MERCHANT NAVY OFFICERS PENSION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

Registrar of Occupational and Personal Pension Schemes Registration Number 10005645

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TRUSTEE AND ADVISERS

Trustee
MNOPF Trustees Limited

Trustee Directors

Employer Directors

R Murphy (Chair)
E Jones
M MacDonald

Officer Directors

M Jess (Vice-Chair)
A Dickinson
O Tunde

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RH11 7XX

employer.enquiries@mnopf.co.uk

Solicitors
Baker & McKenzie LLP

Independent External Auditor
Grant Thornton UK LLP

Independent Internal Auditor
Crowe U.K. LLP

Custodian
The Bank of New York Mellon SA/NV
The Northern Trust Company

Bankers
National Westminster Bank Plc

Employer Covenant Adviser
PricewaterhouseCoopers LLP

Scheme Actuary
K Farnum, Willis Towers Watson Limited

Scheme Administrators
Mercer Limited

Delegated Chief Investment Officer
Willis Towers Watson Limited

Independent Investment Adviser
Hymans Robertson LLP

Investment Managers
Advent International
American Securities
BlackRock
Capstone Investment Advisors
CarVal Investors (CVI)
Colchester Global Investors
Dymon Asia Capital
Energy Capital
Equis Funds Group
First Property Asset Management (FProp)
FSSA Investment Managers
Goldman Sachs Asset Management (GSAM)
Hayfin Capital Management LLP
Insight Investment
Morgan Stanley Investment Management (MSIM)
Oaktree Capital Management
Resolution Capital
SC Management
Southeastern Asset Management
State Street Global Advisors (SSgA)
Towers Watson Limited (trading as Willis Towers Watson)
Veritas Asset Management

Bulk Annuity Providers
Legal & General Assurance Society Limited
Pension Insurance Corporation plc

Address for member enquiries
myMNOPFpension
PHT
Maclaren House
Talbot Road
Stretford
Manchester
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enquiries@myMNOPFpension.co.uk

CHAIR'S INTRODUCTION

Welcome to the Annual Report and Financial Statements for the year ended 31 March 2022.

Actuarial valuation and investment performance

The full actuarial valuation of the Merchant Navy Officers Pension Fund (referred to hereafter as the "Fund" or "MNOPF") took place as of 31 March 2021. The MNOPF funding level, over the three-year period since the previous full actuarial valuation, had increased to 102% (up from 98% in 2018). This was achieved through the collection of amounts owed by the MNOPF employers from past deficits and good investment performance. During the scheme year £6.8 million of deficit contributions were collected from employers, leaving just £1.9 million still to be collected.

The continuing programme of reducing risk within the Fund through purchasing insurance policies also helped result in a modest surplus in assets of £58 million. This means, on a 'technical provisions' basis, the Fund is no longer in deficit; a milestone achievement for the MNOPF and another important step on the Fund's journey to secure at least 103% of member benefits by 30 June 2026.

Since the full valuation, the Trustee has continued to seek further opportunities to reduce risk within the Fund by insuring a further £400 million of members' pension benefits with Pension Insurance Corporation plc. This is a further key stage in the Fund's long de-risking journey, helping to provide greater certainty to members about the security of their benefits.

The latest update of the funding position shows the funding level has fallen slightly but was still 102% as of 31 March 2022. This is largely because of ongoing volatility in investment markets due, in part, to inflationary pressures and the impact of the conflict in the Ukraine.

Climate change commitment

The MNOPF is committed to play its part in reducing greenhouse gas emissions, tackling the risk of climate change, and investing for a resilient, sustainable future. In July 2021, the MNOPF Chair signed the Pension Fund Chair 'Net Zero' Statement of Support, which is part of The Prince's Accounting for Sustainability Project (A4S). A4S was founded in 2004 by King Charles III to improve the sustainability of the finance industry. The UK's pensions sector covers some £3 trillion of investments and while large schemes are required to measure and disclose climate risks, 'net-zero' transition plans are not yet mandatory. Signing up to this important initiative commits the MNOPF and other pension schemes to halve portfolio emissions by 2030 and bring them to 'net-zero' by 2050.

Remaining vigilant

With inflation at its highest level for more than three decades, many savers are turning towards their pension pot to help them with the cost-of-living crisis. Scammers know this and are using ever more convincing methods to target pensions illegally. The MNOPF has checks in place to make sure any request to transfer money out of an MNOPF pension is genuine and in the interests of members. However, it pays to be vigilant. The Scamsmart website (https://www.fca.org.uk/scamsmart/how-avoid-pension-scams) provides valuable information on how pension scams work, how to avoid them and what to do if you suspect a scam.

In this ongoing period of uncertainty, it is particularly reassuring to report the extensive work the MNOPF has carried out to reduce investment risk and diversify investments has minimised the financial impact on the fund of Brexit, Covid-19, the conflict in the Ukraine and high inflation. The Fund continues to make good progress towards its long-term goals and the MNOPF remains extremely robust, weathering storm after storm, through a combination of forward-thinking investment strategies, integrated risk management and effective governance.

Rory Murphy

Chair, MNOPF Trustees Limited

Date: 12 October 2022

TRUSTEE'S REPORT

The Board of MNOPF Trustees Limited (referred to hereafter as "the Trustee") is pleased to present the 84th Annual Report of MNOPF for the year ended 31 March 2022. The Annual Report includes the Chair's Statement, Trustee's Report, Investment Report, Statement of Trustees Responsibilities, Financial Statements and Notes, the Independent Auditor's Report, the Annual Implementation Statement, the Report on Actuarial Liabilities and the Actuarial Certificates and the Member's Information.

The Annual Report sets out how the Fund is run, how the assets are invested, and the financial activity of the Fund in the year to 31 March 2022.

The Annual Report also contains the Annual Implementation Statement. For Funds such as the MNOPF which provide defined benefits, the purpose of this statement is to set out how, and the extent to which, in the opinion of the Trustee, the Fund's engagement policy has been followed during the year and to describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the year, stating any use of the services of a proxy voter during that year.

Constitution and changes to the Fund

The Fund was established by a Trust Deed dated 29 October 1937. During the year to 16 June 2019 the Fund was regulated by the Trust Deed and Rules dated 25 June 1999, as amended by subsequent supplemental deeds. On 17 June 2019, a new set of Trust Deed and Rules were executed, by which the Fund is now regulated ("the Rules"). The Trustee, which is a corporate trustee, manages the Fund with the aim of providing pension benefits for Officers in the British Merchant Navy, and their dependants.

The MNOPF was contracted-out of the State Second Pension under the provisions of the Occupational Pension Schemes (Contracting-Out) Regulations 1996 until 31 March 2016 when the Fund closed to future defined benefit accrual. The Fund currently provides defined benefits for over 23,000 members and their dependants. On 1 August 2015 the Fund introduced money purchase benefits and, on 1 April 2016, opened a Money Purchase Section. From 31 March 2018, the Money Purchase Section was closed to new contributions and, on 11 May 2018, all benefits in the Money Purchase Section designated to members were transferred, by bulk transfer without member consent, to the Trustee of the Ensign Retirement Plan. The Money Purchase Section was wound up through the signing of a deed of termination on 10 October 2018.

The Annual Report and Financial Statements are available to members through the website www.mnopf.co.uk.

Management of the Fund

The Trustee is responsible for the strategy, management and decisions relating to financial, legal and administrative issues. There is provision on the Board of the Trustee for between four and fourteen Directors, split equally between Employer Directors and Officer Directors. Employers and members are represented by Employer Directors and Officer Directors respectively. A list of Board Directors is shown on page 2.

Trustee Directors are appointed and re-appointed in accordance with the Trustee's Articles of Association, the MNOPF's Trust Deed and Rules and an approved policy. In accordance with this policy, Officer Directors are nominated by the officers' representatives on the Joint Officers' Pension Committee, and Employer Directors are nominated by the employers' representatives on the Joint Officers' Pension Committee. Trustee Directors are subsequently appointed in accordance with the Articles of Association. A Director may appoint an Alternate Director to attend meetings in his place. Trustee Directors are removed in accordance with the Trustee's Articles of Association.

TRUSTEE'S REPORT (CONTINUED)

Attendance at Board meetings

A summary of meetings held and Trustee Directors' attendance during the year ended 31 March 2022 is as follows:

	Board	
	Eligible to attend	Attended
R Murphy (Chair)	6	4
M Jess (Vice-Chair)	6	6
A Dickinson	6	5
E Jones	6	6
M MacDonald	6	6
O Tunde	6	6

Conflicts of Interest

All the Directors have signed a Conflicts of Interest Protocol which, in summary, provides for the notification of potential conflicts of interest and the approach to the management of such conflicts. The Protocol also sets out the Directors' responsibilities in relation to confidentiality. This document is reviewed at regular intervals.

Risk Management

The Trustee has overall responsibility for risk management and internal controls. It is committed to identifying, evaluating and managing risk through the implementation and maintenance of control procedures to mitigate significant risks. A risk register, which takes into account the strategic objectives identified by the Trustee, is maintained to:

- highlight the risks to which the Fund is exposed;
- assess those risks in terms of likelihood and impact; and
- identify actions that are either currently being taken, or that the Trustee considers should be taken, in order to mitigate the identified risks.

The Trustee's approach to Integrated Risk Management is to consider integrated risk as part of the actuarial valuation and covenant review process. Following the most recent actuarial valuation, as at 31 March 2021, core integrated risks were:

- a fall in growth assets;
- increased longevity;
- a fall in interest rates: and
- a rise in inflation

None of these risks were seen as significant in the context of the MNOPF Journey Plan and any potential risks associated with key Participating Employers will be picked up through the MNOPF's ongoing covenant monitoring processes.

TRUSTEE'S REPORT (CONTINUED)

Bulk Annuity Policies

In December 2017, the Trustee agreed an annuity buy-in policy with Legal & General and, in February 2020 and November 2021, annuity buy-in policies were agreed with Pension Insurance Corporation. All policies are held in the name of the Trustee and members' pension benefits continue to be paid by the Trustee. As at 31 March 2022, a final premium/repayment is due under each of the two buy-in policies with Pension Insurance Corporation. The final premiums/repayments will be determined once data cleansing has been finalised.

Advisers and Service Providers

Rock Pensions

Rock Strategic Consulting Ltd (trading as Rock Pensions) provides executive services to the Trustee. Rock Pensions is an independent company that provides executive services to employers and trustees. Rock Pensions works with the Trustee on developing the Fund's strategy, implementing the Trustee's decisions and supervising the day-to-day running of the Fund.

Ensign Pensions Limited

Ensign Pensions Limited is a company wholly owned by the Trustee. Ensign Pensions provided a limited range of services to the Trustee during the year to 31 March 2022, including certain IT and information storage services.

Administration

The Fund is administered by Mercer. In April 2019, JLT Group plc was acquired by Marsh & McLennan Companies; the Trustee's services agreement with JLT Employee Benefits (part of JLT Group plc) was novated to Mercer Limited (part of Marsh & McLennan Companies). Enquiries about the Fund generally or about an individual's entitlement to benefits should be sent to the address shown at the beginning of this report.

