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?

National Grid UK Pension Scheme

3.2. In what year was the scheme established?

The scheme was Established in 1982 (then known as the BG Staff Pension Scheme)

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.)

British Gas established The Gas Staff schemes in 1952 and Manual Workers Pension Schemes in 1958. Initially, all regions and headquarters had individual Staff and Manual Worker schemes, but these were merged into single schemes in 1982. The Manual Worker schemes were closed to new members in 1980 and the British Gas Corporation scheme was established. Benefits in the Manual Workers Scheme came under the umbrella of the Corporation Scheme from 1988 for those who opted to transfer. The Corporation scheme was merged into the Staff scheme in 2000. The Rules make reference to "prior schemes" which include the benefits of those who transferred from the Manual Workers Scheme,[and from other earlier 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.

No. However, scheme rules were changed at privatisation of British Gas in 1986 and a clause inserted requiring the agreement of 2/3rds of affected members to any changes in the level of benefits and contributions.

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?

Yes. The scheme closed to new entrants below LG3 (a senior management grade) in the Transco business on 4th September 2001. It closed entirely to new entrants on 1st April 2002. These changes did not affect the future accruals of existing members.

Since that date new employees have joined the Defined Contribution section of the scheme. Currently, DC members can contribute 2% to 5% of salary and the company will pay twice the employees pension contributions. The DB section of the scheme continues to provide death in service and ill health benefits for dependants of DC section members and the company pays an annual amount into the DB section to cover the costs of this.

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	**National Grid Gas and Former British Gas**			
Numbers of members	03/03/2007	03/03/2006	03/03/2003	
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				
Total				
Other members				
Active members	5,450	5,778	13,342	
Deferred members	26,736	27,057	29,603	
Pensioner members	68,799	69,823	75,113	
Total	100,985	102,658	118,058	

Name of unregulated business	**Advantica / Research and Technology**			
Numbers of members	03/03/2007	03/03/2006	03/03/2003	
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				
Total				
Other members				
Active members	297	342	551	
Deferred members	404	394	323	
Pensioner members	484	469	379	
Total	1,185	1,205	1,253	

Name of unregulated business	**Fulcrum Connections**			
Numbers of members	03/03/2007	03/03/2006	03/03/2003	
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				
Total				
Other members				
Active members	202	495	805	
Deferred members	423	170	27	
Pensioner members	146	112	2	

Total	771	777	834	

Name of unregulated business	Exploration and Production			
Numbers of members	03/03/2007	03/03/2006	03/03/2003	
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				
Total				
Other members				
Active members	-	-	-	
Deferred members	401	438	453	
Pensioner members	276	301	297	
Total	677	739	750	

Name of unregulated business	Chestertons Facilities Management			
Numbers of members	03/03/2007	03/03/2006	03/03/2003	
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				
Total				
Other members				
Active members	0	0	0	
Deferred members	195	213	216	
Pensioner members	357	372	368	
Total	552	585	584	

Name of business	Other and non attributable			
Numbers of members	03/03/2007	03/03/2006	03/03/2003	
Members with protected rights from the time of privatisation				
Active members				
Deferred members				
Pensioner members				
Total				
Other members				
Active members	798	795	834	
Deferred members	965	1,113	990	
Pensioner members	1,442	1,325	1,132	
Total	3,205	3,233	2,956	

Note for 2007, approximately 850 members were unattributable. Other employers have less than 500 members.

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

Aerion Fund Management Ltd
UK Pensions Services, Basingstoke
Fulcrum Group Holdings Ltd
National Grid Commercial Holdings Ltd
National Grid UK Limited
National Grid Property Holdings Ltd
National Grid Gas plc
National Grid Gas Holdings plc
National Grid Metering Ltd
Utility Metering Services Ltd
Xoserve Ltd

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

Since the scheme merger in 2000, the following employers have also participated although they predominantly account for a small proportion of scheme liabilities and participated for relatively short periods of time.

