April 1999.*
Dependant's pension on death after retirement	*See above.*
Ill-health benefits	*Pension and lump sum payable immediately based on service to normal retirement age.*
Lump sum benefit on death in service	*Three times pensionable earnings with additional benefits on a sliding scale if death occurs after age 55.*
Pension increases in retirement (for excess pension over GMP)	*Change in Retail Prices Index to previous September except that if RPI greater than 5% the Employer can limit increase to less than RPI but not less than 5%.*
Pension increases in deferment (excess pension over GMP)	*Change in RPI to previous September.*

Specify which group of members	***Eastern Category***
Type of benefits	*Final Salary*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*63 (members who joined before 1 April 1988 have normal retirement age of 60 with reduced benefit in respect of service before 17 May 1990)*
Definition of pensionable pay (specify any deductions in particular)	*Basic salary plus regular additional payments such as shift pay. Overtime payments are not pensionable. No deductions.*
Member contributions	*6%*
Accrual rate for member benefits	*1/80 for each year of service. After nine years service rounded up to next complete year and benefits reduced by amount of contributions that would have been paid during the rounded up period.*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*3/80 for each year of service. Ability to surrender part of pension for additional lump sum up to the permitted maximum of 25% of pension pot. Commutation rate at age 63 £18.18 per £1 pa pension.*
Dependants' provision	*57.5% of the member's pension (before commutation) except that for certain members with previous service with either Powergen or Norweb a combination of rates may apply for service before and after their TUPE transfer to the Eastern Group.*
Dependant's pension on death after retirement	*See above.*
Ill-health benefits	*Pension and lump sum payable immediately based on service to normal retirement age.*
Lump sum benefit on death in service	*Four times pensionable earnings with additional benefits on a sliding scale if death occurs after age 55.*
Pension increases in retirement (for excess pension over GMP)	*Change in Retail Prices Index to previous September except that if RPI greater than 5% the Employer can limit increase to less than RPI but not less than 5%.*
Pension increases in deferment (excess pension over GMP)	*Change in Retail Prices Index to previous September.*

Specify which group of members	***Midlands Category***
Type of benefits	*Final Salary*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*63 (members who joined before 1 April 1988 have normal retirement age of 60 with reduced benefit in respect of service before 17 May 1990)*
Definition of pensionable pay (specify any deductions in particular)	*Basic salary plus regular additional payments such as shift pay. Overtime payments are not pensionable. No deductions.*
Member contributions	*6%*
Accrual rate for member benefits	*1/80 for each year of service. After nine years service rounded up to next complete year and benefits reduced by amount of contributions that would have been paid during the rounded up period.*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*3/80 for each year of service. Ability to surrender part of pension for additional lump sum up to the permitted maximum of 25% of pension pot. Commutation rate at age 63 £18.18 per £1 pa pension.*
Dependants' provision	*55% for all members who died after 1 April 1996.*
Dependant's pension on death after retirement	*See above.*
Ill-health benefits	*Pension and lump sum payable immediately based on service to normal retirement age.*
Lump sum benefit on death in service	*Four times pensionable earnings with additional benefits on a sliding scale if death occurs after age 55.*
Pension increases in retirement (for excess pension over GMP)	*Change in Retail Prices Index to previous September except that if RPI greater than 5% the Employer can limit increase to less than RPI but not less than 5%.*
Pension increases in deferment (excess pension over GMP)	*Change in Retail Prices Index to previous September.*

Specify which group of members	***EMEPP Category***
Type of benefits	*Final Salary*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*63*
Definition of pensionable pay (specify any deductions in particular)	*Basic salary plus regular additional payments such as shift pay. Overtime payments are not pensionable. No deductions.*
Member contributions	*5%*
Accrual rate for member benefits	*1/60 for each year and part years in proportion.*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*Ability to commute up to 25% of pension pot for a lump sum. Commutation rate at age 63 £18.18 per £1 pa pension.*
Dependants' provision	*50% of member's pension before commutation for lump sum.*
Dependant's pension on death after retirement	*See above.*
Ill-health benefits	*Ill health – immediate pension based on service to date of ill health early retirement. Total ill health – immediate pension with additional service depending on actual service subject to maximum extra service of 20 years with ten years service.*
Lump sum benefit on death in service	*Four times pensionable earnings.*
Pension increases in retirement (for excess pension over GMP)	*Change in Retail Prices Index to previous September with a maximum increase of 5%.*
Pension increases in deferment (excess pension over GMP)	*As above.*