Scheme Actuary

K Farnum was appointed as Scheme Actuary in October 2017.

Contributions

Summary of Contributions

The amounts due under the Schedule of Contributions as recognised in the Financial Statements are:

Due under the Schedule of Contributions	**31 March 2022** **£m**
Employers' defined benefit deficit contributions	2.0
Total recognised in the Financial Statements	**2.0**

Normal contributions

In previous years, members' and employers' normal contributions have been received in respect of active members in accordance with the Schedule of Contributions of the Fund and the Trust Deed and Rules. The Fund closed to future defined benefit accrual on 31 March 2016 and on 11 May 2018, all benefits in the Money Purchase Section designated to members were transferred to the Ensign Retirement Plan. No normal contributions were therefore due or received into the Fund during the year to 31 March 2022 or in the previous year.

TRUSTEE'S REPORT (CONTINUED)

Deficit contributions and statutory employer debt

The MNOPF has a robust process to ensure the efficient collection of the deficit contributions from more than 200 participating employers and the Deficit Contributions Collection Policy sets out the process of how employers are expected to pay their share of the deficits identified in the triennial valuations. The Trustee and its advisers have worked with Participating Employers to implement appropriate credit support arrangements where necessary. These arrangements include corporate guarantees and other forms of contingent assets (including bank guarantees and charges over tangible fixed assets) and have helped to secure the collection of deficit contributions from employers and enhance the protection of members' benefits.

The Section 75 debt legislation was introduced to ensure that if a Fund is not sufficiently well funded, a debt is paid by the employer on the occurrence of certain events (known as an "employment cessation event"). Included within deficit contributions are amounts that are due and expected to be received from employers where statutory debts have arisen following an employment cessation event. Prior to the closure of the Fund to future defined benefit accrual from 31 March 2016, an "employment cessation event" occurred in relation to the MNOPF when an employer who continued to employ active members after 6 April 2008, ceased to employ active members on either a defined benefit or a money purchase basis. Since 31 March 2016, an "employment cessation event" only occurs on the insolvency of a Participating Employer, the winding-up of the Defined Benefit Section or the Fund as a whole, or in the event that an employer elects to trigger its Section 75 debt.

The Trustee continues to monitor employers that are at risk of triggering a Section 75 debt.

Following the 2009 and 2012 valuations, the Scheme Actuary certified Schedules of Contributions which established recovery periods ending in September 2020 and September 2023 respectively. The Schedule of Contributions certified by the Scheme Actuary following the 2021 valuation states that the last payment under these schedules is due to be made by 30 September 2023. Employer deficit funding contributions of £528 million were due under the agreed Recovery Plans. As at 31 March 2022, a capital balance of £1.9 million was outstanding (2021: £8.7million) and payable over the period to 30 September 2023. Of this amount, £0.5 million was due during the scheme year, but has been deferred with the agreement of the Trustee and remains scheduled for payment by 30 September 2023.

Covenant Monitoring

The Trustee continues to monitor the employer covenant strength of employers. The Trustee adopted a new Covenant Monitoring Policy in October 2019, setting out the monitoring process, key metrics and reporting framework for ongoing covenant monitoring. This policy focuses covenant monitoring activities on those employers who carry the highest risk to the Fund. The Covenant Monitoring Policy was reviewed as part of the actuarial valuation, as at 31 March 2021. The review recommended some minor changes to covenant monitoring which have been implemented. These changes reflected the overall reduction in risk due to the improved funding status of the MNOPF and the successful collection of most deficit contributions.

TRUSTEE'S REPORT (CONTINUED)

Membership

Details of the membership of the Fund as at 31 March 2022 are given below:

	2022	2021
PENSIONERS		
Opening balance	17,483	17,553
Adjustments to pensioners*	36	-
New pensioners/dependants	578	703
Pension ceases	(502)	(773)
PENSIONERS AT THE END OF THE YEAR^	17,595	17,483
MEMBERS WITH DEFERRED BENEFITS		
Opening balance	5,347	5,894
Adjustments to members with deferred benefits*	(50)	(55)
MEMBERS CEASING TO BE DEFERRED		
Transfers out	(40)	(63)
Death	(30)	(20)
Retirement	(353)	(386)
Other	(27)	(25)
New pension credit members	-	2
MEMBERS WITH DEFERRED BENEFITS AT THE END OF THE YEAR	4,845	5,347
TOTAL MEMBERSHIP AT THE END OF THE YEAR~	22,440	22,830

*Adjustments are members whose status has been changed where the change relates to a previous year.
^Included within pensioners are 2,002 (2021: 2,197) pensioners whose pensions are paid from the Legal & General annuity buy-in policy; 12,498 (2021: 12,793) pensioners whose pensions are paid from the Pension Insurance Corporation annuity buy-in policy and 1,815 (2021: Nil) pensioners whose pensions are paid from the Pension Insurance Corporation annuity buy-in 2 policy, all of which are held in the name of the Trustee.
~The total number of members are split into Pensioners: 13,343 (2021: 13,339), Dependants: 4,252 (2021: 4,144) and Members with deferred benefits: 4,845 (2021: 5,347).

Pension Benefits

Overpaid Pensions

The Trustee must ensure that pensions are paid to the correct recipient. Pensions payable from the MNOPF cease on the death of the recipient or, in the case of dependent children, when they cease to meet the criteria for receiving a dependent child's pension. Under Rule 25A of the Trust Deed and Rules, the Trustee has the power to treat any instalments of pension paid after the death of a member as a pre-payment of any widow(er)'s pension.

All members and beneficiaries are asked to note that the Trustee will take action to recover benefits that have been overpaid. In cases where false representations have been made, the Trustee will usually report the incident to the police, which could lead to prosecution of the individuals involved.

TRUSTEE'S REPORT (CONTINUED)

Transfer Values

The transfer payments paid during the year were calculated in accordance with the regulations under the Pensions Schemes Act 1993 and the Pensions Act 1995 as appropriate. There is no allowance for discretionary pension in payment increases. Transfer payments represented the full "cash equivalent" value of the accrued benefits.

The Rules of the Fund allow transfers to other registered occupational pension schemes and personal pension plans. The Trustee receives a statutory discharge from any further liability once a transfer has been made to another pension arrangement.

The Trustee also accepts transfers in from other registered occupational pension schemes on a discretionary basis.

Discretionary Pension Increases

The Trustee is required to consider, at least annually, whether it can grant discretionary increases to pensions under Rule 9.2.2 of the Trust Deed and Rules, having taken the advice of the Scheme Actuary. After reviewing the Scheme Actuary's advice based on the funding levels at 31 March 2021, the Trustee did not consider it appropriate to grant a discretionary increase to pensions in April 2022 whilst maintaining a sufficient level of security for all members' benefits.

Statutory Pension Increases

Certain increases to pensions are required by legislation.

- Guaranteed Minimum Pensions in payment earned from 6 April 1988 to 5 April 1997 were increased in April 2022, as required, by 3.0% and pensions in payment relating to service from 1 April 1997 were increased in April 2022, as required, by 4.9%.
- Increases to deferred pensions are made in accordance with the Trust Deed and Rules and depend on the date of leaving pensionable service. During the year, there was no increase to deferred pensions for members who left service prior to 1 January 1986 as required by the Rules and, for those leaving after that date, increases were made by application of the statutory revaluation percentage to the whole of the deferred pension.

Full details of the pension increases that applied at April 2022 can be found on the website www.mnopf.co.uk

Data Review

The Trustee has continually reviewed member data. The approach to this work is consistent with the record-keeping guidance issued by The Pensions Regulator.

Forfeited Benefits

The Rules permit the Trustee to treat benefits as forfeited in certain circumstances if a member's whereabouts is unknown, although the Rules also give the Trustee discretion to reinstate forfeited benefits if the member's whereabouts becomes known at a later stage.

Investment Management

The Trustee has overall responsibility for the investment of the Fund's assets in accordance with the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee has agreed a Statement of Investment Principles ("SIP"), in accordance with section 35 of the Pensions Act 1995, which sets out the investment strategy and policies for the MNOPF. Certain powers and responsibilities for the implementation of the Trustee's investment strategy have been delegated to the Delegated CIO. The SIP was reviewed during the 2021/22 Fund year and minor amendments were made in September and December 2021. A copy of the latest SIP is available on the website www.mnopf.co.uk

The SIP sets out the Trustee's approach to socially responsible investment and corporate governance. In the context of socially responsible investment, the Trustee has considered how environmental, social and governance factors, including climate change, should be taken into account in the investment process, and seeks to understand the extent to which steps are taken by the investment managers to incorporate these factors into their investment process.

TRUSTEE'S REPORT (CONTINUED)

Investment Management (continued)

The Trustee's focus is explicitly on financially material considerations in the selection, retention and realisation of investments, and the Trustee's policy at this time is not to take into account non-financial matters explicitly. However, the Trustee supports and actively encourages investments with a positive social and environmental impact.

In the context of corporate governance, the Trustee delegates responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers, although believes voting power should be exercised with the objective of preserving and enhancing long-term shareholder value. The Trustee requires its investment managers to report on corporate governance, and particularly on their voting and engagement records.

The Trustee regularly assesses the performance of the Fund's investments against its investment objectives. Day-to-day monitoring of the investment manager performance is delegated to the Delegated CIO, and the Trustee receives reports on a quarterly basis on progress against the Fund's journey plan. Performance of the Fund's investments over the year are detailed in the Investment Report (see page 13). The holdings at the year-end were in accordance with the SIP.

The Trustee is satisfied, on advice from its investment advisers, that the nature, disposition, marketability, security and valuation of the Scheme's assets are in line with the investment objectives and strategy, risk controls and return expectations. There are no restrictions on the marketability of any holdings.

Custodian

All the Fund's segregated investments are held under custodial arrangements with Bank of New York Mellon, with the exception of pooled investments and the bulk annuity buy-in policies with Legal & General and Pension Insurance Corporation. The pooled investment vehicle investment managers are responsible for putting in place their own custody arrangements.

Actuarial Review

The Financial Statements set out on pages 20 to 39 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Fund, these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Fund and the level of contributions payable. The most recent triennial valuation was carried out at 31 March 2021 and the Actuary's next review of the funding position will be as at 31 March 2024 and which will be communicated to members and employers early in 2025.

The Scheme Actuary has prepared a report on the actuarial liabilities. This is included on page 40 and 41 of this report. The formal actuarial certificate from the Scheme Actuary required by statute is also included in this Annual Report and appears on page 43. These form part of the Trustee's report.

Guaranteed Minimum Pensions ("GMP")

On 26 October 2018, the High Court handed down a judgment that concluded that benefits between men and women must be equalised in respect of GMP for contracted out service after 17 May 1990. Furthermore, on 20 November 2020, the High Court handed down a further judgement that ruled that pension schemes would need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. Whilst the judgements related to the Lloyds Banking Group scheme, they are expected to create a precedent for other UK DB pension schemes.

