Arqiva Services Limited Pension Scheme
Trustee Newsletter — October 2009

Message from the Chairman of the Trustees, Peter Sanders

Welcome to the October 2009 Trustee report to members of the Arqiva Services Limited Pension Scheme, previously the National Grid Wireless Pension Scheme.

Escalating pension liabilities and record market losses have hit the headlines with such increasing frequency during the past year that it's been difficult to ignore the impact this is having on the future of many defined benefit pension schemes.
I am, therefore, delighted to be in a position to provide a positive update on the future of the Scheme. I can confirm that the Company has told the Trustees that it is firmly committed to providing you with your promised benefits. In addition, the Trustees have received regular financial updates from the Company on the Arqiva business performance which has resulted in an assessment that the Company covenant supporting the Scheme remains strong.

The previous Newsletter was issued in March 2008 and since then there have been a number of developments within the Scheme, as shown below:

- The Scheme name was changed to Arqiva Services Limited Pension Scheme.
- Arqiva Limited became the employer of all members and became the Principal Employer for the Scheme.
- The actuarial valuation as at 30 June 2008 has been completed and future contributions agreed with the Company (further details in the Scheme Funding section later in the Newsletter).
- The Scheme's investment strategy has gradually been changed to reduce the proportion of assets held in equities and increase the proportion of bond type investments. This change meant that the Scheme did not suffer as much as it would have done when equity prices fell.
- Angela Dennehy stepped down as a Trustee when she left the Company in December 2008. Angela had been one of the original Trustee Directors when the Scheme was set up in August 1997 and her knowledge and contribution to the running of the Scheme have been invaluable.
- Transfer values have been received from the National Grid schemes, which have been invested in the New Section assets to provide benefits for service completed by those members who joined the New Section of the Scheme in October 2007.

As was reported in the last Newsletter, the date to which the Scheme accounts are drawn up was changed to 30 June from 2008. The actuarial valuation was carried out as at 30 June 2008, to coincide with the accounts, which was 2 ½ years since the previous valuation. This valuation showed a larger deficit than was expected following the 2005 valuation, largely due to investment returns being lower than forecast in 2005. I am pleased to tell you that a revised funding plan, which addresses the newly identified deficit, has just been agreed. The issue of this Newsletter was delayed so that details of the new funding plan and commentary on the valuation could be included.

The actuarial valuation of the Arqiva Defined Benefit Pension Plan (the legacy Arqiva DB scheme) was also brought forward to 30 June 2008. With the support of our advisors, we will be moving into a period of discussions with both the Trustees of that Plan and the Company on the potential merger of the two schemes and the benefits that one combined scheme might bring. We will work closely with the Company on developing further communications on this as it progresses.

Whilst the valuation has been the main focus of our meetings, there have also been other developments through the year and these are covered in more detail in the "Scheme Changes and Information" section at the end of this Newsletter.

Please ensure that you notify the Scheme administrators of any change in circumstances such as a change of address, updated nomination of beneficiaries for death benefits and marital/civil partnership status.

Finally, it is worth noting that the Trustees have received reassurance from the Company that the recent Macquarie Communications Infrastructure Group transfer of its 45% shareholding of Arqiva to the Canadian Pension Plan Investment Board has no impact on the strength of the Company covenant.
I hope you find this Newsletter a useful update.

Best regards

Plan Trustees

Jack Fitzsimons - Member Nominated

Nathan Hodge - Company Nominated

Kevin Moroney - Company Nominated

Peter Sanders (Chair) - Company Nominated

Alan Taylor - Member Nominated

Trustee Professional Advisors

Scheme Actuary

Bob Issitt
Deloitte Total Reward and Benefits Limited
Four Brindleyplace
Birmingham
B1 2HZ

Auditors
KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Legal Advisors
Norton Rose
More London Riverside
London
SE1 2AQ

Scheme Secretary
Lucy Leader
Bluefin Group
4th Floor, 1 Aldgate
London
EC3N 1LP

Pension Administrators

Deloitte Total Reward and Benefits Limited
Four Brindleyplace
Birmingham
B1 2HZ

Investment Manager
Legal & General Investment Management
One Coleman Street
London
EC2R 5AA

AVC Managers
The Equitable Life Assurance Society
Clerical Medical
Legal & General Investment Management
Aviva

Trustee Report and Accounts 01/01/07 - 30/06/08

The Auditors have confirmed that the financial statements in the Trustee's Report and Accounts for 1 January 2007 to 30 June 2008 are correct. Copies are available for members to view on request. While the Scheme remains ongoing, even though funding may at times temporarily be below target, benefits will continue to be paid in full. However, transfer values may be reduced depending on the prevailing estimated financial position, although at the time of writing, transfer values are being paid in full.
The Trustees strongly recommend that any members considering ceasing active membership or transferring benefits out of the Scheme should consult a professional adviser before taking any action.

Membership of the Plan as at 30 June 2009

	Main Section	New Section	Total
Active members	139	12	151
Pensioners	119	0	119
Deferred Pensioners	159	5	164
Total	417	17	434

Benefit Information

All contributing members of the Scheme receive a personalised benefit statement on an annual basis. In addition, Member handbooks are available from the Scheme administrator or on Livelink.
If you have any questions about the Scheme or queries about your benefits which are not answered by these sources, our Scheme administrators, Deloitte, will be please to help you.

Contact: Denise Crowe
Telephone: 0121 695 5372
Email: denisecrowe@deloitte.co.uk

Scheme Funding

	Formal Valuation 31 December 2005	Actuarial Report 31 December 2006	Formal Valuation 30 June 2008	
£000's			Main	New
Assets	31,200	36,100	46,857	3,034
Liabilities	43,800	47,100	54,847	3,466
Surplus/(Deficit)	(12,600)	(11,000)	(7,990)	(432)
Funding Level	71%	77%	85%	88%

The assets and liabilities are shown excluding the Additional Voluntary Contributions invested on a money purchase basis, the value of these contributions at 30 June 2008 were £4,684,888.