Specify which group of members	***MEPS Category***
Type of benefits	*Final Salary*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*63*
Definition of pensionable pay (specify any deductions in particular)	*Basic salary plus regular additional payments such as shift pay. Overtime payments are not pensionable. No deductions.*
Member contributions	*Tier 1 = 4%* *Tier 2 = 5%*
Accrual rate for member benefits	*Tier 1 = 1/80 for each year of service and days in proportion* *Tier 2 = 1/60 for each year of service and days in proportion*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*Ability to commute up to 25% of pension pot as a lump sum. Commutation rate at age 63 £18.18 per £1 pa pension.*
Dependants' provision	*33.3% of member's pensionable salary subject to a minimum of 50% of member's prospective pension at NRA.*
Dependant's pension on death after retirement	*50% of member's pension before any commuted for lump sum.*
Ill-health benefits	*Pension payable immediately based on service to normal retirement age.*
Lump sum benefit on death in service	*Four times pensionable earnings.*
Pension increases in retirement (for excess pension over GMP)	*Change in Retail Prices Index to previous September with a maximum increase of 5%.*
Pension increases in deferment (excess pension over GMP)	*As above.*

Specify which group of members	***Retirement Balance Plan Category (RB Plan)***
Type of benefits	*Career Average Cash Balance*
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 salary plus regular additional payments such as shift pay. Overtime payments are not pensionable. No deductions.*
Member contributions	*Varies depending on age and selected balance*
Accrual rate for member benefits	*Member selects balance between 20% and 40% of pensionable earnings in 5% steps*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*Member able to take 25% of balance as a lump sum*
Dependants' provision	*Lump sum of four times pensionable earnings or member's retirement balance whichever is greater to be used to provide a dependant's pension.*
Dependant's pension on death after retirement	*Determined by member at retirement.*
Ill-health benefits	*Addition to balance with ability to use uplifted balance to buy pension*
Lump sum benefit on death in service	*Four times pensionable earnings plus additional four times pensionable earnings or balance, if greater, used to provide dependant's pension*
Pension increases in retirement (for excess pension over GMP)	*Selected by member at retirement with minimum 2½% pa or RPI if less than 2½%.*
Pension increases in deferment (excess pension over GMP)	*See above*

Specify which group of members	***EGPS Category***
Type of benefits	*Final Salary*
Contracted in or out of S2P	*Contracted out*
Normal retirement age (age when unreduced pension is payable)	*63*
Definition of pensionable pay (specify any deductions in particular)	*Basic salary plus regular additional payments such as shift pay. Overtime payments are not pensionable. No deductions.*
Member contributions	*5%*
Accrual rate for member benefits	*1/60 for each year and part year of service.*
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	*Ability to commute up to 25% of pension pot as a lump sum. Commutation rate at age 63 £18.18 per £1 pa pension.*
Dependants' provision	*50% of member's prospective pension, based on service to NRA.*
Dependant's pension on death after retirement	*50% of member's pension before any commutation for lump sum.*
Ill-health benefits	*Separate arrangements – no pension right*
Lump sum benefit on death in service	*Four times pensionable earnings.*
Pension increases in retirement (for excess pension over GMP)	*Change in Retail Prices Index to previous September with a maximum increase of 5%.*
Pension increases in deferment (excess pension over GMP)	*As above.*

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

When was it introduced?	There is currently no salary sacrifice element ot the pension arrangements.
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 AVC facilities are available to all benefit categories with the following limitations: Four former ESPS Groups also have ability to use AVC to buy added years. RB Plan has facility to buy extra balance in 5% steps above 40% balance. All final salary categories have AVC facility on money purchase (or DC) basis with Standard Life in a range of different funds.
Does the employer contribute to members' AVCs?	No. AVC benefits, whether by added years, money purchase (or DC) or added balance (RB Plan) are all member contributions only.

5.4. Does the scheme accept transfers in?

If no, when did the scheme cease to accept transfers in?	Yes, scheme accepts transfers in.
If yes, has ceasing to accept transfers in been considered?	Company has power to cease accepting transfers in for RB Plan and is currently considering this in light of fact that category now closed to new members (since 1 December 2009).

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]

Note: Changes in benefits have occurred following each of the actuarial valuations during the 1990's when the former ESPS Groups were in surplus and arrangements were required to deal with surplus. The main changes have been an increase in the proportion of spouses' pension from the 50% at privatisation, an increase in the death in service lump sum for three times to four times pensionable salary in some benefit categories and changes in child allowance.

In addition following the 2001 actuarial valuation the Powergen and EME Groups provided an additional 1% increase on pensions in payment and deferred pensions and the Midlands Group provided an additional 0.75% increase. There was no additional increase for the Eastern Group at that date.

NOTE: AT this time it has not been possible to extract information from archived files to specify the detail requested. Further research and examination will continue to enable as comprehensive as possible record of the "changes" made in the various separate Groups from 1990.

Describe the change.	
State the effective date of the change, and what periods of service (or which groups of 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").	
Provide details of any 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.	
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.	

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. However there have been two occasions associated with the sale of small parts of the business where arrangement have been made for Protected persons to waive their rights and in these limited circumstances cash incentives have been made usually as additional employer contributions to new pension arrangements.

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.

Ability, as a right under the rules of the scheme, to take an unreduced pension as a result of redundancy removed for all new members from 1 July 2003 in Powergen and Eastern Categories. EME and Midlands Categories had no new members so rule change not made. All other Categories do not have the right to unreduced pension on redundancy.