National Grid Wireless Ltd

Advantica Ltd

Loughborough University

United Utilities

CSC Computer Sciences

Aquila Truck Centres Ltd

Lattice Energy Services Ltd

Stoner Associates Europe Ltd

186k Ltd

The Leasing Group plc

TLG Fire Services Ltd

TLG Fire Engineering Services Ltd

Cedardata Software Ltd

BG Group plc

BG Energy Holdings Ltd

BG International Ltd

BG Eco Fuels Ltd

BG Storage Ltd

BG Intellectual Property Ltd

Phoenix Natural Gas Ltd

Prior to the Scheme Merger, the following additional employers participated in the Staff Scheme after 1996

BG Co-generation Ltd

BG Energy Services Ltd

Energetica Ltd

Hydrocarbon Offshore Services Ltd

Pipeline Integrity International

Accord

British Gas Trading Ltd

Hydrocarbon Resources Ltd

British Gas Energy Centres Ltd

British Gas Services Ltd

Centrica plc

Hoskyns plc

Premier Energy Services Ltd

5. Scheme benefits

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

Specify which group of members	All
Type of benefits	Final Salary
Contracted in or out of S2P	Contracted Out
Normal retirement age (age when unreduced pension is payable)	60
Definition of pensionable pay (specify any deductions in particular)	Basic pay plus other allowances plus bonus. No deductions. (See also answer to 6.3)
Member contributions	3%
Accrual rate for member benefits	1 / 60th for each year of service
Lump sum terms on retirement (specify commutation rate at NRA, if applicable)	14.26. Normal retirement age is 65
Dependants' provision	Spouse, Civil Partner, individuals deemed by the trustees to be financially dependant on the member. Child benefit.
Dependant's pension on death after retirement	Dependants pension based on 90ths, child benefits, £1000 bereavement grant. If the member died within 5 years of retirement a lump sum is also paid equal to the remaining member payments up to 5 years after retirement.
Ill-health benefits	Active member Unable to undertake current employment – immediate pension based on accrued service plus half the remaining service to 65 Unable to undertake any employment - immediate pension based on accrued service plus the remaining service to 65
Lump sum benefit on death in service	4 times pensionable salary
Pension increases in retirement (for excess pension over GMP)	Pensions increase in line with RPI
Pension increases in deferment (excess pension over GMP)	Pensions increase in line with RPI

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

When was it introduced?	Not applicable.
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?	Both. The ability to offer AVCs is within the trustees' power. The company prevented the annual amount that could be paid into AVCs moving above 15% at 'A Day' however.
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?	The volume and value of transfers into the scheme is very low as the Scheme has been closed to new members since April 2002. This is again a Trustee decision.

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.	Member Contributions reduced from 6% to 4% of salary. A proportion of Pre 1978 female employees were contributing 5%. Their contributions were reduced to 4% and they began to accrue a dependants pension Lump sum death benefit for deferred pensioners changed to 5 times pension or contribution plus interest Adult Dependants pension on death in service calculated on members potential service to 65 Accrual rate for adult dependants pensions increased from 1/120th to 1/90th
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	1st October 1990 – contribution reduction and lump sum death benefits 19th December 1990 - Adult Dependants pension on death in service calculated on members potential service to 65 1st January 1991 - Accrual rate for adult dependants pensions increased from 1/120th to 1/90th
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	These changes were a part of a much wider union negotiations across British Gas. Pension improvements were used in the negotiations as the actuary believed that it was "likely" that surpluses in the scheme would become excessive (the schemes were 130% funded at the time) and corrective action would be required under inland revenue legislation – in which case the unions would not view the changes as concessions.
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.	Member contributions since 1990 have been approximately £240m lower as a result of the reduction in member's contributions. The benefit improvements were valued by the scheme actuary at c. £333m.
For decreases in member	No.

contribution rates, state whether the decrease was directly met by an equivalent increase in employer contribution rates at the same time.	

