10.
EMPLOYEE BENEFITS

A.
Pension Benefits and Postretirement Benefits Other Than Pensions

Pursuant to GAAP, NU is required to record the funded status of its Pension and PBOP Plans on the accompanying consolidated balance sheets, based on the difference between the projected benefit obligation for the Pension Plan and accumulated postretirement benefit obligation for the PBOP Plans and the fair value of plan assets measured in accordance with fair value measurement accounting guidance. Pursuant to GAAP, the funded status of pension and PBOP plans is recorded with an offset to Accumulated Other Comprehensive Income/(Loss). This amount is remeasured annually, or as circumstances dictate.

Charges for the Regulated companies are recorded as Regulatory Assets and included as deferred benefit costs as these benefits expense amounts have been and continue to be recoverable in cost-of-service, regulated rates. Regulatory accounting was also applied to the portions of the NUSCO costs that support the Regulated companies, as these amounts are also recoverable through rates charged to customers. Charges for the unregulated companies are recorded on an after-tax basis to Accumulated Other Comprehensive Income/(Loss). For further information see Note 2, "Regulatory Accounting," and Note 16, "Accumulated Other Comprehensive Income/(Loss)," to the consolidated financial statements.

Pension Benefits: NUSCO sponsors a Pension Plan, which is subject to the provisions of ERISA, as amended by the PPA of 2006. The Pension Plan covers nonbargaining unit employees (and bargaining unit employees, as negotiated) of NU, including CL&P, PSNH, and WMECO, hired before 2006 (or as negotiated, for bargaining unit employees). Benefits are based on years of service and the

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employees' highest eligible compensation during 60 consecutive months of employment. NU allocates net periodic pension expense to its subsidiaries based on the actual participant demographic data for each subsidiary's participants. Benefit payments to participants and contributions are also tracked by the trustee for each subsidiary. The actual investment return for the trust each year is allocated to each of the subsidiaries in proportion to the investment return expected to be earned during the year. NU uses a December 31st measurement date for the Pension Plan.

In addition, NU has maintained a SERP since 1987. The SERP provides its eligible participants, who are officers of NU, with benefits that would have been provided to them under the Pension Plan if certain Internal Revenue Code limitations were not imposed. NU allocates net periodic SERP benefit costs to its subsidiaries based upon actuarial calculations by participant.

Although the Company maintains a trust to support the SERP with marketable securities held in the NU supplemental benefit trust, the plan itself does not contain any assets. For information regarding the investments in the NU supplemental benefit trust that are used to support the SERP liability, see Note 5, "Marketable Securities," to the consolidated financial statements.

PBOP Plan: On behalf of NU's retirees, NUSCO also sponsors plans that provide certain retiree health care benefits, primarily medical and dental, and life insurance benefits through PBOP Plans. These benefits are available for employees retiring from NU who have met specified service requirements. For current employees and certain retirees, the total benefit is limited to two times the 1993 per retiree health care cost. These costs are charged to expense over the estimated work life of the employee. NU uses December 31 as the measurement date for the PBOP Plan.

NU annually funds postretirement costs through external trusts with amounts that have been and will continue to be recovered in rates and that are tax deductible.

NU allocates net periodic postretirement benefits expense to its subsidiaries based on the actual participant demographic data for each subsidiary's participants. Benefit payments to participants and contributions are also tracked for each subsidiary. The actual investment return for the trust each year is allocated to each of the subsidiaries in proportion to the investment return expected to be earned during the year.

Actuarial Determination of Expense: Pension and PBOP expense consists of the service cost and prior service cost determined by actuaries, the interest cost based on the discounting of the obligations and the amortization of the net transition obligation, offset by the expected return on plan assets. Pension and PBOP expense also includes amortization of actuarial gains and losses, which represent differences between expected and actual plan experience.

The expected return on plan assets is calculated by applying the assumed rate of return to a four-year rolling average of plan asset fair values, which reduces year-to-year volatility. This calculation recognizes investment gains or losses over a four-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the calculated expected return and the actual return based on the change in the fair value of assets during the year. As investment gains and losses are reflected in the average plan asset fair values, they are subject to amortization with other unrecognized gains/losses. Unrecognized gains/losses are amortized as a component of pension and PBOP expense over the estimated average future service period of the employees of approximately 10 and 9 years, respectively.