No information on savings as there have been few if any redundancies in the population of members who joined the Powergen Category between 1 July 2003 and 31 March 2005 when the final salary Categories was closed to new members.

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

This information is not available. The changes made, introducing a new pension scheme for EME and Midlands, have only affected the future service cost. There are no records or information that enable a figure to be put on any savings from these steps.

We have also made savings by rationalising our pension provisions, through closing the remaining final salary scheme categories to new employees from April 2005 and now through the closure of the Retirement Balance Plan from December 2008.

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.

Note: At 2007 there was one Group but for 2004 and 2001 the Groups were actuarially separate. Following the 2004 Actuarial Valuation the four Groups were merged and the future service contribution rate and deficit repair payments were combined into a single uniform rate.

E.ON Group for 2007 and 2004	31/03/2001	31/03/2004	31/03/2007
Under Pensions Act 2004? (yes/no)	N/A	No	Yes
Funding method (for example, Projected Unit)		Projected unit	Projected unit
Market value of assets		£3,710.2m	£4,955.0m
Actuarial value of assets, if not at market value		£3,702.8m	As above
Actuarial value of liabilities		£4,518.8m*	£5,250.1m
Ongoing funding level (%)		83.5	94.4
Deficit recovery period (years)		13	6
Employer contribution rate for future accruals (%) of pensionable pay		16.8	23.1
Employer contribution rate after surplus/deficit (%)of pensionable pay		16.8	23.1
Solvency (or buy-out) funding level (%)		68	75.0

* Funding target after smoothing £4,431.9m. 2001 N/A = not available for combined Group

E.ON Group for 2007 and EME ESPS Group for 2004 and 2001	31/03/2001	31/03/2004	31/03/2007
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	£953.8m	£817.8m	£4,955.0m
Actuarial value of assets, if not at market value	£957.6m	£817.0m	As above
Actuarial value of liabilities	£841.4m	£928.7m*	£5,250.1m
Ongoing funding level (%)	113.7	89.8	94.4
Deficit recovery period (years)	n/a	n/a	6
Employer contribution rate for future accruals (%) of pensionable pay	14.2	15.5	23.1
Employer contribution rate after surplus/deficit (%)of pensionable pay	14.2	15.5	23.1
Solvency (or buy-out) funding level (%)	113.7	71	75.0

* Funding target after smoothing £910.0m.

Powergen Group for 2004 and 2001	31/03/2001	31/03/2004	31/03/2007
Under Pensions Act 2004? (yes/no)	No	No	N/A
Funding method (for example, Projected Unit)	Projected unit	Projected unit	
Market value of assets	£1,603.6m	£1,254.7m	
Actuarial value of assets, if not at market value	£1,634.1m	£1,250.1m	
Actuarial value of liabilities	£1,397.5m	£1,507.9m*	
Ongoing funding level (%)	114.3	84.5	
Deficit recovery period (years)	n/a	n/a	
Employer contribution rate for future accruals (%) of pensionable pay	12.9	16.1	
Employer contribution rate after surplus/deficit (%)of pensionable pay	12.9	16.1	
Solvency (or buy-out) funding level (%)	114.3	70	

* Funding target after smoothing £1,479.5m.

Eastern Group for 2004 and 2001	31/03/2001	31/03/2004	31/03/2007
Under Pensions Act 2004? (yes/no)	No	No	N/A
Funding method (for example, Projected Unit)	Projected unit	Projected unit	
Market value of assets	£1,074.2m	£793.0m	
Actuarial value of assets, if not at market value	£1,089.2m	£794.0m	
Actuarial value of liabilities	£1,032.9m	£1,096.5m*	
Ongoing funding level (%)	105.5	73.8	
Deficit recovery period (years)	n/a	n/a	
Employer contribution rate for future accruals (%) of pensionable pay	12.5	18.3	
Employer contribution rate after surplus/deficit (%)of pensionable pay	12.5	18.3	
Solvency (or buy-out) funding level (%)	101.4	58	

* Funding target after smoothing £1,075.5m.

Midlands Group for 2004 and 2001	31/03/2001	31/03/2004	31/03/2007
Under Pensions Act 2004? (yes/no)	N/A	No	N/A
Funding method (for example, Projected Unit)		Projected unit	
Market value of assets		£844.7m	
Actuarial value of assets, if not at market value		£841.7m	
Actuarial value of liabilities		*£985.7m	
Ongoing funding level (%)		87.1	
Deficit recovery period (years)		n/a	
Employer contribution rate for future accruals (%) of pensionable pay		18.1	
Employer contribution rate after surplus/deficit (%)of pensionable pay		18.1	
Solvency (or buy-out) funding level (%)		72	

* Funding target after smoothing £966.9m. 2001 N/A = not available

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

Projected unit method which estimates the cost of providing the next year's accrual of pension spread as a percentage of total pensionable salaries.