The Trustee has begun considering the actions that should be taken in light of the judgements and will continue to do so as further guidance and/or regulation is published. The Scheme Actuary and the Trustee agreed it prudent to include provision within the actuarial valuation as at 31 March 2021 of 0.6% of total liabilities for the equalisation of GMP benefits in the Scheme. No provision has been made within the financial statements, due to the lack of a reliable estimate and the uncertainty of the amount accrued to date.

TRUSTEE'S REPORT (CONTINUED)

Financial development of the Fund

The Financial Statements of the Fund for the year ended 31 March 2022, as set out on pages 20 to 39 have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995. A Summary of the Fund's Financial Statements is set out on the table below.

	2022
	£m
Net withdrawals from dealings with members	**(157.8)**
Net returns on investments	**(135.3)**
Net decrease in the fund during the year	**(293.1)**
Net assets of the fund at 1 April 2021	**3,249.9**
Net assets of the fund at 31 March 2022	**2,956.8**

Further Information

Any queries about the Fund, including requests from individuals for information about their benefits, should be addressed to:

Member Enquiries

myMNOPFpension
PHT
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP
Email: enquiries@myMNOPFpension.co.uk
Telephone: 01372 200200

General Enquiries

Rock Pensions
Unit 24
Basepoint Business and Innovation Centre
Metcalf Way
Crawley
West Sussex
RH11 7XX

This report, including the Investment Report, Statement of Trustee's Responsibilities, the Annual Implementation Statement, the Report on Actuarial Liabilities and the Members' Information, was approved by the Trustee on 28 September 2022 and signed on its behalf by:

Rory Murphy

Chair, MNOPF Trustees Limited

INVESTMENT REPORT

Investment returns

Investment return relative to liabilities in conjunction with deficit contributions, leads to funding level progress.

The Fund's primary investment objective is to outperform its liabilities. Over the 12 months to 31 March 2022, the Fund generated a return of -3.1%, this was in comparison to the benchmark which saw negative performance of -3.4%, therefore the Fund outperformed its benchmark by 0.3% over the year. The two main drivers of this positive outperformance versus the benchmark were the performance of the Fund's hedge funds and private equity allocations. However, exposures to mainstream markets such as equity and property detracted from returns. The funding level has increased over the year, as a result of the outperformance and the buy in transaction completed in November 2021.

Over the longer-term, the Fund has continued to outperform the liabilities by 2.2% pa over the past three years and 1.5% pa over the past five years (since February 2020 the performance has been measured excluding the buy-in assets). This outperformance has been achieved with very low levels of volatility, driven by effective portfolio construction decisions.

The table below shows the Fund's investment performance as measured by the independent performance measurer over one year and longer periods against the gilts-based liabilities.

To 31 March 2022	One Year (%)	Three year (% pa)	Five year (%pa)
Fund Return	-3.1	2.0	2.5
Gilts-based liabilities	-3.4	-0.2	1.0
Relative	0.3	2.2	1.5
Volatility (tracking error)	2.1	2.1	1.8

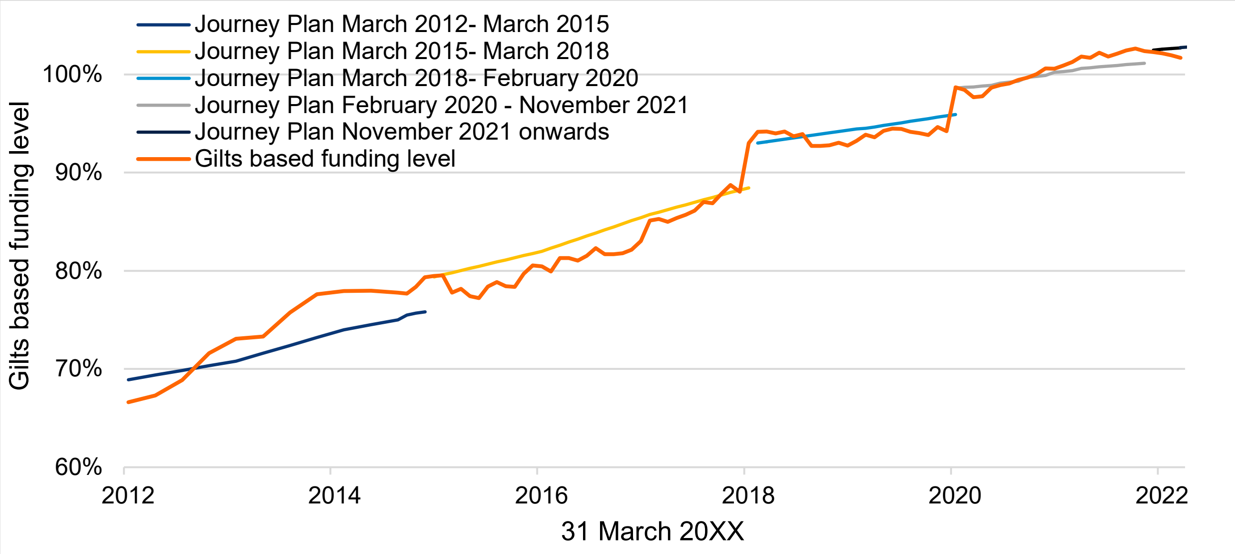
Fund performance is shown net of underlying manager fees and Delegated CIO fees.

The chart below shows the Journey Plan progression from 31 March 2012. The Journey Plan was restated on:

- 31 March 2015 to reflect the Fund's strong performance over the previous three-year period,
- 31 March 2018 to reflect the increase in funding level as a result of the Actuarial Valuation, and
- 14 February 2020 to reflect the material change in investment strategy following the first Buy In with PIC.
- 19 November 2021 to reflect the material change in investment strategy following the second Buy In with PIC.

The gilt-based funding position has improved over the year to 31 March 2022, with the funding level now slightly behind the journey plan. We are pleased that, over a period of higher market volatility, the funding level has remained relatively stable, showing the benefits of building a broad, well-diversified portfolio with a sophisticated liability hedging mandate.

INVESTMENT REPORT (CONTINUED)



Market review – 12 months ending 31 March 2022

Summary

2021 was broadly a year of global economic recovery following the widespread roll-out of Covid-19 vaccinations. However, inflation concerns started to take hold due to the release of pent-up demand for goods and services as consumers emerged from lockdowns and supply-side constraints. In the UK the inflation rate rose sharply over 2021 and into 2022 as Russia's invasion of Ukraine added to inflationary pressures.

To provide context, prior to the Fund's reporting period in Q1 2021, Rishi Sunak announced a favourable budget for businesses evident by the upkeep of grants, cheap loans, tax offsets for loss making companies, continuation of decreased VAT for hospitality industry and a "super-deduction" to incentivise business investment. The furlough scheme and the Self-Employed Income Support Scheme were extended until September 2021. To balance the budget, Sunak also announced plans to increase corporation tax to 25% by 2023 and the freeze of income-tax thresholds. These announcements were helped by OBR's forecast of 7.3% growth in output by 2022. In the US, over the first quarter of 2021, Biden's $1.9tn spending package was passed by the Senate, which brought the total pandemic-related spending to $6tn (28% pre-crisis GDP). This stimulus raised inflationary expectations (at the time) as the spending package was estimated to boost the accumulated excess saving of c.$1.6tn for households. The Fed, however, maintained an accommodative tone and announced no change in forward guidance on a rate hike.

Over Q2 2021, inflation rate rose sharply in the UK and in the US. In the UK, the annual consumer price inflation (CPI) rate climbed to 2.5% at the end of June 2021. Much of the rise in inflation was due to comparisons with falling prices midst lockdown in 2020 and partly due to supply-side bottlenecks. In the US, the annual CPI rate accelerated to 5.4% at the end of June 2021 from 2.6% in March 2021. In reaction to the rate increase, the US Fed tightened its guidance for monetary policy.

In September 2021, the Bank of England (BoE) kept the interest rate unchanged at 0.1% but publicised their inflation expectation to be above the 2% target by Q1 2022, signalling future rate hikes.

INVESTMENT REPORT (CONTINUED)

Market review – 12 months ending 31 March 2022 (continued)

In December 2021, the BoE raised its interest rate from 0.1% to 0.25%, its first-rate hike in just over three years. The bank's announcement came a day after the publication of the CPI for November 2021, which showed that the prices rose at a higher than the expected year-on-year rate of 5.1% - well above the bank's 2% target.

The US CPI increased at a 7% year-on-year rate over December 2021. Over Q1 2022, the BoE raised interest rates a third time since December. It raised rates to 0.5% in February and then to 0.75% on 17 March — the highest level since March 2020. BoE explained the rate hike was to combat rising inflation (which reached 7.0% in the 12 months to March 2022, up from 5.1% in December 2021) and due to the strong employment rate.

In March 2022, the MPC warned that inflation is expected to reach 8% by the end of June 2022 and might even climb to double digits by the start of 2023. Explaining the rise in inflation forecast, the MPC stated that Russia's invasion of Ukraine would "accentuate both the peak in inflation and the adverse impact on activity by intensifying the squeeze on household incomes".

In the US, over Q1 2022, the Fed raised rates by 0.25%, first rate hike since 2018. This brought the target rate range to 0.25%- 0.50%. The chair of the Fed, Jerome Powell, explained that the rate hike was necessary to deal with "extremely tight labour market in high inflation" and signalled there would be hikes in each of the remaining six policy meetings in 2022.

Over the 12 months to 31 March 2022 sterling has depreciated against the US dollar by 4.6% and appreciated against the Euro and the Yen by 0.8% and 4.8% respectively.

Equity markets

Over the 12 months to 31 March 2022, the Equity market returns were positive across all regions except China, Emerging Markets and Japan. The FTSE World Index returned 12.8% in sterling terms. North America was the best performing region, returning 19.7% in sterling terms. The UK and Europe regional equities showed robust performance returning 13.0% and 6.5% respectively. The worst performing region was China, with MSCI China Index returning -29.3% over the 12-month period.

Bond markets

UK government bond yields (which move inversely to bond price) increased over 12 months to 31 March 2022. Long maturity UK gilts have returned -7.2% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and short maturity UK gilts returned -5.1%.

Inflation-linked gilt yields decreased over the 12-month period. Long maturity UK index-linked gilts returned 3.9% (as measured by FTSE-A Index-Linked Gilts Over 15 Years Index) and short maturity UK index-linked gilts returned 5.1%. Over the past year, local currency emerging market debt outperformed hard currency emerging market debt returning -4.2% and -7.8% respectively.

Alternative investment markets

In Q2 2021, the price of Brent crude oil soared to a two-and-half-year high to US $73.5 per barrel. To help reduce prices, the Opec cartel and partners agreed to increase their supply by a further two million barrels per day from August 2021 till the end of 2021.

Over Q3 2021, oil prices carried on increasing to US $75 per barrel due to increase in global oil demand. In October 2021, the price of Brent crude oil climbed to its highest since Q3 2014 to c. $84 per barrel. In December 2021, prices fell as low as $65 per barrel due to the market's concerns about how Omicron variant would affect oil demand but recovered to end the year at a slightly higher price than in Q3 2021 at $75.2 per barrel as Omicron variant concerns subsided.