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The following tables represent information on NU's plan benefit obligations, fair values of plan assets, and funded status. Amounts related to the SERP obligation and expense are included with the Pension Plan in the tables below:

	Pension and SERP Benefits							
	As of December 31, 2011				As of December 31, 2010			
(Millions of Dollars)	NU	CL&P	PSNH	WMECO	NU	CL&P	PSNH	WMEC
Change in Benefit Obligation								
Benefit Obligation as of Beginning of Year	$ (2,820.9)	$ (964.3)	$ (448.7)	$ (196.6)	$ (2,610.3)	$ (899.2)	$ (412.1)	$ (1
Service Cost	(55.4)	(19.5)	(10.6)	(3.9)	(51.0)	(17.6)	(10.0)	
Interest Cost	(153.3)	(51.9)	(24.4)	(10.7)	(152.6)	(52.2)	(24.1)	(
Actuarial Loss	(206.1)	(64.0)	(33.2)	(15.4)	(140.6)	(49.7)	(20.7)	
Benefits Paid - Excluding Lump Sum Payments	134.4	55.6	18.9	10.8	130.2	54.1	18.1	
Benefits Paid - SERP	2.4	0.3	0.1	-	2.5	0.3	0.1	
Benefits Paid - Lump Sum Payments	-	-	-	-	0.9	-	-	
Benefit Obligation as of End of Year	$ (3,098.9)	$ (1,043.8)	$ (497.9)	$ (215.8)	$ (2,820.9)	$ (964.3)	$ (448.7)	$ (1
Change in Pension Plan Assets								
Fair Value of Plan Assets as of Beginning of Year	$ 1,977.6	$ 918.4	$ 185.4	$ 209.8	$ 1,789.6	$ 844.5	$ 137.1	$ 1
Actual Return on Plan Assets	19.1	6.8	0.6	3.0	274.1	128.0	21.4	
Employer Contribution	143.6	-	112.6	-	45.0	-	45.0	
Benefits Paid - Excluding Lump Sum Payments	(134.4)	(55.6)	(18.9)	(10.8)	(130.2)	(54.1)	(18.1)	(
Benefits Paid - Lump Sum Payments	-	-	-	-	(0.9)	-	-	
Fair Value of Plan Assets as of End of Year	$ 2,005.9	$ 869.6	$ 279.7	$ 202.0	$ 1,977.6	$ 918.4	$ 185.4	$ 2
Funded Status as of December 31st	$ (1,093.0)	$ (174.2)	$ (218.2)	$ (13.8)	$ (843.3)	$ (45.9)	$ (263.3)	$

	PBOP Benefits							
	As of December 31, 2011				As of December 31, 2010			
(Millions of Dollars)	NU	CL&P	PSNH	WMECO	NU	CL&P	PSNH	WMEC
Change in Benefit Obligation								
Benefit Obligation as of Beginning of Year	$ (489.9)	$ (190.2)	$ (89.9)	$ (41.7)	$ (475.7)	$ (188.1)	$ (87.5)	$ (
Service Cost	(9.2)	(2.9)	(1.9)	(0.6)	(8.5)	(2.7)	(1.8)	
Interest Cost	(25.7)	(10.0)	(4.8)	(2.2)	(26.8)	(10.5)	(5.0)	
Actuarial Loss	(30.1)	(8.5)	(8.4)	(1.0)	(17.5)	(4.3)	(1.5)	
Federal Subsidy on Benefits Paid	(4.1)	(1.8)	(0.7)	(0.4)	(3.7)	(1.6)	(0.6)	
Benefits Paid	38.1	14.5	6.5	3.0	42.3	17.0	6.5	
Benefit Obligation as of End of Year	$ (520.9)	$ (198.9)	$ (99.2)	$ (42.9)	$ (489.9)	$ (190.2)	$ (89.9)	$ (
Change in Plan Assets								
Fair Value of Plan Assets as of Beginning of Year	$ 278.5	$ 108.6	$ 56.9	$ 26.7	$ 240.3	$ 93.2	$ 47.7	$ [illegible]
Actual Return on Plan Assets	(2.5)	(1.2)	(0.4)	(0.1)	34.9	13.8	7.0	
Employer Contribution	47.5	19.3	8.7	3.5	45.6	18.6	8.7	
Benefits Paid	(38.1)	(14.5)	(6.5)	(3.0)	(42.3)	(17.0)	(6.5)	
Fair Value of Plan Assets as of End of Year	$ 285.4	$ 112.2	$ 58.7	$ 27.1	$ 278.5	$ 108.6	$ 56.9	$ [illegible]
Funded Status as of December 31st	$ (235.5)	$ (86.7)	$ (40.5)	$ (15.8)	$ (211.4)	$ (81.6)	$ (33.0)	$ (