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.

Employer contribution rates have always been in line with recommended future service rate for the above three actuarial valuations.

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.

The period of recovery for deficit repair was determined by the respective Companies in respect of the 2001 actuarial valuations when these were different for the four former Groups of the ESPS. Notably the Eastern and Midlands Categories were not then part of the E.ON UK Group having been acquired in 2002 and 2003 respectively. The deficit payment in respect of the 2004 actuarial valuation was part of an agreement to merge the four separate ESPS Groups into a single consolidated Group to form the E.ON UK Group.

The deficit repair period for the 2007 actuarial valuation, the first such under the new statutory funding requirements, was set at six years as part of an overall consultation regarding the method and assumptions together with the recovery period. There was no discussion with the Pension Regulator.

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

The total deficit repair payments in respect of the 2004 and 2007 actuarial valuations are attributed in direct relation to the proportion of liabilities also attributed to each participating employer or business.

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.)

Note: At 2007 there was one Group but for 2004 and 2001 the Groups were actuarially separate. Following the 2004 Actuarial Valuation the four Groups were merged and became a single group from 1 April 2005. The deficit repair payments were only paid to the combined or merged Group. and the future service contribution rate and deficit repair payments were combined into a single uniform rate.

E.ON UK Group for 2007, EME ESPS Group for 2004 and 2001.	31/03/2001	31/03/2004	31/03/2007
Pre-retirement nominal rate of return	6.3	6.2	Gilt yield +1.1% **
Pre-retirement real return above price inflation	4.0	3.3	See **
Pre-retirement real return above salaries	2.5	2.3	See **
Promotional salary scale (if not in salary assumption)	Samples: Age 25 = 137, 40 = 178 and 55 = 188	Samples: Age 25 = 124, 40 = 146 and 55 = 159	Samples: Age 25 = 124, age 40= 146 and 55 = 159
Post-retirement nominal discount rate (i.e. real rate of return to value liability)	5.3	5.2	See **
Post-retirement real return above price inflation	3.0	2.3	See **
Post-retirement real return above pension increases	2.8	2.2	See **
Proportion of pension commuted at retirement	n/a	n/a	n/a
Mortality table used to value current pensioners*	Males - PMA92 base year 2010 rated up 1 year. Females – PFA92 base year 2010 rated up 1 year.	PMA92 base year 2002 (rated up 2 years for Widows) reducing by 0.4% pa	PN(M/F)A00 U2007 Medium Cohort with underpin of 1% for males and 0.5% for females. Scaled dependant on Category and sex.
Expectation of life at 60 for male pensioner		23.780	26.004
Expectation of life at 60 for female pensioner		27.124	28.145
Mortality table used to value future pensioners*	Males - PMA92 base year 2020 rated up 1 year. Females – PFA92 base year 2020 rated up 1 year.	PFA92 base year 2002 (rated up 1 year for men) and reducing by 0.2% pa before retirement and by 0.4% pa after retirement	PN(M/F)A00 U2007 Medium Cohort with underpin of 1% pa for males and 0.5% pa for females. Scaling factor 110% for normal and dependants and 200% for ill-health.
Expectation of life for male who will be aged 60 in 20 years		23.715	28.106
Expectation of life for female who will be aged 60 in 20 years		28.230	29.441

** 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.*

****E.ON UK Group for 2007** – supplementary information for 31/03/2007

Pre-retirement nominal rate of return – this rate is derived from the fixed interest gilt-yield curve at 31 March 2007 with an addition of 1.1% at each point on the duration yield curve.

Pre-retirement real return above price inflation – this is derived from the difference between the above nominal rate of return and the market implied inflation derived from the difference between the market yields on fixed interest gilts and the index-linked swap yield curves at the valuation date.

Pre-retirement real return above salaries – salary increases have been set at 1% above the market implied inflation derived from the difference between the market yields on fixed interest gilts and the index-linked swap yield curves at the valuation date. Thus the pre-retirement real return above salaries is the difference between is the difference between this and the pre-retirement nominal rate of return described above.

There is no difference between the pre and post retirement rates. The post-retirement rates are therefore the same as for pre-retirement. As the rates all differ for each term / duration the equivalent rates that would produce similar results would be : investment return 5.6%, pay increase 4.2% and overall asset return 6.3%.

