

THE BEACON

MEMBER NEWSLETTER AUTUMN/WINTER 2022



STABILITY IN A VOLATILE WORLD

WELCOME FROM THE CHAIR

As we strive to find our new “normal” post-pandemic, we can look back on a year which has seen the end of lockdowns, high inflation caused by the conflict in Ukraine and supply chain issues, the resulting cost-of-living pressures, and the death of Her Majesty Queen Elizabeth II. Uncertainty inevitably leads to volatility in investment markets and this year has been particularly challenging for our investment managers. Nevertheless, I am pleased to say the MNOPF remains stable, secure, and on course to reach its long-term targets, despite some short-term investment losses.

Annual results hold steady

The end of year results for the MNOPF display a similar picture to 2021 – progress, despite challenging investment conditions. The highlights from the 2022 Annual Report & Financial Statements are shown on page 2, with the full report available to read in the ‘Library’ on the MNOPF website.

Consistency in a changing world

The latest report from the MNOPF’s Actuary on the funding level progress to 31 March 2022 is shown on page 3. The funding level remained at 102%, the same as at 31 March 2021. The diversified nature of the Fund’s portfolio and the approach to liability hedging, as well as the decision taken by the Trustee to continue the programme of de-risking in 2021, have proved to be a good strategy given the extreme investment conditions and the resulting negative investment returns over the year. On page 3 we look at the investment highlights and the impact on the Journey Plan.

Climate change reporting

Last year I was delighted to sign the Pension Fund Chair ‘Net Zero’ Statement of Support on behalf of the MNOPF. This year, our commitment to tackle climate change through the Fund’s investment strategy continues. The Taskforce on Climate-Related Financial Disclosures (TCFD) has been set up to improve and increase the reporting of climate-related financial information and the MNOPF fully supports this important initiative.

There’s more information on the TCFD, and what it will mean for the MNOPF, on page 4.

Wellbeing matters

Since the first lockdown in 2020, our informative and motivating series of wellbeing webinars have reached out to MNOPF members when we were unable to run Member Forums due to Coronavirus. They proved extremely popular at a time when many members felt vulnerable and alone. I was, therefore, very happy to be able to host a new series of webinars,

which include news from the MNOPF, pension information, and topics designed to support your mental, physical, and emotional wellbeing. There is more information on page 4.

I understand these continue to be worrying times for many people and I wanted to take the opportunity to reassure you that your MNOPF pension is secure and the Trustee is committed to reaching the Fund’s long-term goals. Nevertheless, please continue to stay vigilant to the ever-convincing tactics of pension scammers – **remember, if someone calls you about your pension, you should assume it’s a scam.**

Finally, I wish you and your family good health and wellbeing for the year ahead.

With warmest wishes,

Rory Murphy
Chair of MNOPF Trustees Limited



Accounts and Fund finances | Funding update | Investments and Journey Plan | Climate-related risk reporting | Wellbeing

MNOPF

1 APRIL 2021 TO 31 MARCH 2022



£2,957m of assets



£154m paid in benefits to our members and their beneficiaries



22,440 members in the MNOPF, of which 17,595 are pensioners or their dependants

FUND FINANCES IN FOCUS

AS AT 31 MARCH 2022

FUND FINANCES for the year ended 31 March 2022	£m
Opening balance (of net assets) as at 1 April 2021	3,249.9
Less expenditure and member benefit payments	(157.8)
Less net return on investments	(135.3)
Equals closing balance (of net assets) as at 31 March 2022	£2,956.8

You can view the full Annual Report and Financial Statements at www.mnopf.co.uk

ANNUAL FUNDING UPDATE

A full actuarial valuation of the Fund is carried out every three years, the latest being in 2021, the excellent results of which were communicated to you early in 2022. In the intervening years, we ask the Scheme Actuary to carry out an annual check of the value of assets within the Fund and see how this compares to the amount needed to pay benefits to members now and in the future (the Fund's liabilities). This is known as the funding level on a 'technical provisions' basis.

What do the interim results show?

The latest update of the funding position shows the funding level remains at 102% as at 31 March 2022. This pause in growth of the funding level is mainly because of ongoing volatility in investment markets due, in part, to inflationary pressures and the impact of the conflict in Ukraine.

MNOPF Funding level progress

31 March	2021	2022
Estimated amount needed to provide benefits (including reserve for expenses and GMP equalisation)	£3,192m	£2,887m
Assets	£3,250m	£2,957m
Surplus	£58m	£70m
Funding level	102%	102%

Other important information

The MNOPF is run on behalf of its members and does not make any payments to participating employers. The Fund has not received any financial support directions or contribution notices relating to the Fund from the Pensions Regulator.

What is the solvency position of the Fund?

We are required by law to tell you how well the MNOPF is funded, as at the most recent valuation, if it were to wind up. At the last full actuarial valuation, as at 31 March 2021, the Scheme Actuary estimated that if the MNOPF were to be closed, and no further financial support was available from employers, the assets of the Fund would have been sufficient to cover 99% of the liabilities (up from 92% at the previous full valuation in 2018).