Pension and SERP benefits funded status includes the current portion of the SERP liability, which is included in Other Current Liabilities on the accompanying consolidated balance sheets.

The accumulated benefit obligation for the Pension Plan as of December 31, 2011 and 2010 is as follows:

	Pension and SERP Benefits	
(Millions of Dollars)	2011	2010
NU	$ 2,810.6	$ 2,551.1
CL&P	938.4	868.3
PSNH	444.8	397.9
WMECO	195.5	177.4

The following actuarial assumptions were used in calculating the plans' year end funded status:

	As of December 31,			
	Pension and SERP Benefits		PBOP Benefits	
	2011	2010	2011	2010
Discount Rate	5.03%	5.57%	4.84%	5.28%
Compensation/Progression Rate	3.50%	3.50%	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	7.00%	7.00%

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The following is a summary of the changes in plan assets and benefit obligations recognized in Regulatory Assets and OCI as well as amounts in Regulatory Assets and OCI reclassified as net periodic benefit (expense)/income during the years presented:

	Amount Reclassified To/From			
	Regulatory Assets		OCI	
	For the Years Ended December 31,			
(Millions of Dollars)	2011	2010	2011	2010
Pension and SERP				
Actuarial Losses Reclassified as Net Periodic Benefit Expense	$ (79.4)	$ (51.0)	$ (4.8)	$ (2.7)
Actuarial Losses Arising During the Year	334.8	45.3	23.0	3.7
Prior Service Cost Reclassified as Net Periodic Benefit Expense	(9.4)	(9.5)	(0.3)	(0.3)
PBOP				
Actuarial Losses Reclassified as Net Periodic Benefit Expense	$ (18.1)	$ (15.9)	$ (0.9)	$ (0.8)
Actuarial Losses Arising During the Year	50.2	4.2	4.0	0.7
Prior Service Credit Reclassified as Net Periodic Benefit Income	0.3	0.3	-	-
Transition Obligation Reclassified as Net Periodic Benefit Expense	(11.3)	(11.3)	(0.2)	(0.2)

The following is a summary of the remaining Regulatory Assets and Accumulated Other Comprehensive Loss amounts that have not been recognized as components of net period benefit expense as of December 31, 2011 and 2010, and the amounts that are expected to be recognized as components in 2012:

	Regulatory Assets as of December 31,		Expected 2012	AOCI as of December 31,		Expected 2012
(Millions of Dollars)	2011	2010	Expense	2011	2010	Expense
Pension and SERP						
Actuarial Loss	$ 1,126.1	$ 871.2	$ 113.4	$ 70.2	$ 51.9	$ 7.0
Prior Service Cost	29.3	38.8	8.1	1.4	1.7	0.3
PBOP						
Actuarial Loss	$ 196.3	$ 164.2	$ 20.6	$ 12.1	$ 9.0	$ 1.2
Prior Service Credit	(2.4)	(2.7)	(0.3)	-	-	-
Transition Obligation	11.4	22.7	11.3	0.2	0.5	0.2

The Company amortizes the prior service cost on an individual subsidiary basis and amortizes unrecognized net actuarial gains/(losses) and any remaining transition obligation over the remaining service lives of its employees as calculated on an NU consolidated basis. The pension transition obligation is fully amortized and the PBOP transition obligation will be fully amortized in 2013.