Describe the change.	Qualification for redundancy pension at age 50 reduced to two years service Qualification for employees leaving on redundancy between age 45 to 50 reduced to two years and actuarial reduction removed.
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	1st January 1993 The enhanced redundancy package ceased on 31st December 1996 but the redundancy pension provisions written into the Scheme rules continued.
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 enable huge reduction in employee numbers (30,000 left the business in 3 years) as part of British Gas Restructuring which involved the creation of Business Units such as Transco from the previous Regional Structure
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.	The British Gas programme resulted in an estimated £870m of Early Retirement Deficit Costs between 1st April 1993 and 31st March 1997, £116m of this was funded from surplus and was taken into account as a part of the TPCR4. The principal benefit to the company was to enable substantial opex reductions that have since been passed onto customers.
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.	

Describe the change.	Member Contributions reduced from 4% to 3% Deferred pensioners to have benefits required under the post 89 IR regime Members service was increased by 1% Bereavement Grant introduced Scale A, Scale B and Scale C ill health pensions

	introduced Actuarially reduced pension at 50 for members age 40 to 45 when made redundant (not reorganisation) with minimum two years service. New Child pensions increased to £3,500. All existing child pensions increased to this amount if within IR limits on total family benefits.
State the effective date of the change, and what periods of service (or which groups of members) were affected by the change.	1st April 2000
Explain briefly the reasons for the change (for example, "to comply with the Pensions Act 1995", "to reduce costs", or "to apply valuation surplus").	The action was taken to enable the schemes to merge and therefore to reduce the cost of financing the combined schemes. At the time, the Staff scheme had a substantial surplus whereas the corporation scheme did not. In addition, there was a substantial administrative burden from operating two separate schemes and as a part of this transaction; the scheme took on the operation of administrative costs, reducing the risk of stranded 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.	The 2001 actuarial valuation values these benefit improvements at 1% of scheme liabilities, or c.£120m Reduction in members' contributions has resulted in £25m not being contributed to the scheme to date.
For decreases in member contribution rates, state whether the decrease was directly met by an equivalent increase in employer contribution rates at the same time.	No.

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?

There are no protected members under the Gas Act.

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.

The company has actively reduced the proportion of pay that is deemed pensionable. Bonus payments whilst still pensionable under scheme rules, are now paid in a form that are excluded from pensionable salary and staff sign individual agreements to ensure this is the case.

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.

N/A

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. Pension-related benefits continue to be provided by the scheme. Changing member benefits requires the positive agreement of 2/3rds of affected members (not just those who vote) and agreement from the trustees. It is therefore difficult to achieve.

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

Changes to scheme benefits prior to 1993 cannot be assessed in isolation as they were a part of much wider structural change in the gas industry. Furthermore, had the changes not been made, it is probable that action to deal with surpluses would have been required under Inland Revenue rules. In that case, the appropriate use of surplus would have been determined by the schemes' trustees.

It is difficult to quantify what the effect of merging the schemes has been. Whilst member benefits were improved, given the status of the schemes prior to the merger and the fact that the scheme was 97% funded in 2007, it is likely that required deficit payments to date would have been substantially higher.

Firstly, it would have been much more difficult to agree the letter of credit solution with the corporation scheme trustees in 2003 as the funding level of the corporation scheme in isolation would have been substantially worse than the funding level of the combined scheme. Secondly, even if that was possible, if the schemes had not merged the staff scheme may well have been in surplus in 2007. In that case, the deficit in the corporation section would have been larger than the deficit in the combined scheme and bigger deficit repair payments would have been required.

Since 2001, the company has taken a range of actions to reduce the costs of the NGUK scheme. The introduction of the DC scheme has led to reduced contributions of between £35 - £40m to date.

Currently, bonus payments make up approximately 5% of total UK renumeration (across all schemes). If pensionable pay was 5% higher, the liabilities of active members would be £55m higher. Additional savings would relate to members who are currently deferred or pensioners.

