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?

United Utilities Group of Electricity Supply Pension Scheme

3.2. In what year was the scheme established?

Pre-dates privatisation.

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.)

This is a scheme which was in existence from privatisation until assets and liabilities were transferred in December 2007 to two new ESPS Groups. It has no assets or liabilities remaining and is in the process of being wound up. All regulated employees are now members of the ENW Group of ESPS. As such the information is provided for historical purposes.

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. Membership information cannot be split by protected and non protected employees for this scheme. However accurate information has been provided for the membership of the ENW Group of ESPS (the current arrangement in place).

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 Group was closed and all members assets and liabilities were transferred from this Group with effect from 1 December 2007

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				
Numbers of members	31/03/2004	31/03/2001	31/03/1998	
Total Members in the Scheme are provided. It has not been possible to split this by Protected/Non Protected or by regulated/non regulated businesses. However, we have previously agreed that 80% of the membership is deemed to be regulated (and over 95% of them are protected). This was further supported by the data validation undertaken with the transfer of assets as at 1.12.2007.				
Active members	2,286	2,851	5,795	
Deferred members	2,321	2,475	2,064	
Pensioner members	7,395	7,505	7,342	
Total	12,002	12,831	15,201	

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

All companies ceased to participate in 1 December 2007.

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

The scheme had been open to a number of United Utilities Group PLC companies.

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]

Specify which group of members	All members
Type of benefits	Defined Benefits
Contracted in or out of S2P	Out
Normal retirement age (age when unreduced pension is payable)	60 if in employment before 1 April 1988. Otherwise 63
Definition of pensionable pay (specify any deductions in particular)	Basic Pay plus other earnings as determined by the employer (excludes overtime and bonuses)
Member contributions	Predominately 6% (there are a small number of members who remain on the previous standard rate of 5% - they receive a lower spouses pension benefit). Some members pay an additional 0.5% and receive a higher spouses pension for post 1993 service.
Accrual rate for member benefits	1/80 for pension and 3/80 for lump sum
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	
Dependants' provision	50% of member's pension. Members had the option to pay an additional 0.5% contribution and receive 2/3rd of members pension for post 1 April 1993 service.
Dependant's pension on death after retirement	50% of members pension. Members had the option to pay an additional 0.5% contribution and receive 2/3rd of members pension for post 1 April 1993 service.
Ill-health benefits	Payable from any age based on service to their actual date of retirement and potential service to normal retirement date. There will be no reduction for early payment.
Lump sum benefit on death in service	4 times pensionable salary
Pension increases in retirement (for excess pension over GMP)	RPI increases. Any increase above 5% is subject to the consent of the Principal Employer.
Pension increases in deferment (excess pension over GMP)	RPI increases. Any increase above 5% is subject to the consent of the Principal Employer.

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

When was it introduced?	2006
To which groups of employees does it apply?	All members are able to join the salary sacrifice arrangement

What percentage of eligible members participates in the arrangement?	Approximately 80%
How is the reduction in salary calculated?	The salary is reduced by the amount of pension contributions that the employee would have paid if the salary sacrifice arrangement was not in place.
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?	There are both added years and defined contribution options available.
Does the employer contribute to members' AVCs?	No

5.4. Does the scheme accept transfers in? YES

If no, when did the scheme cease to accept transfers in?	
If yes, has ceasing to accept transfers in been considered?	Not applicable – scheme being wound up

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.	
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.

It was the policy not to make any ancillary allowances pensionable.

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

No

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

No

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

N/A

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.

ENW Section of the ENW Group of ESPS	31/03/2005	31/03/2002	31/03/1998

Under Pensions Act 2004? (yes/no)	No	No	No
Funding method (for example, Projected Unit)	PU	PU	PU
Market value of assets	881.4M	1019.8	
Actuarial value of assets, if not at market value	n/a		742.60
Actuarial value of liabilities	995.3M	890.5	682.5
Ongoing funding level (%)	89%	111.8%	108.8%
Deficit recovery period (years)	14 years	n/a	n/a
Employer contribution rate for future accruals (%) of pensionable pay	20.2%	19%	14.8%
Employer contribution rate after surplus/deficit (%)of pensionable pay	See 7.2	19%	14.8%
Solvency (or buy-out) funding level (%)	70%	n/a	n/a

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

The Company made a payment of £103.5M in 2005 accounting for all future service contributions and 5 years of deficit contributions. No further contributions would be due until 6 April 2010. At that time contributions of £13.9M per annum payable monthly would commence until 31 March 2018.

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

Yes

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 average working lifetime of the membership was the period used to set the 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?

Following data validation of all members individuals were identified as being electricity or other business employees. Following discussions with Ofgem and further sampling of data at DPCR4 80% of electricity employees were attributed to the regulated electricity distribution 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.)