The components of net periodic benefit expense/(income), the portion of pension amounts capitalized related to employees working on capital projects, and intercompany allocations not included in the net periodic benefit expense amounts for the Pension and PBOP Plans are as follows:

	For the Year Ended December 31, 2011							
	Pension and SERP				PBOP			
(Millions of Dollars)	NU	CL&P	PSNH	WMECO	NU	CL&P	PSNH	WMECO
Service Cost	$ 55.4	$ 19.5	$ 10.6	$ 3.9	$ 9.2	$ 2.9	$ 1.9	$ 0.6
Interest Cost	153.3	51.9	24.4	10.7	25.7	10.0	4.8	2.2

Expected Return on Plan Assets	(170.8)	(76.6)	(19.8)	(17.7)	(21.6)	(8.7)	(4.3)	(2.0)
Actuarial Loss	84.2	33.4	10.7	7.1	19.0	7.2	3.2	1.1
Prior Service Cost/(Credit)	9.7	4.2	1.8	0.9	(0.3)	-	-	1.3
Net Transition Obligation Cost	-	-	-	-	11.6	6.2	2.5	
Total Net Periodic Benefit Expense	$ 131.8	$ 32.4	$ 27.7	$ 4.9	$ 43.6	$ 17.6	$ 8.1	$ 3.2
Related Intercompany Allocations	N/A	$ 34.1	$ 7.6	$ 6.2	N/A	$ 8.2	$ 2.0	$ 1.5
Capitalized Pension Expense	$ 29.7	$ 16.6	$ 7.6	$ 2.7				

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(Millions of Dollars)	For the Year Ended December 31, 2010 – Pension and SERP – NU	CL&P	PSNH	WMECO	PBOP – NU	CL&P	PSNH	WMECO
Service Cost	$ 51.0	$ 17.6	$ 10.0	$ 3.5	$ 8.5	$ 2.7	$ 1.8	$ 0.6
Interest Cost	152.6	52.2	24.1	10.7	26.8	10.5	5.0	2.3
Expected Return on Plan Assets	(182.6)	(85.8)	(14.7)	(19.5)	(21.7)	(8.7)	(4.3)	(2.1)
Actuarial Loss	53.5	20.7	7.2	4.3	16.7	6.3	2.7	0.9
Prior Service Cost/(Credit)	9.9	4.2	1.8	0.9	(0.3)	-	-	-
Net Transition Obligation Cost	-	-	-	-	11.6	6.1	2.5	1.3
Total Net Periodic Benefit Expense/(Income)	$ 84.4	$ 8.9	$ 28.4	$ (0.1)	$ 41.6	$ 16.9	$ 7.7	$ 3.0
Related Intercompany Allocations	N/A	$ 25.2	$ 6.0	$ 4.5	N/A	$ 7.9	$ 2.0	$ 1.4
Capitalized Pension Expense	$ 16.9	$ 3.8	$ 6.9	$ -				

(Millions of Dollars)	For the Year Ended December 31, 2009 – Pension and SERP – NU	CL&P	PSNH	WMECO	PBOP – NU	CL&P	PSNH	WMECO
Service Cost	$ 45.8	$ 16.0	$ 8.9	$ 3.3	$ 7.2	$ 2.2	$ 1.5	$ 0.5
Interest Cost	155.7	54.5	24.4	11.1	29.1	11.5	5.4	2.5
Expected Return on Plan Assets	(189.4)	(89.0)	(15.0)	(20.0)	(20.9)	(8.3)	(4.1)	(2.0)
Actuarial Loss	21.0	8.9	3.2	1.8	10.5	4.0	1.7	0.4
Prior Service Cost/(Credit)	9.9	4.2	1.8	0.9	(0.3)	-	-	-
Net Transition Obligation Cost	0.3	-	0.3	-	11.6	6.1	2.5	1.3
Total Net Periodic Benefit Expense/(Income)	$ 43.3	$ (5.4)	$ 23.6	$ (2.9)	$ 37.2	$ 15.5	$ 7.0	$ 2.7
Related Intercompany Allocations	N/A	$ 16.3	$ 3.6	$ 2.7	N/A	$ 7.3	$ 1.7	$ 1.1
Capitalized Pension Expense	$ 6.2	$ (2.6)	$ 6.0	$ (1.2)				