INVESTMENT RETURNS

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 its liability benchmark which fell by -3.4%. Therefore, the Fund outperformed its benchmark by 0.3% over the very difficult year for investment markets.
- The main reasons for this 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, had a negative impact.
- The funding level (on a gilts basis) has improved over the year to 31 March 2022, a result of the investment outperformance of the benchmark and the buy-in transaction completed by the Trustee in November 2021. The funding level is now slightly behind the Journey Plan, however performance remains within the Fund's built-in tolerances.
- Over the longer-term, the Fund has continued to outperform its liabilities by 2.2% pa over the past three years and 1.5% pa over the past five years.

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.

JOURNEY PLAN UPDATE

You may remember that in 2019, due to the good progress made on the Fund's strategic objectives and the Journey Plan progress, the Trustee brought the target date for the Journey Plan forward by one year to 30 June 2025. However, because investment markets globally have dropped significantly this year, primarily due to the war in Ukraine and the high inflation that has been the result, the Trustee has considered it prudent to revert the Journey Plan's time horizon back to the original target date of 30 June 2026.

The Journey Plan aims to achieve a funding level of at least 103% of members' benefits by 30 June 2026.

THE FINANCIAL RISK OF CLIMATE CHANGE

Climate change presents financial risk to the global economy. Financial markets need clear, comprehensive information on the impacts of climate change. To deliver this, the Financial Stability Board created the Taskforce on Climate-Related Financial Disclosures (TCFD) to improve and increase the reporting of climate-related financial information.

The Financial Stability Board is an international monitoring body that monitors and makes recommendations about the global financial system

The TCFD has developed a framework to help companies such as the MNOPF more effectively disclose climate-related risks and opportunities through their existing reporting processes.

What does this mean for the MNOPF?

The TCFD requirements came into force on 1 October 2022. The MNOPF Trustee must produce a TCFD report on its position following the year end of 31 March 2023 and every year thereafter. The Trustee is working with our Chief Delegated Investment Officer, Willis Towers Watson, to produce the first report for the year ending 31 March 2023 (to be published by the end of October 2023).

What do the requirements cover?

The Trustee must disclose the actual and potential impacts of climate risks on the scheme's investment and funding strategy (the Journey Plan). To demonstrate that the MNOPF meets the requirements, the Trustee must:

Identify the climate-related risks and opportunities, over the short, medium, and long-term.

Assess the impact of the climate-related risks and opportunities on the scheme's investment strategy and Journey Plan.

Undertake scenario analysis where there is an increase in the global average temperature. The scenarios will assess the potential impact on the MNOPF's assets and liabilities and its resilience to the scenarios.

Monitor, review and update the scenario analysis every three years (in practice, a review will take place annually to determine whether a new scenario analysis is required).

Disclose how the Fund identifies, assesses and manages climate-related risks – establish processes to achieve this and ensure that management of climate-related risks is integrated into the overall risk management of the Fund.

NEW WEBINAR PROGRAMME

Last year, the MNOPF and Wellbeing People delivered a popular series of interactive webinars designed to help members cope with the pandemic and improve their mental and physical wellbeing.

This year's programme of 10 communication and welfare webinars, which launched in September, were designed to keep you up-to-date with MNOPF news and developments, explain some of the complexities and wider aspects of pensions, and to bring helpful and fun content from Wellbeing People.

More details are available on the **MNOPF website www.mnopf.co.uk** where you can catch up with webinars you may have missed or wish to see again.

EARLY RETIREMENT PENSIONS

You may have read that following the Finance Act 2022, the earliest age at which members can take early retirement pensions is changing from 55 to 57 in 2028.

However, if you are a deferred member of the MNOPF, you will keep the protected minimum early retirement age of 55 due to the way that the MNOPF Trust Deed and Rules have been drafted. This means that the change to age 57 will NOT apply to you.

SCAM PLEDGE

The MNOPF continues to be concerned about pension scams and has taken The Pension Scams Pledge where we have committed to take robust steps to do all we can to prevent our members from becoming victims of this unscrupulous behaviour. More information on the pledge is available on the MNOPF **website**.

If you have been approached to transfer your pension, and something doesn't feel right, contact **myMNOPFpension** through the usual channels. The websites shown below are also helpful to keep you one step ahead of the scammers, but please stay vigilant.

- **Money Helper**

at www.moneyhelper.org.uk

- **Action Fraud**

at www.actionfraud.police.uk

CONTACT US

Please contact myMNOPFpension in the following ways:

Email: enquiries@mymnopfpension.co.uk

Call: 01372 200200 (9am to 5pm, Monday to Friday, excluding bank holidays)

Due to the changed working practices post-Coronavirus, the best way for myMNOPFpension to respond to your enquiry is to contact us via email.