INVESTMENT REPORT (CONTINUED)

Alternative investment markets (continued)

The price of Brent crude oil has been steadily increasing since Q4 2021, crossing US$100 per barrel in late February 2022 due to the heightened volatility brought upon by the Russia-Ukraine conflict. Prices peaked at US$124 per barrel on 8 March 2022 before settling to US$104.7 at the end of Q1 2022. The dip in price was due to fears of lockdown in Beijing as well as Shanghai which negatively impacted the demand outlook. Crude oil returned 77.6% (West Texas Intermediate Crude Oil) in sterling terms over the 12 months to 31 March 2022.

Commercial UK property (as measured by the IPD Monthly Index) has returned 23.7% over the 12 months to 31 March 2022.

Active ownership

The Delegated CIO has implemented mandates ensuring that the rights attaching to the Fund's investments are acted upon. This includes active voting participation and a requirement to consider social, ethical and environmental issues when implementing the Fund's investment strategy.

Willis Towers Watson

20 June 2022

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- Show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

- Contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time revising a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee is responsible for the maintenance and integrity of the financial information of the Fund included on the Fund's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND

Opinion

We have audited the financial statements of Merchant Navy Officers Pension Fund (the 'Fund') for the year ended 31 March 2022, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Fund including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are approved by the Trustee.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Trustee with respect to going concern are described in the 'Responsibilities of trustee for the financial statements' section of this report.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND (CONTINUED)

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of trustee for the financial statements

As explained more fully in the Trustee's responsibilities statement, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Fund, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Pensions Act 1995 and 2004 and those that relate to the reporting frameworks (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP")).

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND (CONTINUED)

- We concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations such as, the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation) under which the Fund operates.
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management, the Trustee, and from inspection of Trustee board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Trustee.
- We assessed the susceptibility of the Fund's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to the risk of management override of controls through posting inappropriate journal entries to manipulate results for the year and net assets at the year end and performed audit procedures to review these areas.
- Our audit procedures involved:
    - journal entry testing, with a focus on large manual journals to unusual account codes, including:
        - manual journals with unusual account combinations such as those between the Fund Account and the Statement of Net Assets and
        - journals posted to suspense accounts.
    - obtaining independent confirmations of material investment valuations and cash balances at the year end.
    - confirming the valuation of bulk annuity policies to insurer valuations at the year end date.
- We completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of Funds of a similar size and complexity, appropriate to their role within the team. The engagement team are required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge and understanding of the sector the underlying applicable legislation and related guidance.

Use of our report

This report is made solely to the Fund's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 12/10/2022

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £m	2021 £m
CONTRIBUTIONS AND BENEFITS			
Contributions receivable			
- Employer		2.0	14.8
Total Contributions	5	2.0	14.8
Transfers in and other income	6	-	0.1
		2.0	14.9
Benefits paid or payable	7	(139.0)	(138.9)
Payments to and on account of leavers	8	(15.0)	(19.1)
Administrative expenses	9	(5.8)	(5.6)
		(159.8)	(163.6)
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		(157.8)	(148.7)
RETURNS ON INVESTMENTS			
Investment income	10	135.4	131.7
Investment management expenses	11	(3.3)	(2.8)
Change in market value of investments	12.1	(267.4)	128.1
NET RETURNS ON INVESTMENTS		(135.3)	257.0
NET (DECREASE)/INCREASE IN THE FUND DURING THE YEAR		(293.1)	108.3
NET ASSETS OF THE FUND AVAILABLE FOR BENEFITS AT 1 APRIL		3,249.9	3,141.6
NET ASSETS OF THE FUND AVAILABLE FOR BENEFITS AT 31 MARCH		2,956.8	3,249.9

The notes on pages 22 to 39 form an integral part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AT 31 MARCH 2022

	Note	2022 £m	2021 £m
INVESTMENT ASSETS			
Equities		-	0.4
Bonds		556.9	787.3
Pooled investment vehicles		478.4	758.4
Derivatives		492.4	541.7
Insurance policies		2,069.5	1,929.4
Cash and other investment assets		73.3	62.4
		3,670.5	4,079.6
INVESTMENT LIABILITIES			
Derivatives		(412.1)	(433.5)
Other Investment Liabilities		(306.9)	(410.3)
TOTAL INVESTMENTS	12.1	2,951.5	3,235.8
CURRENT ASSETS	14	16.1	25.5
CURRENT LIABILITIES	15	(10.8)	(11.4)
TOTAL NET ASSETS AT 31 MARCH		2,956.8	3,249.9

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on pages 40 and 41 and these Financial Statements should be read in conjunction with that Report.
The notes on pages 22 to 39 form an integral part of these financial statements.

These financial statements were approved by the Trustee on 28 September 2022 and were signed on its behalf by:

R Murphy

Chair, MNOPF Trustees Limited

M Jess

Vice-Chair, MNOPF Trustees Limited

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The Trustee has performed a Going Concern assessment. Amongst other things, its assessment took into account the Scheme funding position, availability of liquid cashflows, the employers' ability to continue to fund Contributions and the strength of the insurers to continue to fund insured benefits. It also noted that there has been no decision made to wind up the scheme. On this basis the Trustee considers the Going Concern basis appropriate.

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Fund is established as a trust under English law. Any queries about the Fund, including requests from individuals for information about their benefits, should be addressed to:

Member Enquiries

myMNOPFpension
PHT
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP
Email: enquiries@myMNOPFpension.co.uk
Telephone: 01372 200200

General Enquiries

Rock Pensions
Unit 24
Basepoint Business and Innovation Centre
Metcalf Way
Crawley
West Sussex
RH11 7XX

3 CONSOLIDATION

Subsidiaries are all entities over which the Fund has the power to govern the financial and operational policies. The Fund has not prepared consolidated accounts on the grounds of materiality and has accounted for subsidiaries using the equity method of accounting based on values derived from audited financial statements or other reliable financial information as at 31 March 2022 which represent the Trustee's estimate of fair value.

Investments in subsidiaries are recognised as equity holdings. Details of the subsidiaries are included in note 16.

4 ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

4.1 Accruals concept

The financial statements have been prepared on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.2 Contributions

Payment profiles for deficit funding contributions are established with employers in line with the requirements of the Schedule of Contributions. Accordingly, employers' deficit funding contributions are recognised at the earlier of the date on which cash is received and the date the invoice is raised. An accounting adjustment is made for amounts falling due, but unpaid, if amounts are assessed as irrecoverable from a specific employer following all reasonable attempts to recover the amount due.

The accounting adjustment is recognised in administrative expenses. The subsequent treatment of the accounting adjustment for deficit funding collection purposes is considered by the Trustee in the context of the Deficit Collection Policy and the Guidelines for Defaulting Employers.

4.3 Benefits

Benefits are accounted for in the period in which they fall due.

Where a member has a choice about the form of their benefit, the benefit is accounted for when the member notifies the Trustee of what form of benefit they will take or date of leaving or retirement if later. Where a member has no choice about the form of benefit, the benefit is accounted for in the period in which entitlement to the benefit arises.

Benefits covered under the buy-in policies are recognised in the same way as other benefits with the income from the buy-in policies to reimburse the fund recognised under investment income.

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits.

4.4 Transfers to and from other schemes

Individual transfers to other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid.

4.5 Valuation of investments

Investments are valued at fair value.

Fixed interest securities and index-linked securities are stated at their clean price, where applicable including the indexation element which is payable on maturity. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

Unquoted securities are included at prices provided by third party pricing vendors where there is a traded market and at the Trustee's estimate of fair value where there is not a traded market. The Trustee's estimate is based on the valuation provided by the fund managers.

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5 Valuation of investments (continued)

Derivatives are stated at fair value:

- Exchange traded derivatives are stated at fair value determined by using market quoted prices;
- Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market date at the reporting date;
- Over the counter ("OTC") derivatives are stated at fair value using pricing models and relevant market date at the year-end;
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the year-end by entering into an equal and opposite contract at that date;
- All gains and losses arising on derivative contracts are reported within change in market value;
- Receipts and payments arising from derivative instruments are reported as sale proceeds or investment purchases.

Repurchase agreements ("repo") - the Fund continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

The Fund's buy-in policies, shown under insurance policies have been valued on an insurance buy-out basis, as provided by the Insurer. The Fund has three buy-in policies, one with L&G and two with PIC.

4.6 Investment income

Dividend income from equity shares is recognised when the Fund becomes entitled to the dividend. In the case of UK quoted shares this will be from the ex-dividend date.

Interest income from bonds is taken into account on an accruals basis and includes interest bought and sold on investment purchases and sales.

Where investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles, it is reflected in the unit price and reported within change in market value of investments. On other pooled investment vehicles, income is recognised when notified by the manager of the pooled investment.

Investment income is reported net of attributable tax credits, but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

Receipts from annuity policies held by the trustee are accounted for as investment income on an accruals basis.

4.7 Currency

The Fund's functional currency and presentational currency is pounds sterling (GBP).

Foreign currency transactions are translated into sterling at the rate prevailing on the date of the transaction.

The market value of investments and other assets held and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Differences arising on the translation of investments are included in changes in market value.

4.8 Accounting estimates and judgements

No significant judgements have been made by the Trustee in the application of the principal accounting policies. Significant assumptions and estimates have been made in the valuation of the Scheme's financial assets and liabilities classified as Level 3 under the fair value hierarchy and the accounting adjustment for contributions. Details of these financial assets and liabilities, the valuation techniques applied, and the significant valuation assumptions, are provided in Notes 4.2 and 12.8 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 CONTRIBUTIONS

	2022 £m	2021 £m
Employers' Contributions		
Deficit funding contributions	2.0	14.8

Employer deficit funding contributions of £528 million were due under the Recovery Plans agreed following the 2009 and 2012 valuations. At 31 March 2022, a capital balance of £1.9 million is outstanding (2021: £8.7m) and payable over the period to September 2023.