The following assumptions were used to calculate Pension and PBOP expense and income amounts:

	For the Years Ended December 31, – Pension and SERP – 2011	2010	2009	PBOP – 2011	2010	2009
Discount Rate	5.57%	5.98%	6.89%	5.28%	5.73%	6.90%
Expected Long-Term Rate of Return	8.25%	8.75%	8.75%	N/A	N/A	N/A
Compensation/Progression Rate	3.50%	4.00%	4.00%	N/A	N/A	N/A
Expected Long-Term Rate of Return -						
Health Assets, Taxable	N/A	N/A	N/A	6.45%	6.85%	6.85%
Life Assets and Non-Taxable Health Assets	N/A	N/A	N/A	8.25%	8.75%	8.75%

For 2011 through 2013, the health care cost trend assumption is 7 percent, subsequently decreasing 50 basis points per year to an ultimate rate of 5 percent in 2017.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of changing the assumed health care cost trend rate by one percentage point for the year ended December 31, 2011 would have the following effects:

(Millions of Dollars) NU	One Percentage Point Increase	One Percentage Point Decrease
Effect on Postretirement Benefit Obligation	$ 16.2	$ (13.5)
Effect on Total Service and Interest Cost Components	1.2	(1.0)

Estimated Future Benefit Payments: The following benefit payments, which reflect expected future service, are expected to be paid/(received) by the Pension, SERP and PBOP Plans:

NU (Millions of Dollars)	Pension and SERP Benefits	PBOP Benefits	Government Subsidy
2012	$ 145.4	$ 41.4	$ (4.7)
2013	152.8	42.0	(5.0)
2014	159.5	42.4	(5.4)
2015	166.3	42.7	(5.7)

2016	173.7	42.9	(6.0)
2017-2021	983.9	215.7	(34.9)

The government benefits represent amounts expected to be received from the federal government for the Medicare prescription drug benefit under the PBOP Plan related to the corresponding year's benefit payments.

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Contributions: NU's policy is to annually fund the Pension Plan in an amount at least equal to an amount that will satisfy the requirements of ERISA, as amended by the PPA of 2006, and the Internal Revenue Code. A contribution of $143.6 million ($112.6 million of which was contributed by PSNH) was made in 2011. Based on the current status of the Pension Plan, NU is required to make a contribution to the Pension Plan of approximately $197.3 million in 2012, which will be made in quarterly installments, to meet minimum current funding requirements under the PPA.

For the PBOP plan, it is NU's policy to annually fund an amount equal to the PBOP Plan's postretirement benefit cost, excluding curtailment and termination benefits. NU contributed $43.8 million to the PBOP plan in 2011 and expects to make $44.7 million in contributions to the PBOP plan in 2012. NU also makes an additional contribution to the PBOP plan for the amounts received from the federal Medicare subsidy. This amount was $3.7 million in 2011 and is expected to be $4.7 million in 2012.

Fair Value of Pension and PBOP Assets: Pension and PBOP funds are held in external trusts. Trust assets, including accumulated earnings, must be used exclusively for Pension and PBOP payments. NU's investment strategy for its Pension and PBOP Plans is to maximize the long-term rates of return on these plans' assets within an acceptable level of risk. The investment strategy for each asset category includes a diversification of asset types, fund strategy and fund managers and establishes target asset allocations that are routinely reviewed and periodically rebalanced. In 2011, PBOP assets are comprised of specific assets within the defined benefit pension plan trust (401(h) assets) as well as assets held in the PBOP Plans. The investment policy and strategy of the 401(h) assets is consistent with those of the defined benefit pension plans, which are detailed below. NU's expected long-term rates of return on Pension and PBOP Plan assets are based on these target asset allocation assumptions and related expected long-term rates of return. In developing its expected long-term rate of return assumptions for the Pension and PBOP Plans, NU evaluated input from actuaries and consultants, as well as long-term inflation assumptions and historical returns. As of December 31, 2011, management has assumed long-term rates of return of 8.25 percent on Pension and PBOP Plan assets. These long-term rates of return are based on the assumed rates of return for the target asset allocations as follows:

	As of December 31,					
	Pension and PBOP		Pension and PBOP Life and Non-Taxable Health		PBOP Taxable Health	
	2011		2010		2010	
	Target Asset Allocation	Assumed Rate of Return	Target Asset Allocation	Assumed Rate of Return	Target Asset Allocation	Assumed Rate of Return
Equity Securities:						
United States	24%	9%	24%	9%	55%	9%
International	13%	9%	13%	9%	15%	9%
Emerging Markets	3%	10%	3%	10%	-	-
Private Equity	12%	13%	12%	13%	-	-
Debt Securities:						
Fixed Income	20%	5%	20%	5%	30%	5%
High Yield Fixed Income	3.5%	7.5%	3.5%	7.5%	-	-
Emerging Markets Debt	3.5%	7.5%	3.5%	7.5%	-	-
Real Estate and Other Assets	8%	7.5%	8%	7.5%	-	-
Hedge Funds	13%	7%	13%	7%	-	-

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The following table presents, by asset category, the Pension and PBOP Plan assets recorded at fair value on a recurring basis by the level in which they are classified within the fair value hierarchy:

	Pension Plan							
	Fair Value Measurements as of December 31,							
(Millions of Dollars)	2011				2010			
Asset Category:	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity Securities:								
United States [(1)]	$ 218.7	$ 14.8	$ 259.4	$ 492.9	$ 256.3	$ 46.9	$ 266.0	$ 569.2
International [(1)]	20.0	221.9	-	241.9	6.4	250.9	-	257.3
Emerging Markets [(1)]	-	66.6	-	66.6	-	81.1	-	81.1
Private Equity	11.3	-	255.1	266.4	6.9	-	229.5	236.4
Fixed Income [(2)]	17.8	268.7	276.2	562.7	7.6	261.6	247.6	516.8
Real Estate and				-				
Other Assets	24.8	57.8	71.8	154.4	-	26.0	43.7	69.7
Hedge Funds	-	-	240.0	240.0	-	-	247.1	247.1
Total Master Trust Assets	$ 292.6	$ 629.8	$ 1,102.5	$ 2,024.9	$ 277.2	$ 666.5	$ 1,033.9	$ 1,977.6
Less: 401(h) PBOP Assets				(19.0)				-
Total Pension Assets				$ 2,005.9				$ 1,977.6

	PBOP Plan							
	Fair Value Measurements as of December 31,							
(Millions of Dollars)	2011				2010			
Asset Category:	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and Cash								
Equivalents	$ 5.9	$ -	$ -	$ 5.9	$ 4.4	$ -	$ -	$ 4.4
Equity Securities:								
United States	116.9	-	10.7	127.6	132.1	-	10.1	142.2
International	29.6	-	-	29.6	34.8	-	-	34.8
Emerging Markets	4.6	-	-	4.6	7.7	-	-	7.7
Debt Securities:								
Fixed Income [(2)]	-	34.9	26.0	60.9	-	35.3	23.4	58.7
High Yield Fixed								
Income	-	4.5	-	4.5	-	4.4	-	4.4
Emerging Market Debt	-	4.9	-	4.9	-	4.8	-	4.8
Hedge Funds	-		16.1	16.1	-	-	16.4	16.4
Private Equity	-	-	5.1	5.1	-	-	0.3	0.3
Real Estate and Other								
Assets	-	4.7	2.5	7.2	-	4.8	-	4.8
Total	$ 157.0	$ 49.0	$ 60.4	$ 266.4	$ 179.0	$ 49.3	$ 50.2	$ 278.5
Add: 401(h) PBOP Assets				19.0				-
Total PBOP Assets				$ 285.4				$ 278.5

(1) United States, International and Emerging Markets equity securities classified as Level 2 include investments in commingled funds and unrealized gains/(losses) on holdings in equity index swaps. Level 3 investments include hedge funds that are overlayed with equity index swaps and futures contracts.