Powergen Group for 2004 and 2001	31/03/2001	31/03/2004	31/03/2007
Pre-retirement nominal rate of return	6.3	6.2	See above
Pre-retirement real return above price inflation	4.0	3.3	
Pre-retirement real return above salaries	2.5	2.3	
Promotional salary scale (if not in salary assumption)	Samples: Age 25 = 124, 40 = 146 and 55 = 159.	Samples: Age 25 = 124, 40 = 146 and 55 = 159	
Post-retirement nominal discount rate (i.e. real rate of return to value liability)	5.3	5.2	
Post-retirement real return above price inflation	3.0	2.3	
Post-retirement real return above pension increases	2.8	2.2	
Proportion of pension commuted at retirement	n/a	n/a	
Mortality table used to value current pensioners*	Males - PMA92 base year 2010 rated up 1 year. Females – PFA92 base year 2010 rated up 1 year.	PMA92 base year 2002 (rated up 2 years for men, Widows and Widowers) reducing by 0.4% pa	
Expectation of life at 60 for male pensioner		21.808	
Expectation of life at 60 for female pensioner		27.124	
Mortality table used to value future pensioners*	Males - PMA92 base year 2020 rated up 1 year. Females – PFA92 base year 2020 rated up 1 year.	PFA92 base year 2002 (rated up 1 year for men) and reducing by 0.2% pa before retirement and by 0.4% pa after retirement	
Expectation of life for male who will be aged 60 in 20 years		23.715	
Expectation of life for female who will be aged 60 in 20 years		28.203	

Eastern Group for 2004 and 2001	31/03/2001	31/03/2004	31/03/2007
Pre-retirement nominal rate of return	6.55	6.2	See above
Pre-retirement real return above price inflation	4.25	3.3	
Pre-retirement real return above salaries	3.25	2.3	
Promotional salary scale (if not in salary assumption)	Samples: Age 25 = 140, 40 = 210 and 55 = 233	Samples: Age 25 = 124, 40 = 146 and 55 = 159	
Post-retirement nominal discount rate (i.e. real rate of return to value liability)	5.55	5.2	
Post-retirement real return above price inflation	3.25	2.3	
Post-retirement real return above pension increases	3.23	2.2	
Proportion of pension commuted at retirement	n/a	n/a	
Mortality table used to value current pensioners*	Males - PMA92 base year 2010 rated up 1 year. Females – PFA92 base year 2010 rated up 2 years.	PMA92 base year 2002 (rated up 2 years Widows) reducing by 0.4% pa	
Expectation of life at 60 for male pensioner		23.780	
Expectation of life at 60 for female pensioner		27.124	
Mortality table used to value future pensioners*	Males - PMA92 base year 2020 rated up 1 year. Females – PFA92 base year 2020 rated up 2 years.	PFA92 base year 2002 (rated up 1 year for men and 2 years for widows) and reducing by 0.2% pa before retirement and by 0.4% pa after retirement	
Expectation of life for male who will be aged 60 in 20 years		23.715	
Expectation of life for female who will be aged 60 in 20 years		28.230	

N/A = not available

Midlands Group for 2004 and 2001	31/03/2001	31/03/2004	31/03/2007
Pre-retirement nominal rate of return	N/A	6.2	See above
Pre-retirement real return above price inflation		3.3	
Pre-retirement real return above salaries		2.3	
Promotional salary scale (if not in salary assumption)		Samples: Age 25 = 124, 40 = 146 and 55 = 159	
Post-retirement nominal discount rate (i.e. real rate of return to value liability)		5.2	
Post-retirement real return above price inflation		2.3	
Post-retirement real return above pension increases		2.2	
Proportion of pension commuted at retirement		n/a	
Mortality table used to value current pensioners*		PMA92 base year 2002 (rated up 2 years for Widows) reducing by 0.4% pa	
Expectation of life at 60 for male pensioner		23.780	
Expectation of life at 60 for female pensioner		27.124	
Mortality table used to value future pensioners*		PFA92 base year 2002 (rated up 1 year for men) and reducing by 0.2% pa before retirement and by 0.4% pa after retirement	
Expectation of life for male who will be aged 60 in 20 years		23.715	
Expectation of life for female who will be aged 60 in 20 years		28.230	

N/A = not available.

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

Derived from market conditions at the date of the actuarial valuation with some allowance for expected return from asset classes held by the trustees.

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.

Salary growth rates are agreed with the employer and the actuary also compares the actual increase between the actuarial valuations as a test that the salary growth assumption and promotional scales are not inconsistent with the proposals put forward by the employer.

The rate a salary growth is not a guarantee that the increase will apply and over time the actual increase have varied from that assumed with the difference being shown as an experience gain or loss between actuarial valuations.

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

There was no adjustment for the 2007 actuarial valuations.

For the 2004 actuarial valuation it was recognised that market value valuations methods can result in significant short term volatility in valuation results where the investment strategy is not closely matched to the Scheme's liabilities. As a result of discussions with the Trustee and the Company the Scheme Actuary smoothed the value of assets by taking average values of the assets held on 31 March 2004 as if the market prices of those assets (as represented by appropriate indices) on each business day from 1 January to 30 June 2004 had applied on 31 March 2004. A similar approach was made in the determination of the liabilities.