6 TRANSFERS IN AND OTHER INCOME

	2022 £m	2021 £m
Other income	-	0.1

7 BENEFITS PAID OR PAYABLE

	2022 £m	2021 £m
Pension payments	130.2	128.6
Commutations and lump sum retirement benefits	8.4	10.1
Lump sums on death	0.4	0.2
	139.0	138.9

8 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022 £m	2021 £m
Individual transfers out to other schemes	15.0	19.1
	15.0	19.1

9 ADMINISTRATIVE EXPENSES

	2022 £m	2021 £m
Administration, processing and data management	3.6	3.4
Actuarial fees	0.2	0.3
Legal, other professional fees and deficit collection fees	1.9	1.8
External audit fees	0.1	0.1
	5.8	5.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 INVESTMENT INCOME

	2022	2021
	£m	£m
Income from bonds	13.9	14.0
Income from pooled investment vehicles	2.2	2.5
Income allocated to Old Section Reserve	0.1	-
Foreign exchange gains / (losses)	(0.3)	(3.1)
Annuity income	117.0	117.0
Longevity hedge settlements	0.1	0.3
Other investment income	2.4	1.0
	135.4	131.7

11 INVESTMENT MANAGEMENT EXPENSE

	2022	2021
	£m	£m
Administration, management & custody	3.3	2.9
Longevity insurance fees and administrative costs	-	(0.1)
	3.3	2.8

12 INVESTMENTS

12.1 Reconciliation of investments

Reconciliation of investments held at beginning and end of year:

	Note	Value at 1 April 2021	Purchases at Cost and Derivative payments	Sales Proceeds and Derivative receipts	Change in market value	Value at 31 March 2022
		£m	£m	£m	£m	£m
Equities		0.4	-	-	(0.4)	-
Bonds		787.3	99.8	(313.4)	(16.8)	556.9
Pooled investment vehicles	12.3	758.4	911.9	(1,227.2)	35.3	478.4
Derivatives	12.8	108.2	22.1	(19.7)	(30.3)	80.3
Insurance policies	12.6	1,929.4	395.3	-	(255.2)	2,069.5
		3,583.7	1,429.1	(1,560.3)	(267.4)	3,185.1
Cash deposits and other investment assets	12.7	62.4				73.3
Other investment liabilities	12.7	(410.3)				(306.9)
		3,235.8				2,951.5

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.2 Transaction costs

Included within the purchases and sales figures are direct transaction costs of £0.0m (2021: £0.2m). Direct transaction costs incurred are analysed below:

	Fees £m	Total £m
2022	-	-
2021	0.2	0.2

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs due to the information not being available from the Fund managers.

12.3 Pooled investment vehicles

	2022 £m	2021 £m
Equities	141.1	159.5
Bonds	32.7	33.2
Hedge funds	153.6	224.7
Private equity	32.6	43.2
Property	12.3	13.7
Absolute return funds	101.1	159.6
Cash	5.0	124.5
	478.4	758.4

12.4 Derivatives

The Trustee has authorised the use of derivatives as part of their investment strategy for the Fund as follows:

The derivatives held were are all OTC and made of:

	2022 Assets £m	2022 Liabilities £m	2021 Assets £m	2021 Liabilities £m
Swaps	492.4	(405.7)	538.6	(432.6)
Forward foreign exchange	-	(6.4)	2.2	-
Stock put options	-	-	0.9	(0.9)
	492.4	(412.1)	541.7	(433.5)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.5 Derivative contracts outstanding

Swaps

The Fund enters into swap contracts to hedge interest rate and inflation rate movements.

Contract	Expiration	Notional Currency Principal	2022 Asset £m	2022 Liability £m
Interest rate swaps	0-5 years	£19.9m	112.6	(106.4)
Interest rate swaps	6-10 years	£30.2m	101.1	(86.6)
Interest rate swaps	11-20 years	£38.3m	122.6	(110.3)
Interest rate swaps	21-30 years	£5.2m	5.0	(2.5)
Interest rate swaps	31-40 years	£88.6m	78.1	(36.8)
Inflation swaps	0-5 years	£18.1m	6.8	(5.0)
Inflation swaps	6-10 years	£21.1m	13.1	(10.1)
Inflation swaps	11-20 years	£48.3m	46.6	(40.3)
Inflation swaps	41-50 years	£2.8m	6.5	(7.7)
			492.4	(405.7)

Contract	Expiration	Notional Currency Principal	2021 Asset £m	2021 Liability £m
Interest rate swaps	0-5 years	£16.9m	142.0	(129.9)
Interest rate swaps	6-10 years	£25.9m	94.3	(74.6)
Interest rate swaps	11-20 years	£42.5m	144.4	(121.7)
Interest rate swaps	31-40 years	£93.8m	96.0	(39.2)
Inflation swaps	0-5 years	£13.3m	3.2	(3.6)
Inflation swaps	6-10 years	£19.4m	7.7	(8.0)
Inflation swaps	11-20 years	£54.8m	43.1	(48.0)
Inflation swaps	41-50 years	£2.8m	7.9	(7.6)
			538.6	(432.6)

At 31 March 2022, the counterparties of the interest and inflation swaps were five banks with credit ratings ranging from BBB+ to A+.

At 31 March 2022, the Fund held collateral in the form of cash and gilts at £79.7m value (2021: cash and gilts value £107.5m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.5 Derivative contracts outstanding (continued)

Forward Foreign Exchange Contracts

The fund enters into Forward Foreign Exchange contracts to hedge currency fluctuations as some investment holdings are denominated in foreign currencies.

Contract	Settlement Date	Currency Bought	Currency Sold	2022 Asset £m	2022 Liability £m
Forward (OTC)	1-6 months	USD407.6m	GBP303.3m	-	6.4
				-	6.4

Contract	Settlement Date	Currency Bought	Currency Sold	2021 Asset £m	2021 Liability £m
Forward (OTC)	1-6 months	USD565.7m	GBP412.1m	2.2	-
				2.2	-

Stock Put Options

The stock put options were bought to help protect the Fund against a material fall in equity markets.

Stock put options outstanding at the year-end were as follows:

Nature	Expiration	Notional Currency Principal	2022 Asset £m	2022 Liability £m
Stock Put Options	0-5 years	£0.0m	-	-
			-	-

Stock put options outstanding at 2021 year-end were as follows:

Nature	Expiration	Notional Currency Principal	2021 Asset £m	2021 Liability £m
Stock Put Options	0-5 years	£91.2m	0.9	(0.9)
			0.9	(0.9)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.6 Insurance policies

The Scheme held insurance policies at the year-end as follows:

	2022 £m	2021 £m
L&G Buy-in	484.6	523.1
PIC Buy-in	1,252.7	1,406.3
PIC Buy-in 2	332.2	-
	2,069.5	1,929.4

As at the end of the Fund year the pensioner population includes the following insured members:

- L&G Buy-in – 2,002 (2021: 2,197)
- PIC Buy-in – 12,498 (2021: 12,793)
- PIC Buy-in 2 – 1,815 (2021: Nil)

A bulk insurance policy is valued at the fair value of the liability as calculated and provided by the insurer in accordance with the related obligation. The valuation is determined using assumptions over pension increases, inflation and interest rates and longevity.

12.7 Cash deposits and other investment assets and liabilities

	2022 £m	2021 £m
Assets		
Cash	71.4	59.4
Outstanding dividends, interest and other assets	1.9	3.0
	73.3	62.4
Liabilities		
Amount due under sale and repurchase contracts	(306.9)	(410.3)
	(233.6)	(347.9)

At the year-end £290.0m (2021: £377.9m) of bonds reported as Fund assets are held by counterparties under repurchase agreements. Collateral of £18.1m (2021: £31.8m) was received to cover the difference between the liability and the value of the bonds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.8 Fair value hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price for an identical asset in an active market
Level 2	Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Inputs are unobservable for the asset or liability

The fair value of the Fund's investment assets and liabilities has been determined using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3	Total
2022	**£m**	**£m**	**£m**	**£m**
Equities	-	-	-	-
Bonds	556.9	-	-	556.9
Pooled investment vehicles	5.4	141.3	331.7	478.4
Derivatives	-	80.3	-	80.3
Insurance policies	-	-	2,069.5	2,069.5
Other investment balances	73.3	(306.9)	-	(233.6)
	635.5	(85.3)	2,401.3	2,951.5
2021	**£m**	**£m**	**£m**	**£m**
Equities	-	-	0.4	0.4
Bonds	787.3	-	-	787.3
Pooled investment vehicles	108.5	198.1	451.8	758.4
Derivatives	-	108.2	-	108.2
Insurance policies	-	-	1,929.4	1,929.4
Other investment balances	62.4	(410.3)	-	(347.9)
	958.3	(104.0)	2,381.6	3,235.8

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.9 Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee's primary investment objectives are to acquire suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions, the cost of benefits which the MNOPF provides; and to limit the risk of the MNOPF's assets failing to meet the MNOPF's liabilities over the long term.

The Trustee has formulated a Journey Plan which shall be taken as the agreed combination of contributions and investment return that is expected to target assets at least 103% of member benefits by 30 June 2026 or such other period as may be agreed from time to time. The Trustee's Journey Plan can be achieved through an investment return target of Gilts +2.2% p.a. (across the MNOPF assets excluding insured assets, equivalent to Gilts +0.70% p.a. on all MNOPF assets) from 2021-2025.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. The Trustee's risk management policy is documented in the Statement of Investment Principles. These investment objectives are implemented through the Fiduciary Management Agreement in place with the Delegated CIO (Willis Towers Watson) and the investment management agreements in place with the investment managers. The Fund's performance versus its investment objectives is monitored by the Trustee on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.9 Investment risks (continued)

The following table summarises the extent to which the various classes of investments are affected by financial risks:

		Market Risk			2022	2021
	Credit Risk	Currency	Interest Rate	Other price	Value £m	Value £m
Defined benefit section						
Equities	○	◐	○	●	-	0.4
Bonds	●	○	●	●	556.9	787.3
Pooled investment vehicles	●	◐	◐	●	478.4	758.4
Derivatives	●	◐	●	●	80.3	108.2
Cash	◐	◐	○	○	73.3	62.4
Other investments	●	○	●	○	(306.9)	(410.3)
Insurance Policies	●	○	●	●	2,069.5	1,929.4
Total investments					**2,951.5**	**3,235.8**

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/ not at all.

Further information on the Trustee’s approach to risk management and the Fund’s exposures to credit and market risks are set out below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.9 Investment risks (continued)

(i) Credit risk

The Fund is subject to credit risk as the Fund invests in bonds, OTC derivatives, exchange traded derivatives, has cash balances, enters into repurchase agreements, has the potential to undertake stock lending activities, and has transacted two buy-ins (which are exposed to the credit risk of the insurers). The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements and through diversification of counterparties. The collateral posted to the Fund is in the form of UK government bonds and cash. Credit risk also arises on forward foreign currency contracts. These contracts are collateralized which reduces the credit risk and all counterparties are required to have an investment grade credit rating at the point of trade execution.

Cash is held within financial institutions which are at least investment grade credit rated.

The Fund does not lend any of its segregated assets other than through repurchase agreements, however pooled funds held by the Fund do have the ability to lend certain fixed interest and equity securities at their discretion. At 31 March 2022 it was 0.0%.

Credit risk on repurchase agreements is mitigated through collateral arrangements and diversification of counterparties.

The Fund's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. Some of the Fund's pooled investment managers have the ability to invest in non-investment grade investments; this risk is managed through diversification. The Delegated CIO (Willis Towers Watson) carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

Credit risk arises on the buy-ins which were transacted with two separate providers. Both providers had an investment grade credit rating at the point of trade execution and credit risk is mitigated through the regulatory capital requirements placed on insurance providers.

Credit risk on equity options (which are OTC contracts) is mitigated through collateral arrangements and diversification of counterparties.