(2) Fixed Income investments classified as Level 3 investments include fixed income funds that invest in a variety of opportunistic fixed income strategies, and hedge funds that are overlayed with fixed income futures.

The Company values assets based on observable inputs when available. Equity securities, exchange traded funds and futures contracts classified as Level 1 in the fair value hierarchy are priced based on the closing price on the primary exchange as of the balance sheet date. Commingled funds included in Level 2 equity securities are recorded at the net asset value provided by the asset manager, which is based on the market prices of the underlying equity securities. Swaps are valued using pricing models that incorporate interest rates and equity and fixed income index closing prices to determine a net present value of the cash flows. Fixed income securities, such as government issued securities, corporate bonds and high yield bond funds, are included in Level 2 and are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The pricing models utilize observable inputs such as recent trades for the same or similar instruments, yield curves, discount margins and bond structures. Hedge funds and investments in opportunistic fixed income funds are recorded at net asset value based on the values of the underlying assets. The assets in the hedge funds and opportunistic fixed income funds are valued using observable inputs and are classified as Level 3 within the fair value hierarchy due to redemption restrictions. Private Equity investments and Real Estate and Other Assets are valued using the net asset value provided by the partnerships, which are based on discounted cash flows of the underlying investments, real estate appraisals or public market comparables of the underlying investments. These investments are classified as Level 3 due to redemption restrictions.

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Fair Value Measurements Using Significant Unobservable Inputs (Level 3): The following tables present changes for the Level 3 category of Pension and PBOP Plan assets for the years ended December 31, 2011 and 2010:

	Pension Plan					
(Millions of Dollars)	United States Equity	Private Equity	Fixed Income	Real Estate and Other Assets	Hedge Funds	Total
Balance as of January 1, 2010	$ 252.1	$ 193.8	$ 174.0	$ 38.5	$ 231.2	$ 889.6
Actual Return on Plan Assets:						
Relating to Assets Still Held as of Year End	13.9	10.9	21.0	0.5	15.9	62.2
Relating to Assets Distributed During the Year	-	-	-	0.5	-	0.5
Purchases, Sales and Settlements	-	24.8	52.6	4.2	-	81.6
Balance as of December 31, 2010	$ 266.0	$ 229.5	$ 247.6	$ 43.7	$ 247.1	$ 1,033.9
Actual Return on Plan Assets:						
Relating to Assets Still Held as of Year End	(6.6)	20.0	(1.5)	1.6	(7.1)	6.4
Relating to Assets Distributed During the Year	-	19.5	(2.8)	0.3	-	17.0
Purchases, Sales and Settlements	-	(13.9)	32.9	26.2	-	45.2
Balance as of December 31, 2011	$ 259.4	$ 255.1	$ 276.2	$ 71.8	$ 240.0	$ 1,102.5

	PBOP Plan					
(Millions of Dollars)	United States Equity	Private Equity	Fixed Income	Real Estate and Other Assets	Hedge Funds	Total
Balance as of January 1, 2010	$ -	$ -	$ 24.6	$ -	$ -	$ 24.6
Actual Return/(Loss) on Plan Assets:						
Relating to Assets Still Held as of Year End	0.5	-	3.2	-	0.4	4.1
Purchases, Sales and Settlements	9.6	0.3	(4.4)	-	16.0	21.5
Balance as of December 31, 2010	$ 10.1	$ 0.3	$ 23.4	$ -	$ 16.4	$ 50.2
Actual Return/(Loss) on Plan Assets:						
Relating to Assets Still Held as of Year End	0.6	0.6	0.2	(0.1)	(0.3)	1.0
Purchases, Sales and Settlements	-	4.2	2.4	2.6		9.2
Balance as of December 31, 2011	$ 10.7	$ 5.1	$ 26.0	$ 2.5	$ 16.1	$ 60.4