7. Actuarial valuation results

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

	31/03/2007	31/03/2006	31/03/2003	31/03/2001
Under Pensions Act 2004? (yes/no)	Yes	Yes	No	No
Funding method (for example, Projected Unit)	Projected Unit	Projected Unit	Projected Unit	Projected Unit
Market value of assets	£12,923m	£12,743m	£10,141m	£11,963m
Actuarial value of assets, if not at market value				
Actuarial value of liabilities	£13,365m	£13,114m	£11,020m	£11,456m
Ongoing funding level (%)	97%	97%	92%	104%
Deficit recovery period (years)	2.5	1.25. Revised in 2007	12 years. No payment till 2007	n/a
Employer contribution rate for future accruals (%) of pensionable pay	29.4%	29.0%	20.7%	23.6%
Employer contribution rate after surplus/deficit (%)of pensionable pay	29.4%	29.0%	20.7%	8.5%
Solvency (or buy-out) funding level (%)	85%	75%	70%	n/a

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

The employer contribution rate has been set on a projected unit basis, with a control period to the next anticipated actuarial valuation of 31st March 2010.

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 recovery period was determined in line with an agreement between the trustees and the company following the 2003 valuation. At the 2003 valuation, a very significant deficit emerged in the scheme. Rather than make a deficit payment of over £800m, the company took the view that the deficit may reduce naturally as the equity market recovered from a cyclical low.

Consequently, the company provided a letter of credit to the scheme and an agreed that no further deficit payments would be required until the 2007 actuarial valuation. However, if the scheme was still in deficit at that point a lump sum payment of £520m would be made.

As a result of this agreement, the deficit identified at the 2007 valuation was repaired over a relatively short period of time, reflecting the 4 year delay in payments that had already occurred.

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

The basis for the allocation of deficit costs to regulated and non regulated businesses was exhaustively examined at TPCR4. The allocation was based on the actuarial liabilities of employees who had worked for each employer in the scheme and the extent to which that employer was regulated.

Watson Wyatt provided an analysis of the scheme liabilities by employer as at 31st March 2006 based on the service records of the individual members. This analysis also included a segmentation of the liabilities of employees who were not active at various key dates in the past – such as the de-mergers of Centrica and BG.

A further analysis then assessed the extent to which each employer in the scheme was regulated. For employers other than National Grid Gas, this depended on the proportion of the employer's revenues that were paid by the regulated entity.

National Grid Gas was deemed to be 100% regulated following the de-merger of Centrica. The liabilities of employees who had left the company prior to the de-merger were deemed to be 54% regulated. This was based on data from the split of active employees at the time of de-merger.

Overall, approximately 63% of the liabilities of the scheme were assumed to be regulated. The bulk of regulated deficit costs were then allocated to Transmission, with Gas Distribution only retaining the deficit costs of its active employees.

8. Actuarial assumptions

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

	31/03/2007	31/03/2006	31/03/2003	31/03/2001
Pre-retirement nominal rate of return	Active – 6.6% to 5.1% by 2027 Deferred – 5.8% to 5.1% by 2027	Active – 6.4% to 4.7% by 2032 Deferred – 5.4% to 4.7% by 2032	7.6%	5.3%
Pre-retirement real return above price inflation	Active – 3.3% to 1.8% by 2027 Deferred – 2.5% to 1.8% by 2027	Active – 3.4% to 1.7% by 2027 Deferred – 2.5% to 1.7% by 2032	4.9%	3.0%
Pre-retirement real return above salaries	Active – 2.3% to 0.8% by 2027 (excl promotion)	Active – 2.4% to 0.7% by 2032 (excl promotion)	3.5%	1.1%
Promotional salary scale (if not in salary assumption)	Attached	Attached	Attached	Attached
Post-retirement nominal discount rate (i.e. real rate of return to value liability)	5.1%	4.7%	5.2%	5.3%
Post-retirement real return above price inflation	1.8%	1.7%	2.6%	3.0%
Post-retirement real return above pension increases	Approx 1.8%	Approx 1.7%	Approx 2.6%	Approx 3.0%
Proportion of pension commuted at retirement	21%	0%	0%	0%
Mortality table used to value current pensioners*	Scheme Specific table. Medium Cohort increases with 1.25% underpin	Scheme Specific table. Medium Cohort improvements	Scheme specific from WA80, PA80 & PA92. 0.33% lower d.r for increases	PMA92C95 PFA80C05 For industrials 3 year uprate men, 1 women
Expectation of life at 60 for male pensioner	26 – Staff 23.7 - Industrial	25 – Staff 22.8 - Industrial	22.4 – Staff 19.9 - Industrial	21.6 – Staff 19.0 - Industrial
Expectation of life at 60 for female pensioner	28.1 – Staff 24.9 - Industrial	26.9 – Staff 23.3 - Industrial	25.6 – Staff 25.6 - Industrial	24.9 – Staff 24.0 - Industrial
Mortality table used to value future pensioners*	Scheme Specific table. Medium Cohort increases with 1.25% underpin	Scheme Specific table. Medium Cohort improvements	Scheme specific from WA80, PA80 & PA92. 0.25% lower d.r for	PMA92C95 PFA80C05 For industrials 3 year uprate men, 1

