

If a fund surplus arises (after meeting any indexation liability in that year) it is the agreed intention of both parties, in the interest of the long term viability of the scheme, that the surplus will be used to further Derisk the scheme.

6. Governance Structure Review

In the light of the comprehensive nature of the pensions review being conducted by ESB and the Group of Unions and the many changes to pension's legislation & regulation since the formation of the Scheme back in 1942, it was agreed by the parties to include a review of the Schemes Governance Structure within the overall review of the Scheme. As part of this review an independent report on relevant aspects of the Scheme's governance structure was commissioned. This report reviewed the Scheme's current governance structure arrangements, identified the many best practice processes already in place, as well as identifying several additional best practices employed by some large pension schemes. The independent report is currently being considered by the joint parties and we have agreed in principle that the Governance Structure will be enhanced, as appropriate, in line with best practices identified internationally for large pension schemes. It is expected that the final details of these changes, once agreed will be presented to the ESB Board for approval later in 2010.

7. Conclusion

ESB and the Group of Unions, in reaching these proposals had two key aims i.e. to return the scheme to solvency and take action to ensure the security of the scheme for members into the future: On the basis of the changes outlined in these proposals, the Scheme Actuary has concluded that the proposals address the current scheme deficit and that the proposals will further reduce investment risk in the future. He also concludes that while the scheme will continue to carry significant investment risk the proposals improve the long-term sustainability of the scheme.

A procedure will be agreed to ensure that all parties to these proposals are informed on at least an annual basis of progress in relation to achieving the deficit reduction and derisking targets as outlined.

The Group of Unions will have concluded their consultation and ballot process by the end of July 2010.

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