For the 2001 actuarial valuation the starting point for valuing assets is their market value at the valuation date. In order to reduce the effect of volatility caused by short-term fluctuations in market values a smoothing adjustment was applied to the market value to obtain a value which is suitable for the purposes of determining the Scheme's ongoing funding position. This was achieved by adjusting the Scheme's actual asset returns over the previous three years having regard to returns which would have been achieved if the assets had been invested to match the Scheme's liabilities more closely. Under this approach actual returns obtained more than three years before are allowed for fully and actual returns just prior to the valuation date are replaced by returns on a notional mated portfolio and for intermediate period a reducing proportion of the difference between notional and actual returns is allowed for as the length of time from the valuation date increases.

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.

As stated in answer to question 10.2 below - The employer convenant is a key issue and risk to the pension scheme. In E.ON's case the regulated business is only a proportion of the convenant consideration (~28%). However it gives comfort to the trustee's of the Scheme and means that the trustees and company are able to adopt a consensus approach to the investment strategy.

At the 2007 actuarial valuation the Trustees undertook an independent review of the Employer's covenant and as a result made some requests which were agreed by the Company. The Company agreed with E.ON Ag in Germany to injected £1bn of equity into E.ON UK plc (the Principal Employer) to replace debt already provided by E.ON Ag. In addition a funding guarantee was made between Central Networks West plc and its' subsidiary, Central Networks Services Ltd which employed most of the staff who carry out the work for the regulated business (Central Networks West plc).

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 2004 (by transfer and amendment agreement dated 31 March 2004)
Background to the merger/transfer and name of other pension scheme(s).	Transfer and Amendment Agreement relating to the transfer of the assets and liabilities of the Powergen group of the ESPS and the TXU Europe Group of the ESPS to the EME Group (renamed the Powergen Holding Group) of the ESPS. These became separate ring-fenced actuarially independent sections of the holding group but with a single set of Trustees.
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.	All active, deferred and pensioner members were transferred in each case. There were fewer than 50 members in both the Powergen and TXU Europe Groups who were associated with the regulated business at this date.
The amount of the transfer value and the principles/basis underlying its calculation.	All the assets of the Powergen and TXU Europe Groups were transferred. These assets were kept entirely separate from the other sections of the holding group at this time.

The extent to which the transfer value was scaled back to reflect underfunding.	Not applicable.
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	Each Group remained as a separate actuarially independent section ring-fenced from the other sections at this time.

Date of merger/transfer.	30 July 2004 (by transfer and amendment agreement dated 15 July 2004)
Background to the merger/transfer and name of other pension scheme(s).	Transfer and Amendment Agreement relating to the transfer of the assets and liabilities of the Midlands Group of the ESPS to the Powergen Holding Group of the ESPS to form the Midlands section which became a separate ring-fenced actuarially independent section of the holding group but with a single set of Trustees.
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.	All active, deferred and pensioner members were transferred in each case.
The amount of the transfer value and the principles/basis underlying its calculation.	All the assets of the Midlands Group were transferred. These assets were kept entirely separate from the other sections of the holding group at this time.
The extent to which the transfer value was scaled back to reflect underfunding.	Not applicable.
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	Each Group remained as a separate actuarially independent section ring-fenced from the other sections at this time.

Date of merger/transfer.	1 April 2005 (by Merger and Amendment Agreement dated 11 March 2005)
Background to the merger/transfer and name of other pension	Effecting the merger of the separate sections; the Powergen, Midlands, EME and Eastern (formerly TXU

scheme(s).	Europe) sections, to form the E.ON UK Group of the ESPS.
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.	All active, deferred and pensioner members of the separate actuarially ring-fenced section became members of the E.ON UK Group of the ESPS. In merging these sections no changes were made to any of the benefits which remained exactly the same after the merger as they were before the merger.
The amount of the transfer value and the principles/basis underlying its calculation.	Assets merged with payment of a special deficit repair contribution of £420m (into the merged Group) to enable the independent ring fenced sections to be each brought up to the same funding level to enable the merger to complete without any material detriment to any of the members.
The extent to which the transfer value was scaled back to reflect underfunding.	Not applicable.
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	The status of the four sections before and after the merger was as set out in the table below:

The actuarial valuation results (as at 31 March 2004) were as follows:

	Section of the E.ON UK Holding Group of the ESPS				
	Powergen	EME	Eastern	Midlands	Total
Assets (£m)	1,250	817	794	842	3,703
Liabilities (£m)	1,479	910	1,075	967	4,431
Deficit (£m)	229	93	281	125	728
Funding Ration	84%	90%	74%	87%	84%

For illustrative purposes had the £420m special deficit repair contribution been paid into the separate ring-fenced sections the results would have been:

Special contribution (£m)	125	33	205	57	420
New deficit (£m)	104	60	76	68	308
New funding ratio	93%	93%	93%	93%	93%