			increases	women
Expectation of life for male who will be aged 60 in 20 years	28.6 – Staff 26.5 - Industrial	26.4 – Staff 24.5 - Industrial	23.3 – Staff 20.8 - Industrial	21.6 – Staff 19.0 - Industrial
Expectation of life for female who will be aged 60 in 20 years	30.7 – Staff 27.5 - Industrial	28.2 – Staff 25.0 - Industrial	26.6 – Staff 26.6 - Industrial	24.9 – Staff 24.0 - Industrial

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

Separate discount rates are set for active, deferred and pensioner members.

The return on asset classes is set based on market conditions prevailing at the time of the valuation. At March 2006, actives were assumed to be 90% backed by equities, Deferred's 50% backed by equities and Pensioners 10% backed by equities. Under the Scheme's asset allocation strategy, the proportion of equities is to reduce over a period of twenty years as the scheme's liabilities mature. The proportion of equities allocated to active and deferred members declines in line with this assumption and discount rates vary over time as a result.

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 growth assumption was based on both historic experience and the companies view of what future increases would be delivered given the companies business plan at that time.

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

Not applicable.

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 undertook an assessment of the employer covenant during the 2006 valuation, in particular focussing on the company's strong credit rating and the degree of support provided by the regulatory environment.

According to advice from the scheme actuary, the assumptions chosen for the 2006 and 2007 valuations were chosen with due regard to the strength of the employer covenant. For example, at the 2007 valuation, the trustees initially proposed a set of assumptions that would have resulted in a deficit of over £826m. The company responded with a number of proposed assumption changes that would have resulted in the removal of the deficit. In the event, the trustees and company agreed to reflect a number of these revised assumptions and the deficit was reduced to £442m.

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.	1st April 1998
Background to the merger/transfer and name of other pension scheme(s).	Centrica de-merged from British Gas on 17th February 1997. Centrica members remained in the BG Group Pension scheme until 1st April the following year. The liabilities and assets of the scheme were transferred to the Centrica staff pension scheme and the Centrica Engineers 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.	The Centrica pension schemes took responsibility for approximately 16,333 active members of the scheme.
The amount of the transfer value and the principles/basis underlying its calculation.	Staff Scheme - £664m Corporation Scheme - £376m
The extent to which the transfer value was scaled back to reflect underfunding.	The schemes were in surplus at the time.
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	None.

Date of merger/transfer.	1st April 2000
Background to the merger/transfer and name of other pension scheme(s).	The BG staff and BG Corporation schemes were merged
Number of active, deferred and pensioner members involved in the	The active, deferred and pensioner liabilities of all BG

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.	schemes were included
The amount of the transfer value and the principles/basis underlying its calculation.	n/a
The extent to which the transfer value was scaled back to reflect under-funding.	n/a
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	The entire deficit as at 31st March 2007 related to these members, with the exception of those active members who later transferred out of the scheme.

Date of merger/transfer.	4th July 2001
Background to the merger/transfer and name of other pension scheme(s).	Lattice Group de-merged from BG Group on the 23rd October 2000. The new BG Group pension scheme was established in July 2001.
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.	The new BG Group scheme took responsibility for approximately 1,325 active members who worked for BG Group.
The amount of the transfer value and the principles/basis underlying its calculation.	The transfer value was £236m; This was based on the BG share of the pension scheme assets at the date of transfer. The assets were split in direct proportion to the liabilities that transferred.
The extent to which the transfer value was scaled back to reflect under-funding.	The schemes were in surplus at the time.
Quantify the amount of the scheme's current surplus or deficit	None.

relating to the transferred members.	