ENW and UUES Sections	*31/3/04*	31/03/2001	31/03/98
Pre-retirement nominal rate of return	6.7%	5.8%	8.5%
Pre-retirement real return above price inflation	3.8%	3.5%	4%
Pre-retirement real return above salaries	2.3%	2%	2%
Promotional salary scale (if not in salary assumption)	Age based scale, sample rates as follows: 25 - 137 30 – 156 40 – 178 50 – 188 60 – 188	n/a	n/a
Post-retirement nominal discount rate (i.e. real rate of return to value liability)	5.7%	5.3%	8.5%
Post-retirement real return above price inflation	2.8%	3%	4%
Post-retirement real return above pension increases	2.7%	2.8%	4%
Proportion of pension commuted at retirement	No allowance	No allowance	No allowance
Mortality table used to value current pensioners*	For Normal Health: PMA92/PFA92 base year 2002 rated up 1 year reducing by 0.4% per annum For ill health: As normal health, but rated up 5 years	For Normal Health: AM/F92 unrated with 65% scaling factor. For ill health: PMA92/PFA92 base year 2010 rated up by 8 year	For normal health: Am/F 80 with 50% scaling factor. For ill health: PMA92/PFA 92 base year 2010 rated up by 9 years
Expectation of life at 60 for male pensioner			
Expectation of life at 60 for female pensioner			
Mortality table used to value future pensioners*	As current pensioners	As current pensioners but base year of 2020 as opposed to 2010	As current pensioners but base year of 2020 as opposed to 2010.
Expectation of life for male who will be			

aged 60 in 20 years			
Expectation of life for female who will be aged 60 in 20 years			

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 an 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 debate and 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.

The market value of assets was used for the 2005 and 2001 valuation. The actuarial value was used for the 1998 valuation.

The actuarial value in 1998 was determined by assuming the income from a portfolio of assets equating to 78% Equities, 11% Fixed interest, 6% Index Linked and 5% Cash. The assumed dividend yield is consistent with market conditions as at 31 March 2008.

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 Trustees considered the covenant of both the regulated water and electricity employers participating in this scheme.

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 December 2007
Background to the merger/transfer and name of other pension scheme(s).	The United Utilities Group of ESPS was split into two new ESPS Groups. The ENW Group received a transfer of assets relating to members who worked for ENW Limited or UUES Limited at the time of transfer. It also received asset and liabilities for deferred and pensioner members who had worked for ENW Limited (or predecessor companies) on electricity distribution activities only immediately prior to leaving or retiring. The majority of these employees were protected persons as outlined in the ENW Group of ESPS paper.
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.	ENW section: 31 actives, 1,360 deferreds, 6,433 pensioners UUES section: 862 actives, no deferreds or pensioners All other members were transferred to the UU PLC Group of ESPS which is not related to the regulated business and covered the non regulated employees.
The amount of the transfer value and the principles/basis underlying its calculation.	ENW section: £684M UUES section: £181M These represent the Share of Fund from the old UU Group as at 30 November 2007, after some (minor) adjustments as detailed in the transfer agreement.
The extent to which the transfer value was scaled back to reflect underfunding.	See answer above.
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	Not applicable – the scheme has no assets or liabilities remaining.

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.

Not applicable as scheme being wound up.

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?

Not applicable as scheme being wound up.

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

Asset class	31/03/2007	31/03/2006	31/03/2005	31/03/2004	31/03/2003	31/03/02	31/03/01
UK equities	26.4%	29.6%	35.6%	38.1%	37.3%	39%	51%
Overseas equities	30%	31.2%	24.3%	26.9%	25.8%	22%	24%
UK property				0.4%		6%	6%
Overseas property							
Hedge funds							
UK fixed-interest gilts	12.5%	22.7% (combined UK FI and UK ILG)	23.3% (combined UK FI and UK ILG)	10%	11.7%	20% (combined UK FI and UK ILG)	9% (combined UK FI and UK ILG)
UK index-linked gilts	12.9%	22.7% (combined UK FI and UK ILG)	23.3% (combined UK FI and UK ILG)	9.8%	11.9%	20% (combined UK FI and UK ILG)	9% (combined UK FI and UK ILG)
UK	17.2%	15.4%	14.8%	14%	12%	11%	6%

corporate bonds							
Overseas bonds							
Cash	1%	1.1%	1.8%	0.8%	1.3%	2%	4%
Other (give details)							
Other (give details)							

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

Asset class	**Date**	**Date**	**Date**	**Date**	**Date**	**Date**	**Date**	**Date**	**Date**
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 as the scheme is being wound up

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

Not applicable as scheme being is wound up.

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

n/a

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

The investment strategy reflected a mature closed scheme.

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

	31/03/07	31/03/06	31/03/05	31/03/04	31/03/03	31/03/02	31/03/01
Investment return (%)	4.1%	22.9%	10.1%	20%	-14.7%	-2.7%	-6.4%

[redacted]