Date of merger/transfer.	30 June 2005 (by Merger and Amendment Agreement dated 24 June 2005)
Background to the merger/transfer	Merger and Amendment Agreement relating to the

and name of other pension scheme(s).	transfer of the assets and liabilities of the East Midlands Electricity Pension Plan into the E.ON UK Group of the ESPS to form the EMEPP Category.
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.	All active, deferred and pensioner members of the EME Pension Plan became members of the E.ON UK Group of the ESPS forming the EMEPP Category. In transferring this pension plan no changes were made to any of the benefits which remained exactly the same after the merger as they were before the merger.
The amount of the transfer value and the principles/basis underlying its calculation.	The transfer of all the assets included a special deficit payment of £11.5m representing the amount required to ensure the funding level of the E.ON UK Group of the ESPS remained unchanged after the transfer was completed.
The extent to which the transfer value was scaled back to reflect underfunding.	Not applicable
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	The deficit as at 31 March 2004 was £14.6m and this was reduced by the special payment of £11.5m made on the merger of the scheme into the ESPS

Date of merger/transfer.	30 October 2006 (by Transfer and Amendment Agreement dated 4 October 2006)
Background to the merger/transfer and name of other pension scheme(s).	Transfer and Amendment Agreement relating to the transfer of the assets and liabilities of the Midlands Electricity Pension Scheme into the E.ON UK Group of the ESPS to form the MEPS Category.
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.	All active, deferred and pensioner members of the Midlands Electricity Pension Scheme became members of the E.ON UK Group of the ESPS forming the MEPS Category. In transferring this pension scheme no changes were made to any of the benefits which remained exactly the same after the merger as they were before the merger.
The amount of the transfer value and the principles/basis underlying its calculation.	The transfer of all the assets included a special deficit payment of £3.06m (following a payment of £440k in April 2006) representing the amount required to ensure the funding level of the E.ON UK Group of the

	ESPS remained unchanged after the transfer was completed.
The extent to which the transfer value was scaled back to reflect underfunding.	Not applicable
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	The deficit as at 31 March 2004 was £6.96m and had fallen by the date of the merger and this was further reduced by the special payments of £440k on 1 April 2006 (before the merger) and £3.06m made on the merger of the scheme into the ESPS

Date of merger/transfer.	31 August 2007 (by a Merger and Amendment Agreement dated 16 August 2007)
Background to the merger/transfer and name of other pension scheme(s).	Merger and Amendment Agreement relating to the transfer of the assets and liabilities of the TXU Europe Group Pension Scheme into the E.ON UK Group of the ESPS to form the EGPS Category.
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.	All active, deferred and pensioner members of the TXU Europe group Pension Scheme became members of the E.ON UK Group of the ESPS forming the EGPS Category. In transferring this pension plan no changes were made to any of the benefits which remained exactly the same after the merger as they were before the merger.
The amount of the transfer value and the principles/basis underlying its calculation.	The transfer of all the assets. At the date of the merger
The extent to which the transfer value was scaled back to reflect underfunding.	Not applicable
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	The deficit as at 31 March 2005 was £550k and had fallen by the date of the merger and there was no requirement for a special payments to be made on the merger of the scheme into the ESPS

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's approach is relatively low risk with a high proportion (70%) of the Scheme's assets invested in bonds, 60% of the Scheme's assets are invested in a "Liability Driven Investment" mandate which uses interest rate and inflation swaps as an overlay to gilts, to closely match the Scheme's liabilities. This strategy was implemented in 2006. Prior to this the strategy was more "traditional" return seeking assets with a higher allocation to equities.

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 employer convenant is a key issue and risk to the pension scheme. In E.ON's case the regulated business is only a proportion of the convenant consideration (~28%). However it gives comfort to the trustee's of the Scheme and means that the trustees and company are able to adopt a consensus approach to the investment strategy.

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

This is the combined E.ON UK Group of the ESPS for 2005 - 2008

Asset class	2000	2001	2002	2003	2004	2005	2006	2007	2008
UK equities						25.4	25.4	27.1	18.5
Overseas equities						19.7	See note	See note	See note
UK property						5.1	5.9	7.6	8.4
Overseas property						**	See note	See note	See note
Hedge funds						**	0.8	0.0	0.0
UK fixed-interest gilts						25.9	66.7	65.3	73.1
UK index-linked gilts						18.6	See note	See note	See note
UK corporate bonds						**	See note	See note	See note
Overseas bonds						**	See note	See note	See note
Cash						1.2	See note	See note	See note
Currency overlay						**	1.2	0.0	0.0
Supranational						4.1			

Note: There is no summary of assets split between the various classes shown above. The scheme had a target asset allocation of 70% bonds/LDI, 20% equities and 10% property to be reached over a three year period. The actual figures above are those broad classes as at 31 March each year.

The values for 2005 are at 30 June 2005 for the combined funds that merged on 1 April 2005 as no analysis is available at 31 March 2005.

Note: ** where no asset proportion is shown the value (if any) will have been included in another asset class. The holding in hedged funds was not shown as a separate line at this date.

The currency overlay is based on the value of overseas equities and overseas equities and is considered part of the overseas equities asset class although shown separately in 2006. This mandate was ended during the year to March 2007.