Formal Valuation at 30 June 2008

Since the 2005 valuation, the employer has paid special contributions of £9 million in March 2007 and £1.1 million in each of April 2008 and April 2009. These payments were made in accordance with the agreement following the 2005 valuation.
The 2008 valuation revealed a deficit of £7,990,000 in the Main Section and £432,000 in the New Section. The Company has made a payment of £1.1 million in April 2009 to the Main Section as set out above and the Company has agreed to pay further payments of:

Due by	Main Section (£000's)	New Section (£000's)	Total (£000's)
31 December 2009	1,596	102	1,698
1 July 2010	1,643	105	1,748
1 July 2011	1,784	114	1,898
1 July 2012	1,784	114	1,898
1 July 2013	1,653	105	1,758
Total	8,460	540	9,000

In addition to these amounts, the Company will pay 21.4% of pensionable salaries for members in the Main Section, 20% of salaries for former National Grid UK members and 17% for former ESPS members. The Company also meets the expenses involved in running the Scheme and any levies payable. The lump sum death in service benefit is provided through the separate Arqiva Flexible Life Assurance Scheme and the Company pays the premiums for the core benefit.
At the valuation date, the estimated amount required so that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £38 million for the Main Section and £2.2 million for the New Section. Inclusion of this information does not imply that the Company is thinking of winding up the Scheme in a way which would require all benefits to be secured.
The next formal valuation must be conducted with an effective date no later than 30 June 2011.

Plan Changes and Information

Early retirement change
At the moment, members can retire from age 50, with the consent of the Company. From 6 April 2010 this will change and the earliest age you can retire will be 55. However, under certain circumstances, members of the New Section who leave (or have left) the Company due to redundancy will still be able to retire from age 50 from 6 April 2010. Further details are available from the Scheme Administrator.

Flexible retirement
Members are able to take their pension on a more flexible basis. If you do not wish to retire on reaching the Scheme retirement age of 60 for Main Section members, or 60 or 63 for ex ESPS members in the New Section, you have the option to:
- continue working for Arqiva and paying contributions and accruing benefits in the Scheme until retirement or up to the Company retirement age of 65, whichever is earlier; or
- draw your pension from the Scheme, including benefits from any AVCs, while continuing to work for Arqiva. You then have the option to join the Scottish Widows Group Personal Pension Plan which has a minimum employee contribution of 1% with the Company matching your contribution up to a maximum of 6%.

Money Purchase AVC
You have the opportunity to contribute to a range of Additional Voluntary Contribution arrangements. There are two "with-profit" arrangements with insurance companies (Equitable Life – which is only available if you already contribute to them – and Aviva – which was known as Norwich Union). A with profit investment is designed to provide a steady level of growth in the investment although there can be penalties applied if the money is encashed before normal retirement age. There is a cash type investment with Clerical Medical, originally known as the Halifax fund and a range of investments with Legal & General. You can obtain details of the latest prices of Legal & General units and the past performance of the various funds at www.lgim.com/clientsite Username: Arqiva_member, Password: arq001js. Further details of the AVC arrangements can be found on Livelink

Trustee Risk Register
In line with guidance from the Pensions Regulator, the Trustees have established a risk register for the Scheme which covers areas in addition to those reviewed in the formal annual Scheme audit. The Trustees use the register to list possible risks in the standard Arqiva format and then record the actions that have been taken to mitigate the risks. The register is then reviewed at every Trustee meeting.

Conflicts of Interest Protocol
Trustees agreed and implemented a Conflicts of Interest Protocol as a result of new legislative requirements effective in October 2008. The protocol sets out how conflicts of interest should be managed by the Trustees both as a group and as individuals and a Register of Interests, reviewed at the start of each Trustee meeting, records all acknowledged conflict situations.

Transfer Value basis
New regulations from 1 October 2008 placed the responsibility on to trustees for determining the assumptions to be used in the calculation of transfer values. Assumptions were agreed by the Trustees following consideration of actuarial advice and apply to requests from members who have left the Scheme and who want to transfer or who are considering transferring the value of their benefits to another pension arrangement.

Investment Strategy
The Scheme assets are invested in a range of funds managed by Legal & General, which are designed to match various indices. This is a low cost method of investing in the major stock markets and has provided better investment returns than achieved by most managers who select specific investments.
There are two groups of investments, equities and bonds. Equities are investment in company shares, the value of which can go up or down during short intervals, as we have seen recently. Bonds give a fixed amount of income (sometimes increasing with inflation) and return of the face value of the investment at a future date. Bonds can be considered to be a more stable type of investment whereas, over a long period, there is a good chance that equities will provide a higher return but involve higher risk. The Scheme's equity investments are divided between UK company shares and those issued by overseas companies. The bond investments are in funds invested in Government stocks which provide a fixed amount of income each year, Government stocks which increase each year in line with inflation, and investments issued by companies and provide fixed income each year.
The Trustees have gradually changed the investment strategy in the Main Section to reduce the reliance on equities and used the deficit contributions received to move towards the more secure bond investments, as illustrated below:

Date	31/12/05	31/12/06	30/06/08	30/06/09
Equities:				
UK	55%	46%	38%	27%
Overseas	35%	29%	25%	18%
Total Equities	90%	75.0%	63%	45%
Bonds:				
Government fixed	-	12.5%	12.5%	18.2%
Government inflation	-	-	12.0%	18.6%
Companies	10%	12.5%	12.5%	18.2%
Total bonds	10%	25.0%	37%	55%
TOTAL	100%	100%	100%	100%

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