(ii) Currency risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy. As at 31 March 2022 the Fund's net unhedged overseas currency exposure is 13.1% (2021: 13.9%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.9 Investment risks (continued)

(iii) Interest rate risk

The Fund is subject to interest rate risk on its liability driven investments (LDI) comprising bonds, repurchase agreements and interest rate swaps held either as segregated investments or through pooled vehicles and cash. The purpose of the Fund's LDI investments is to match the interest rate and inflation sensitivities of the Fund's liabilities. Therefore when considering the Fund's liabilities these investments are risk reducing. Similarly, the buy-ins are subject to interest rate risk but again, this investment is risk reducing.

(iv) Other price risk

Other price risk arises principally in relation to the Fund's return seeking portfolio which includes pooled investment in equities, hedge funds, private equity, and other alternative investments.

The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

The other price risk for the Fund's bonds and derivatives, reflect that some of these instruments are inflation linked in nature and therefore the price of these instruments moves in line with inflation expectations. Additionally, the price of the equity options will be influenced by moves in equity markets.

12.10 Concentration of investments

The investments (other than UK Government Securities) at the year-end which are more than 5% of the total value of the net assets of the Fund comprise:

		2022		2021
	%	£m	%	£m
PIC buy-in	42	1,252.7	43	1,406.3
PIC buy-in 2	11	332.2	-	-
L&G buy-in	16	484.6	16	523.1
HAF Equity Fund	4	102.1	5	167.2
Alternative Credit Fund	3	96.8	5	154.7

12.11 Exposure to Russia/Ukraine/Belarus

The exposures to Russia, Belarus and Ukraine are closely monitored, and the underlying managers who do have allocations have been engaged with.

The inter-related financial and ESG issues of the war in Ukraine have been considered in the investment process, as well as the likely implications of these events on wider asset markets (particularly around likely inflationary pressures). ESG factors including financial risks are a part of the ESG assessment and this is integrated throughout the investment process.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.11 Exposure to Russia/Ukraine/Belarus (continued)

Following the year-end, the following approach was adopted in terms of exposure to Russia, Ukraine and Belarus:

- For new mandates, the starting point is to exclude Russian and Belarussian equities, corporate and sovereign bonds and currency from the manager's opportunity set.
- The level of control we (the Delegated CIO) have over the guidelines and restrictions of a manager does vary depending on whether the mandate is pooled or segregated, and in the case of pooled funds if it is a new or existing vehicle. Where we do not have full control of the guidelines, our preferred approach is to engage with the relevant manager to achieve our intention to the extent possible.
- Where existing manager allocations have exposure to Russian or Belarussian equities, corporate or sovereign bonds or currency, we will engage with these managers to determine the most appropriate course of action. Whilst we expect in many cases this will ultimately lead to disinvestment, both the lack of liquidity and the value at which investments can be sold will have a material influence on the actions taken and their timing.
- Where we have full control over the guidelines of existing managers, we intend to instruct them not to implement any new such positions to Russia or Belarus, or increase existing positions, for the foreseeable future. Where we do not have full control of guidelines, again we intend to engage with the relevant managers to achieve our intention to the extent possible.

13 TAX

The Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from income tax and capital gains tax except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

14 CURRENT ASSETS

	2022 £m	2021 £m
Cash balance	14.5	18.4
Contributions due		
- deficit from employers	22.8	28.1
Accounting adjustment to employer deficit contributions due	(22.4)	(22.4)
Other debtors	1.2	1.4
	16.1	25.5

Deficit contributions from employers were received in accordance with the Schedule of Contributions after the year-end. Contributions due represent historic balances not due under the current Schedule of Contributions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 CURRENT LIABILITIES

	2022	2021
	£m	£m
Unpaid benefits	5.8	6.1
Other creditors and accrued expenses	5.0	5.3
	10.8	11.4

Included in "Other creditors and accrued expenses" are the following reserves:

a) Reserve established at 31 March 2014 with funds from the former Old Section. This reserve will settle all future costs arising in relation to the former Old Section following the completion of its buy-out in July 2014. These include the costs of operating myMNOPFpension, which consolidates the benefits payable to former Old Section members into a single payment. myMNOPFpension also provides a single point of contact for all members of MNOPF and the reserve will settle a proportion of the cost of this service. The costs of myMNOPFpension will be settled over many years as the service is delivered.
The reserve was established on an arm's length basis and at 31 March 2022 the balance was £2.2m (2021: £2.5m).

b) Reserve established at 10 October 2018 with funds from MP section. The reserve will be used to settle all future costs in relation to MP section following its transfer to Ensign Pension Retirement scheme. The balance at 31 March 2022 on this reserve was £0.2m (2021: £0.2m).

16 RELATED PARTY TRANSACTIONS

The Trustee is deemed to be a related party of the Fund. Included in administrative expenses are payments of £105,225 (2021: £106,329) made to certain Trustee Directors for fees relating to the exercise of their duties during the year. Trustee directors are also reimbursed expenses however no expenses were incurred this year. There are no Trustee Directors who are pensioner members of the Fund.

Rock Strategic Consulting Ltd (trading as Rock Pensions) is an independent company that provides executive services to Trustee.

During the year, the Fund had interests but no holdings in the following companies which are related parties:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 RELATED PARTY TRANSACTIONS (CONTINUED)

Entity	Activity	Equity Holding as at 31 March 2022	Value of Holding as at 31 March 2022	Transactions in year and balances at the year end
		%	£m	
Ensign Pensions Limited	Pension fund executive services	-	-	Fees paid by the Fund in relation to executive services of £NIL (2021: £Nil). There is an accrual for IT services of £49,180 at 31 March 2022 (2021: £41,957). The balance at 31 March 2022 is a debtor balance £123,592 (2021: £172,772).
MNOPF IC Limited	Insurance Cell Company incorporated in Guernsey	-	-	The £400,000 holding in MNOPF IC Limited was liquidated during the year.
MNOPF Trustees Limited	Trustee Company for the Fund	-	-	Outstanding balance on loan provided to fund the investment in Ensign Pensions Limited of £400,000.

The scheme has an interest in MNOPF Trustees Limited and Ensign Pensions Limited through the beneficial joint ownership and control of two trustee directors, Rory Murphy and Mike Jess.

17 COMMITMENTS

As at 31 March 2022, the Fund was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £30.2m (2021: £31m) of private equity, of which £9.5m related to property (2021: £9.4m).

18 EMPLOYER-RELATED INVESTMENTS

At the year end the maximum market values of direct investments held by the Fund in companies known to be, or which have subsidiary interests that are known to be, Participating Employers was calculated as 0.2% (2021: 0.3%) of the net assets of the Fund. The investments were as follows:

	2022		2021	
	Total	Total	Total	Total
	£m	%	£m	%
James Fisher & Sons PLC	-	*	-	*
Smiths Group PLC	-	-	-	*
Pooled Funds	6.0	0.2	9.9	0.3
Total exposure	6.0	0.2	9.9	0.3

* less than 0.05% – these amounts are included in the overall percentage calculation, but excluded from the totals in the table

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 EMPLOYER-RELATED INVESTMENTS (CONTINUED)

The Trustee confirmed that Employer-related investment did not exceed 5% at any time during the year.

The total exposure to employer-related investments in pooled vehicles is determined using assumptions. The assumptions are deliberately conservative and are likely to result in an overstatement of the actual value.

19 CONTINGENT LIABILITIES

As at 31 March 2022, a final premium/repayment is due under the two PIC buy-in policies. The final premiums/repayments cannot be determined until data cleansing has been finalised and the Trustee has signed the final benefit specification indicating that the benefit specification (including the data) includes the correct beneficiaries and the benefits have been correctly specified.

Should further changes be notified after the final premium has been calculated, additional charges may be incurred.

In addition to the contingent liability for a potential premium adjustment once data validation is complete, there is a further potential liability in relation to annuity income as no reconciliation has yet been completed of actual amounts due versus lump sum monthly amounts received to date.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should equalise pension benefits for men and women in relation to guaranteed minimum pensions ("GMP"). Furthermore, on 20 November 2020, the High Court handed down a further judgement that ruled that pension schemes would need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. The Trustee is aware that the judgements are expected to set a precedent for other UK defined benefit pension schemes and is taking steps to consider the implications of the judgements for the Scheme. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. At present the Trustee does not have a reliable estimate of the expected additional liability analysed between post service costs and total liability and therefore has not included an accrual or provision in respect of these matters in the financial statements.

20 SUBSEQUENT EVENTS

Since the year end, bond yields have increased as a result of ongoing economic conditions. The effect of the yield increase is an overall reduction in associated LDI portfolio assets and an acceleration in capital injection requirements for some of the Fund's investments. On 23 September 2022 a set of economic policies were announced by the UK Government which have impacted the Fund's investment portfolio. As a result of the announcement and the associated movement in bond yields, an additional £71.8m has been paid into the LDI portfolio since 23 September 2022. The Trustee, along with its investment advisors, continue to monitor the valuation of Fund assets and associated cashflows. As this reflects circumstances which have arisen since the year end the amounts recognised in these financial statements have not been adjusted.

REPORT ON ACTUARIAL LIABILITIES

As required by Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions determined by the Trustee, having consulted the Participating Employers, and which are set out in the Statement of Funding Principles, a copy of which is available to Fund members on request.

The most recent triennial actuarial valuation of the Scheme effective as at 31 March 2021 showed that the accumulated assets of £3,250m represented 102% of the Fund’s technical provisions in respect of past service benefits; this corresponds to a surplus of £58m at the valuation date.

The value of technical provisions is based on Pensionable Service to the Fund’s closure on 31 March 2016 and assumptions about various factors that will influence the Fund in the future, such as the levels of investment returns, inflation, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations as at 31 March 2021 are as follows:

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate: Equal to yields on fixed interest Government bonds at each term, plus a margin which is initially 0.875% pa at 31 March 2021, then reduces linearly, in annual steps, to 0.25% pa as at 31 March 2025 and remains at that level thereafter.

Future Retail Price Inflation (RPI): The assumption adopted is based on expected rates of break-even inflation each year, having regard to the inflation expectations implicit in UK Government bond prices at the valuation date.

Future Consumer Price Inflation (CPI): set based on the expected future difference between assumed retail price inflation (RPI) and consumer price inflation (CPI). CPI is assumed to be 1% pa below RPI to 2030 and then equal to RPI thereafter.

Pension increases: where the Fund’s rules provide for inflation-linking, assumptions derived from the underlying inflation assumptions, allowing for the caps and floors on pension increases.

Revaluation in deferment: this assumption has been set in line with Consumer Price Inflation where relevant.

Mortality: Normal health SAPS3 amounts table (Heavy table for female spouses) projected with CMI 2020 core projections with a long term rate of improvements of 1.8% pa and an initial addition of 0.25% pa. Multipliers of 107% for normal health members, ill-health pensioners and male spouses, and 88% for female spouses.

GMP equalisation: An allowance of 0.6% of liabilities has been made to reflect the potential cost of changes to the benefits that may be required to ensure that the Fund provisions in respect of Guaranteed Minimum Pensions do not unlawfully discriminate between male and female members.

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Recovery plan

As there was no deficit at the valuation date there is no need for the Fund to set out a Recovery Plan.

Next actuarial valuation

The next triennial valuation is being performed as at 31 March 2024.