Powergen Group of ESPS prior to 2006

Asset class	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
UK equities	53.3	51.8	52.1	29.4	29.0				
Overseas equities	29.7	29.0	30.3	20.4	19.9				
UK property	0.0	0.0	0.0	0.0	0.0				
Overseas property	0.0	0.0	0.0	0.0	0.0				
Hedge funds	0.0	0.0	0.0	0.0	0.0				
UK fixed-interest gilts	0.0	0.0	0.0	12.8	17.0				
UK index-linked gilts	15.2	16.3	14.7	21.2	20.4				
UK corporate bonds	0.0	0.0	0.0	**	**				
Overseas bonds	0.0	0.0	0.0	**	**				
Cash	1.8	2.9	2.9	1.7	0.3				
Supranational bonds	0.0	0.0	0.0	14.5	13.4				
Other (give details)									

Note: ** The proportion of UK corporate and overseas bonds are included under UK fixed-interest gilts.

For year's where no analysis is shown the information has not been available. The report and accounts do NOT shown the split between asset classes in the above format but rather between individual investment managers who manage a mix of assets.

EME Group of the ESPS prior to 2005

Asset class	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
UK equities	49.7	46.3	45.4	36.0	26.7				
Overseas equities	25.2	21.3	20.0	20.6	25.2				
UK property	5.0	10.0	12.0	15.1	15.1				
Overseas property	*	*	*	0.4	0.0				
Hedge funds	0.0	0.0	0.0	0.0	0.0				
UK fixed-interest gilts	3.4	5.2	4.2	17.4	31.8				
UK index-linked gilts	11.7	13.0	14.5	5.6	**				
UK corporate bonds	0.0	0.0	0.0	**	**				
Overseas bonds	2.9	2.6	2.7	3.2	**				
Cash	2.1	1.6	1.2	1.7	1.3				
Other (give details)									
Other (give details)									

Note: ** proportions included under fixed-interest gilts. Split not shown in available records.

For year's where no analysis is shown the information has not been available. The report and accounts do NOT shown the split between asset classes in the above format but rather between individual investment managers who manage a mix of assets.

Eastern Group of the ESPS prior to 2005

Asset class	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
UK equities				42.3	35.4				
Overseas equities				27.7	25.3				
UK property				11.4	9.9				
Overseas property				0.5	0.0				
Hedge funds				0.0	0.0				
UK fixed-interest gilts				3.8	26.4				
UK index-linked gilts				13.8	**				
UK corporate bonds				**	**				
Overseas bonds				**	**				
Cash				0.5	2.9				
Other (give details)									
Other (give details)									

Note: ** proportions included under fixed-interest gilts. Split not shown in available records.

For year's where no analysis is shown the information has not been available. The report and accounts do NOT shown the split between asset classes in the above format but rather between individual investment managers who manage a mix of assets.

Midlands Group of the ESPS prior to 2005

Asset class	2000	2001	2002	2003	2004	2005	2006	2007	2008
UK equities					25.5				
Overseas equities					16.1				
UK property					0.0				
Overseas property					0.0				
Hedge funds					4.3				
UK fixed-interest gilts					51.6				
UK index-linked gilts					**				
UK corporate bonds					**				
Overseas bonds					**				
Cash					2.5				
Other (give details)									
Other (give details)									

Note: ** proportions included under fixed-interest gilts. Split not shown in available records.

The summary for 2004 is at the nearest available date to 31 March 2004 available from our records.

For year's where no analysis is shown the information has not been available. The report and accounts do NOT shown the split between asset classes in the above format but rather between individual investment managers who manage a mix of assets.

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

Asset class	2000	2001	2002	2003	2004	2005	2006	2007	2008
UK equities									
Overseas equities									
UK property									
Overseas property									
Hedge funds									
UK fixed-interest gilts									
UK index-linked gilts									
UK corporate bonds									
Overseas bonds									
Cash									
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.

Not applicable

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

No expected changes.

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 Scheme targets its liabilities +1.5% investment return with a more prudent liabilities +1.1% for funding purposes. The liability benchmark is based on the full gilt (combination of conventional and index-linked) curve.

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

See 10.1. The move from "traditional" asset allocation to a low risk "Liability Driven Investment" strategy necessarily reduces the target expected return. However, it substantially reduces risk and the expected volatility of future returns.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Investment return (%) E.ON ESPS*							17.5	4.3	5.2
Powergen ESPS	14.6	(9.0)	(2.1)	(20.5)	19.3	11.0			
EME ESPS	16.4	(10.9)	(0.5)	(16.5)	19.9	10.8			
Eastern ESPS	N/A	N/A	N/A	(23.2)	22.6	10.5			
Midlands ESPS	N/A	N/A	N/A	N/A	17.0	9.3			

* For the year's before 2006 the scheme was four separate actuarially Groups of the ESPS and so the returns are shown for years before 2006 for the separate pension schemes. N/A = not available (information cannot be located).

[redacted]