Date of merger/transfer.	1st December 2005 – Scotia Gas Networks 5th December 2005 – Wales and West Utilities 7th December 2005 – United Utilities
Background to the merger/transfer and name of other pension scheme(s).	Four local gas distribution networks were sold to three separate buyers.
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.	3,632 active members transferred.
The amount of the transfer value and the principles/basis underlying its calculation.	The bulk transfer amount was £601m
The extent to which the transfer value was scaled back to reflect under-funding.	The transfer values reflected the level of scheme funding at the last actuarial valuation.
Quantify the amount of the scheme's current surplus or deficit relating to the transferred members.	None.

Two other small transfers were sufficiently material to be explicitly mentioned in the scheme accounts. These are the transfer of IS Staff to CSC in 2005/6 which resulted in a £20m transfer out of the scheme and the transfer of pension rights associated with Pipeline Integrity International, worth £24m in 1999/2000 .

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 trustee's investment strategy is designed to provide the investment returns required to meet the schemes liabilities at an acceptable level of risk to the trustees and an acceptable level of cost to the company and consumers.

The profile of the scheme has changed over the last ten years as the scheme has closed to new members and the membership profile has matured. As a result there has been a gradual move from equities into bonds. Currently c.55% of the assets of the scheme are invested in various bonds and this proportion is set to increase by approximately 1% p.a. until 2027.

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 trustees undertook an assessment of the employer covenant during the 2006 valuation, in particular focussing on the company's strong credit rating and the degree of support provided by the regulatory environment.

According to advice from the scheme actuary, the schemes investment strategy fully reflects the strength of National Grid's employer 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	**03/08**	**03/07**	**03/06**	**03/05**	**03/04**	**03/03**	**03/02**	**03/01**	**03/00**
UK equities	14.8%	16.5%	22.6%	21.9%	23%	23.4%	39.2%	38.9%	37.5%
Overseas equities	16.3%	17.2%	13.8%	15.8%	16.2%	14.7%	17.6%	16.4%	18.9%
Property	6.8%	8.7%	8.6%	8.0%	7.3%	8.1%	6.6%	6.9%	5.9%
Overseas property	0%	0%	0%	0%	0%	0%	0%	0%	0%
Hedge funds	0%	0%	0%	0%	0%	0%	0%	0%	0%
UK fixed-interest gilts	13.7%	15.9%	11.7%	15.2%	16%	11.8%	9.7%	19.6%	18.9%
UK index-linked gilts	20.2%	17.4%	18.3%	18.7%	18.1%	20.1%	11.3%	10.7%	10.7%
UK corporate bonds	22.0%	20.1%	20.2%	16.6%	15.2%	17.9%	10.9%	4.9%	3.4%
Overseas	0.6%	0.1%	1.2%	0%	0%	0.5%	0.8%	0.5%	0.1%

bonds									
Cash (and other)	2.6%	2.1%	1.6%	1.9%	2.5%	2.0%	3.9%	2.1%	4.6%
Private Equity	2.9%	2.4%	2.0%	1.9%	1.7%	1.5%	0%	0%	0%
Derivatives	0.1%	(0.4%)	0%	0%	0%	0%	0%	0%	0%

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.

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

See 10.1

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

According to the 2007/8 accounts the expected return on plan assets is 6.1% nominal.

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

The liabilities of the scheme continue to mature and, based on the advice of the actuary, the trustees determined that it was appropriate to invest a greater proportion of the schemes assets in assets which more closely matched the schemes liabilities.

A significant switch from equities into bonds therefore began in 2000. As a result, forecast rates of return were lower but more predictable.

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

	07/08	06/07	05/06	04/05	03/04	02/03	2002	2001	2000
Investment return (%)	1.7%	5.3%	17.4%	9.6%	15.6%	(9.7%)	(6.8%)	(6.2%)	0.4%

[redacted]