Schedule of Contributions following the 2021 valuation

This schedule of contributions has been prepared by MNOPF Trustees Limited, the Trustee of the Merchant Navy Officers Pension Fund ("the Fund"), to satisfy the requirements of Section 227 of the Pensions Act 2004, after obtaining the advice of the Scheme Actuary, Kim Farnum. It has been prepared and certified on the assumption that all contributions specified are paid on the relevant due date for payment.

This schedule specifies rates of Employer contributions to the Fund. It covers a period of 5 years from the date of certification. It is subject to review from time to time as required by legislation and by the Fund's Trust Deed and Rules and following actuarial valuations and interim reviews.

There are no contributions due from or payable by members to the Fund.

1 Deficit contributions from the date of this schedule to 30 September 2023

Employers will pay the following deficit contributions:

- the deficit payments arising from the funding valuation as at 31 March 2012 set out in the schedule of contributions dated 2 May 2013
- the deficit payments arising from the funding valuation as at 31 March 2009 set out in the schedule of contributions dated 26 March 2010

The last payment under these schedules is due to be made by 30 September 2023.

2 Other Employer contributions

In addition to the contributions shown above, the Employers shall pay the following:

- Additional contributions as may be required under the Definitive Trust Deed and Rules in specific circumstances, for example to cover augmentations. The amounts of such contributions to be advised by the Scheme Actuary, and due dates to be agreed by the Trustee.
- Such other contributions as may be agreed by the Trustee and the Employers from time to time.

Date of schedule: 9 December 2021

Agreed on behalf of the Trustees

Name: Rory Murphy

Signature:

Position: Trustee Chairman

Date: 9 December 2021

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected as at 31 March 2021 to be met by the end of the period for which the Schedule is to be in force.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 9 December 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities if the Fund were to be wound up.

Signature: Kim Farnum

Name: K Farnum
Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited
Watson House
Reigate
RH2 9PQ

Date: 9 December 2021

MEMBERS' INFORMATION

The Trustee is required to provide certain information about the Scheme to the Registrar of Pension Schemes. This has been forwarded to:

The Registrar of Pension Schemes
PO Box 1NN
Newcastle Upon Tyne
NE99 1NN

Internal Disputes

The Trustee has an Internal Disputes Resolution Procedure ("IDRP") in place to deal with any complaints from members regarding the operation of the Fund. If the complaint cannot be resolved under the first stage of the Procedure, the Trustee will consider the complaint under stage two. Further details of the IDRP can be found on the MNOPF website.

The Pensions Ombudsman

If a member requires assistance with dealing with a pension complaint, they can contact the dispute resolution team at the Pensions Ombudsman.

The Pensions Ombudsman may also investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme and will assist members and beneficiaries of schemes in connection with difficulties which they have failed to resolve with the Trustee or Administrators of the Scheme. Enquiries should be addressed to:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator ("TPR") can intervene if it considers that a Scheme's Trustee, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Telephone: 0345 600 1011

The Pension Tracing Service

The Pension Tracing Service provides a tracing service for members (and their dependents) of previous employers' schemes, who have lost touch with earlier employers and Trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

Pension Tracing Service
The Pension Tracing Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

MEMBERS' INFORMATION (CONTINUED)

The Pensions Compensation Scheme

The Pensions Compensation Scheme was introduced to protect members' interests in certain circumstances, i.e. to provide compensation where an employer has become insolvent and the scheme assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The Compensation Scheme is funded by a retrospective levy on occupational pension schemes.

MoneyHelper

Members can obtain information and guidance through MoneyHelper. The Money and Pensions Service (MaPS) has consolidated The Pensions Advisory Service (TPAS), Money Advice Service (MAS) and Pension Wise into a single website. It offers free impartial guidance on a range of financial issues, including pensions and retirement.

Telephone: 0800 011 3797

Website: https://www.moneyhelper.org.uk

Further Information

The Trust Deed and rules, the scheme details, and a copy of the Schedule of Contribution and Statement of Investment Principles are available for inspection free of charge by visiting the Trustee's website www.mnopf.co.uk or by contacting the Trustee at the address on page 12. In some circumstances copies of documents can be provided, but a charge may be made for copies of the trust documents (Deed and Rules) and of the Actuary's report.

Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the administrators of the scheme, Mercer Limited, at the address on page 12.

The Merchant Navy Officers Pension Fund

Annual Implementation Statement – Year ended 31 March 2022

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1. Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Merchant Navy Officers Pension Fund ("the Fund") covering the fund year ("the year") to 31 March 2022.

The purpose of this statement is to:

- Set out how, and the extent to which, in the opinion of the trustees, the Fund's engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Fund makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Delegated CIO, Towers Watson Limited (trading as WTW), to advise on the Fund's DB assets. So far as is practicable, the Delegated CIO considers the policies and principles set out in the Trustee's SIP.

A copy of this implementation statement has been made available on the following website: www.mnopf.co.uk

2. Voting and engagement

As set out above, the Trustee has delegated responsibility to the Delegated CIO to implement the Trustee's agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Delegated CIO is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio.

The Trustee's view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

The Delegated CIO's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Delegated CIO engages with investment managers to improve their processes.

The Delegated CIO produces a detailed Annual Sustainable Investment (SI) Review report on the SI characteristics of the highest-rated managers (such as those included in the Fund's portfolio) on an annual basis. This report forms part of the Trustee's ongoing portfolio monitoring which the Trustee last reviewed at its Q3 2021 meeting.

At the latest Annual SI Review it was reported that the vast majority of the Fund's asset managers are operating at a neutral or strong standard. The Delegated CIO is directly engaging with the underlying investment managers in areas where they scored poorly to encourage improvements. Should insufficient progress be made on making improvements, the manager's place in the portfolio will come under review.

In addition, the policies and processes adopted by the Trustee have impacted the Fund's investments in numerous ways. A key example of this is within the Fund's equity portfolio where the Trustee is invested in the Towers Watson Global Equity Focus Fund which has excluded controversial weapons companies from the Fund's portfolio in accordance with MSCI's criteria. These categories of weapons are widely considered to be controversial as they can have indiscriminate, anti-humanitarian impacts on civilians, including weapons of mass destruction. Many are also subject to international conventions and agreements which several countries have ratified.

Company level engagement and rights attached to investments (including voting):

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Delegated CIO, and in turn to the Fund's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) are delegated to the Fund's investment managers.

The Trustee has a set of investment beliefs which cover various aspects including governance, asset classes and risk. The Trustee's sustainability beliefs are:

- As stewards of the Fund's assets, the Trustee has a responsibility to set policy over ESG factors rather than delegating the policy setting to the DCIO / investment managers
- It is important for equity managers to exercise their voting rights as this leads to better governance reasons and can produce better returns
- The Trustee should closely monitor how the DCIO incorporates Sustainability, ESG and stewardship considerations into its decision-making process
- The Trustee should provide regular communication to employers as well as members regarding Sustainability, ESG and stewardship developments.
- The Fund should engage with other Pension Schemes / investors to aim to create positive change across the investment industry.
- The Trustee supports investments with a positive social and environmental impact, but these investments must have no adverse impact on overall investment efficiency.
- Climate change, and a just transition to net zero carbon emissions, is a systemic and urgent global challenge which necessitates specific risk management, opportunity identification and collective action

The Trustee assess adherence with its sustainability beliefs annually – most recently in 2021 which confirmed activities were undertaken that ensure compliance with all beliefs. The Trustee looks to update its beliefs at least every three years. The sustainability beliefs were last updated in 2021, with the next review scheduled in 2024.

The Delegated CIO's annual sustainability report helps the Trustee to review and monitor latest sustainability and ESG considerations within the portfolio, against its beliefs framework. As part of the ESG report, the following aspects are included:

- A section on understanding the latest trends in ESG and how sustainable investing can have a positive impact on investment return.
- Annual monitoring of the investment managers the Fund invests in, including any areas of weaknesses identified.
- Case studies of investment managers incorporating sustainability within the decision-making process.
- A quantitative and qualitative assessment of carbon exposure and other ESG criteria in the Fund's portfolio.

Through the engagement undertaken by the Delegated CIO, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Delegated CIO considers the investment managers' policies and activities in relation to ESG and stewardship both at the appointment of a new manager and on an ongoing basis. The Delegated CIO engages with managers to improve their practices and may recommend the termination of a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Fund's equity managers, or managers who own a significant amount of equity such as listed real estate (REITs) and listed infrastructure, as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of "significant votes", the top three have been shown below.

Further information on the voting and engagement activities of the managers is provided in the table below.

The Fund's equity holdings as at 31 March 2022 were invested across five pooled funds:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Delegated CIO which invests in number of underlying active managers
- State Street Global Advisers (SSgA) Infrastructure Equity MFG Fund – a passive global equity fund which focusses on equity related to infrastructure companies.
- Manager A – an active equity fund focussed on equities listed in China
- Manager B – an active emerging market equity fund
- Manager C – an active global equity fund focussed on equity related to prime properties.

As outlined above, the Fund is invested in both active and passive equity funds. For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM and Manager A, B and C. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Fund's investment managers could impact the investment manager's ability to generate the best investment outcome for the Fund and ultimately, the Fund's members.

The Delegated CIO views that TWIM GEFF acts as a strong steward of capital through engagements made by underlying managers and through Equity Ownership Services ("EOS") at Federated Hermes who has been specifically appointed to act in this regard on behalf of the capital in the fund. Underlying managers are continuously monitored and evaluated on their engagement activities, which in 2021 are rated either as a Strength or Neutral by the Delegated CIO. EOS is rated as a Strength on their ESG engagement activities, where at least one milestone was moved forward for c.53% of objectives over 2021. EOS' latest engagement plan can be accessed here.

The Delegated CIO's view is that SSgA's strategic priorities are heavily tied to ESG, customisation and taking more control of headline index design while using less expensive third party index providers to help implement. A question remains over SSgA's ability and willingness to significantly evolve their stewardship activities and best practices. The Delegated CIO continues to engage for further improvement on ESG issues, with these becoming now regular conversations particularly on the potential to decarbonise at accelerated rates.

The Delegated CIO's view on Manager A is that due to the strategy's fundamental investment approach we expect environmental, social, and governance (ESG) risks and opportunities to be considered within their portfolio management process. Corporate engagement and asset stewardship is a key part of the investment process for the team and has been a key part of the investment process across all of its investment strategies. Overall, the Delegated CIO view's the SI approach of Manager A to be good.

The Delegated CIO views Manager B's approach to SI as acceptable. Over the year, Manager B has made improvements to its practices relating to ESG integration and engagement by upgrading its third-party research provider to Sustainalytics, developing a Stewardship Policy and enhancing its ESG Policy. The Delegated CIO continues to engage for further improvement.

The Delegated CIO's view on Manager C is positive as the manager publicly supports sustainable investment initiatives and the firm's policy covering ESG integration and analysis is publicly disclosed. In the last calendar year, Manager C has made improvements to its practices relating to ESG integration. Manager C will review each resolution on a case-by-case basis in arriving at a voting recommendation and does so by adhering to a clearly defined set of principles.

The Trustee delegates the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment manager. The Delegated CIO has assessed the investment manager's voting policies as part of its overall assessment of the investment manager's capabilities. The Delegated CIO considers the managers policies to be appropriate, and consistent with the Trustee's policies and objectives and ultimately, therefore in the best financial interests of the Fund's members. Additional oversight on the implementation of this policy is provided through the Delegated CIO's partnership with EOS at Federated Hermes (see below). The Trustee has identified key ESG risks for the Scheme as climate change action and human and labour rights and therefore selected votes on these topics as the most significant for the Fund where possible. Implications on the voting outcome for the SSgA Infrastructure Equity MFG Fund are unavailable, and we are currently querying with the manager on when we can expect to receive this information.

TWIM: Global Equity Focus Fund

Voting activity	Number of votes eligible to cast: 2826 Percentage of eligible votes cast: 100% Percentage of votes with management: 89% Percentage of votes against management: 10% Percentage of votes abstained from: 1%			
Most significant votes cast	**Company**	Microsoft	Facebook	Amazon
	Size of holdings	3.1%	3.0%	2.0%
	Resolution	Report on Gender/Racial Pay Gap	Report on platform misuse	Report on the impacts of plastic packaging
	Decision /Vote	For	For	Against – management were not notified in advance
	Rationale for decision	Promotes appropriate accountability and incentivisation on gender and diversity	Platform misuse poses perhaps the key risk to the company. Per the saying "what gets measured, gets managed", additional management attention on this topic is most welcome. To the extent that the Community Standards report is already measuring much of this, then that simply lowers the incremental cost of this report	Promotes transparency around environmental issues

	Outcome of vote	Failed	Failed	Failed
	Implications of the outcome	Continue to consider proposals whether from management or shareholders which enhance company diversity	Alignment between economic and voting ownership is important for the long-term shareholder interests. We had an extensive engagement on this issue.	We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.
	Rationale for classifying as significant	We consider diversity to be a critical factor influencing the long-term performance and sustainability of a company.	We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.	Voted against management
Use of proxy voting	Within the Towers Watson Investment Management Global Equity Focus Fund, the underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The Fund also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers within the fund are ultimately responsible for the votes.			

SSgA: Infrastructure Equity MFG Fund

Voting activity	Number of votes eligible to cast: 1103 Percentage of eligible votes cast: 98% Percentage of votes with management: 85%[1] Percentage of votes against management: 14%[1] Percentage of votes abstained from: 0%[1]			
Most significant votes cast	**Company**	TERNA Rete Elettrica Nazionale SpA	Power Assets Holdings Limited	Power Assets Holdings Limited
	Size of holdings	2.3%	1.9%	1.9%
	Resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Elect Director	Elect Director
	Vote Cast	Against - management were not notified in advance	Against - management were not notified in advance	Against - management were not notified in advance

[1] *Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.*

	Rationale for decision	Apparent failure to link pay & appropriate performance	Concerns related to approach to board gender diversity	Overboarded and too many other time commitments
	Outcome of vote	Pass	Pass	Pass
	Implications of the outcome	Information unavailable	Information unavailable	Information unavailable
	Rationale for classifying as significant	Voted against management	Voted against management	Voted against management
Use of proxy voting	In order to facilitate SSgA's proxy voting process for each investment above, SSgA retains Institutional Shareholder Services Inc. (ISS), a firm with expertise in proxy voting and corporate governance. SSGA utilizes ISS's services in three ways. First, as SSgA's proxy voting agent, ISS provides SSGA with vote execution and administration services. Second, ISS applies SSGA's Proxy Voting Guidelines where appropriate (see more detail below). Lastly, ISS provides the highest level of research and analysis related to general corporate governance issues and specific proxy items.			

Manager A: an active emerging markets equity fund focussed on China A Shares

Voting activity	Number of votes eligible to cast: 794 Percentage of eligible votes cast: 100% Percentage of votes with management: 94% Percentage of votes against management: 6% Percentage of votes abstained from: 0%			
Most significant votes cast	**Company**	China Mengniu Dairy Co	Midea Group Co. Ltd	Yunda Holding Co. Ltd
	Size of holdings	4.7%	4.6%	1.0%
	Resolution	Elect Simon Dominic Stevens; Elect NIU Gensheng	2021 provision of guarantee for controlled subsidiaries	Adjustment of Performance Appraisal for Previous Employee Restricted Shares Plan; Authorization to the Board to Handle Matters Regarding the Employee Restricted Shares Plan
	Decision /Vote	Against - management were not notified in advance	Against - management were not notified in advance	Against - management were not notified in advance

	Rationale for decision	Committee independence; less than 75% attendance	Excessive guarantees	The performance hurdle versus peers was a concern
	Outcome of vote	Passed	Passed	Passed
	Implications of the outcome	The manager tends to be more stringent in their recommendations against outcome of the votes when it comes to governance matters. Small matters count and they feel there is always scope for our Chinese portfolio companies to become even better over time. The manager also hopes to communicate with them in future meetings on areas for improvement. It is also an area for the manager to be even more proactive in the future, i.e., communicating proactively with portfolio companies on their vote-against decisions afterwards. The manager wants to understand the background and raise these issues with portfolio companies. The manager votes on a case-by-case basis and builds a foundation for constructive engagements with portfolio companies.		
	Rationale for classifying as significant	Against management	Against management	Against management
Use of proxy voting	The Chinese Equity Fund uses Glass Lewis as their proxy voting service vendor to process votes on resolutions of investment companies in their shareholders' meetings. The service platform allows the manager to source voting ballots from multiple custodians, provide voting research papers with detailed analysis and recommendations it also allows submission of voting decisions in an efficient centralised manner. It also possesses a reporting function on voting data in various formats which is helpful in reporting to clients.			

Manager B - an active emerging market equity fund

Voting activity	Number of votes eligible to cast: 524 Percentage of eligible votes cast: 96% Percentage of votes with management: 90% Percentage of votes against management: 5% Percentage of votes abstained from: 5%			
Most significant votes cast	**Company**	Apollo Hospitals Enterprise Limited	Wuxi Biologics (Cayman) Inc.	TCS Group Holding Plc
	Size of holdings	5.5%	3.4%	2.3%
	Resolution	Elect Rama Bijapurkar as director	Authorize reissuance of repurchased shares	Eliminate pre-emptive rights
	Decision /Vote	For	Against	For

	Rationale for decision	While Manager B is wary about the number of Boards that Rama Bijapurkar sits on, they have become comfortable enough with this after speaking to the company. Rama will bring valuable marketing experience. According to the company, her responsibilities as a Professor are also not overly taxing in terms of time commitments.	Manager B would like to have the ability to review and vote on such issuances, but on the other hand, companies should also have the flexibility to transact ordinary business without undue burden or cost. Therefore, the need for flexibility must be balanced with providing reasonable protection for shareholder interests.	Manager B believes management has earned the right to the flexibility of up to 12.5% dilution for M&A and investments in a highly competitive and dynamic space.
	Outcome of vote	Pass	Pass	Pass
	Implications of the outcome	Monitor overboarding concerns	-	-
	Rationale for classifying as significant	The criteria we selected to assess the significance of the vote were the dissent level, shareholder proposals we voted ‘For’, times we voted ‘Against’ management or ISS, historical votes on similar proposals, and overall relevance to the strategy.		
Use of proxy voting	Manager B vote their proxies themselves but consider the recommendations of proxy advisors such as ISS and Glass Lewis in their voting decisions. In voting proxies manager B should consider the short and long-term implications of each proposal. In voting proxies, manager B typically is neither an activist in corporate governance nor an automatic supporter of management. However, because manager B believes that the management teams of most companies it invests in generally seek to serve shareholder interests, manager B believes that voting proxy proposals in the client’s best economic interests usually means voting with the recommendations of these management teams. Any specific voting instructions provided by an advisory client or its designated agent in writing will supersede this Policy.			

Manager C – an active global fund focussed on real estate equity

Voting activity	Number of votes eligible to cast: 607 Percentage of eligible votes cast: 100% Percentage of votes with management: 97% Percentage of votes against management: 3% Percentage of votes abstained from: 0%			
	Company	Prologis, Inc. (PLD-US)	American Tower Corporation	Kilroy Realty Corporation (“KRC”)

Most significant votes cast	**Size of holdings**	8.0%	1.7%	3.7%
	Resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Amend articles/bylaws - shareholder proposal to reduce the ownership threshold for shareholders to call a special meeting from 25% to 10%. The proposal also called for the removal of a provision which excluded shareholders who had owned shares for less than one continuous year from being able to call a special meeting.	Advisory Vote to Ratify Named Executive Officers' Compensation
	Decision /Vote	Against	For	For
	Rationale for decision	Our rationale for voting against this item was primarily based on pay-for-performance misalignment and executive compensation being excessive relative to peers.	Believe the existing ownership threshold of 25% is too high, requiring an aggregate investment of approximately US$28bn in order for a shareholder to call a special meeting. Although arguably still too high, a 10% ownership threshold as proposed provides less of an obstacle for shareholders.	ISS believe KRC should not have renewed the COO's employment contract with the pre-existing cash severance package as it is above current market levels. However, the company explained that: (a) The COO's employment contract is a legacy contract originated in 2007 (b) The cash severance package would be triggered if the contract was not renewed – or was renewed on terms less favourable to the COO (c) The company no longer adopts such employment contracts (d) Other proxy advisors have not raised this as a concern. Given it is economically better for

				the COO to retire than to force the company to renegotiate, they believe a vote for the proposal is warranted.
	Outcome of vote	Failed	Failed	Passed
	Implications of the outcome	Information unavailable	Information unavailable	Information unavailable
	Rationale for classifying as significant	Size of holding, and voting against management	Against management recommendation	Voting against ISS recommendation
Use of proxy voting	The manager will vote on all resolutions that it has the ability to vote on in accordance with client investment management agreements. In the event that the manager receives a direction from a separately managed client account in relation to the appointment of a proxy and the way the proxy should be voted, the manager will use its best endeavours to implement the direction. In the absence of any direction, the manager will exercise the right to vote as it sees fit, having regard to the objective of the investment mandate and taking into consideration any material conflicts of interests identified. For pooled products, the manager will determine how to vote in accordance with the Proxy Voting Policy. The proxy votes are submitted via the ISS (Institutional Shareholder Services) Proxy Exchange portal, to facilitate and assist with the voting process.			

Industry wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS' activities over 2021:

- Engagements with over 1,200 companies on a total of 4,154 issues and objectives representing assets under advice of $1.64tn.
- 64 responses to consultations or proactive equivalents and 71 discussions with relevant regulators and stakeholders.
- Voting recommendations in relation to over 128,000 resolutions, with over 20,000 being against management.
- Active participation in a number of stewardship initiatives including Climate Action 100+, PRI, Investor Alliance for Human Rights and the International Corporate Governance Network.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave;
- Co-founding the Net Zero Investment Consultants Initiative with eleven other investment consultants in 2021, with a commitment across its global Investment business;
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets ;
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

3. Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.