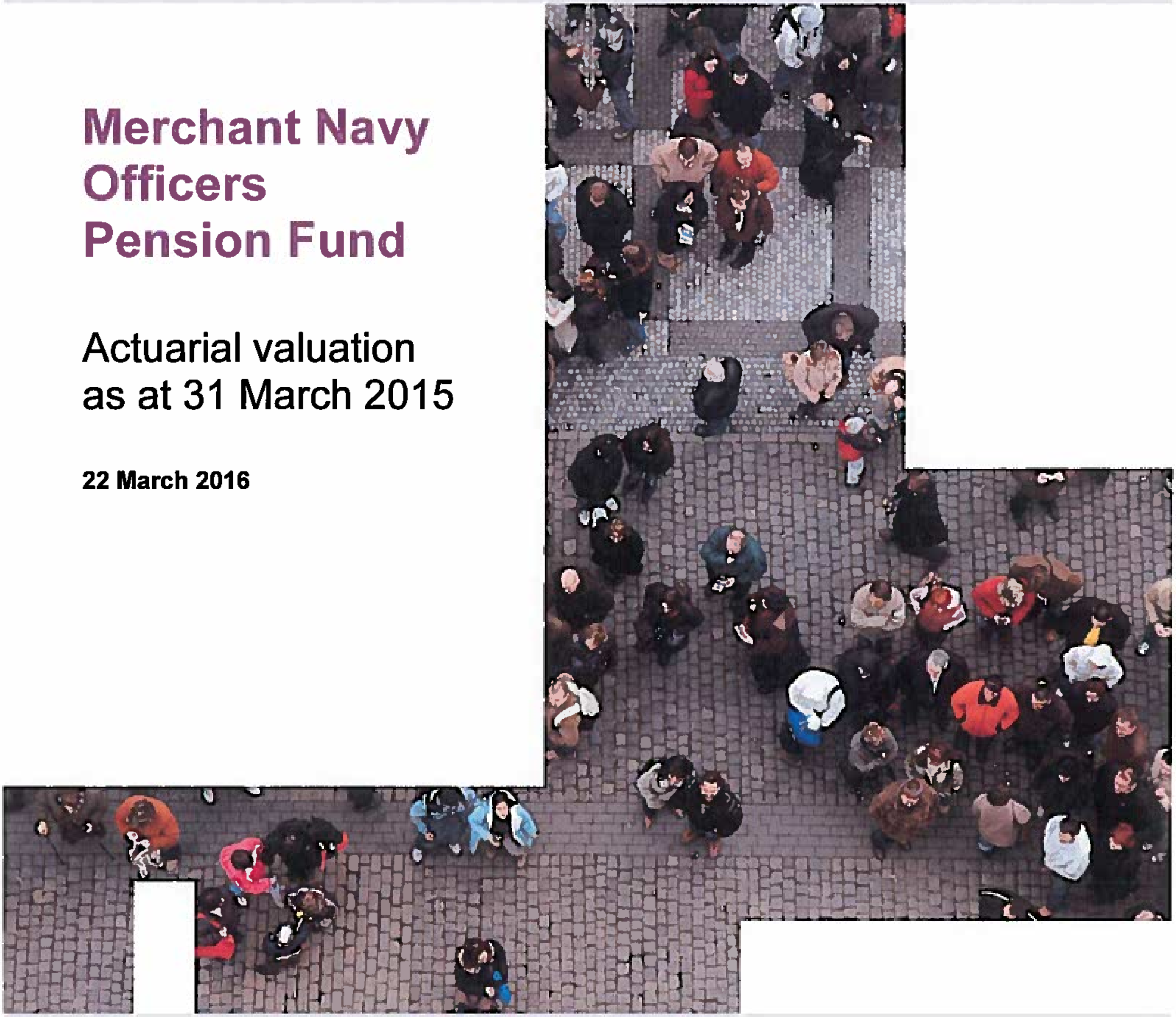
WillisTowersWatson

Merchant Navy Officers Pension Fund

Actuarial valuation as at 31 March 2015

22 March 2016



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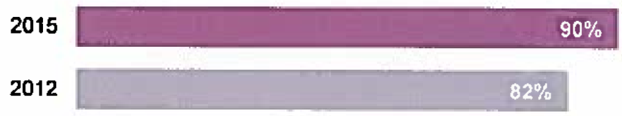
Summary

The main results of the Fund's actuarial valuation are as follows:

- Technical provisions funding level as at 31 March 2015 has increased to 90% (2012: 82%)



- Deficit of assets relative to technical provisions has decreased to £329 million (2012: £492 million)

- The recovery plan implemented to address the Fund's funding deficit is expected to achieve full funding on the technical provisions assumptions by 30 September 2025, which is 10.5 years following the valuation date (2012: 13.5 years)

- The Scheme Actuary's statutory estimate of solvency as at 31 March 2015 has increased to 76% (2012: 67%)

- The joint contribution rate required to meet the increase in technical provisions arising from the accrual of future service benefits has increased to 41.5% of pensionable salaries (2012: 32.2%

Contents

Throughout this report the following terms are used:

Fund
Merchant Navy Officers Pension Fund

Trustee
Merchant Navy Officers Pension Fund Trustees Limited

Employers
The Participating Employers that are required to contribute to the Fund

Trust Deed & Rules
The Fund's Trust Deed and Rules dated 25 June 1999, as subsequently amended

Introduction

Scope

This report is the actuarial valuation of the Merchant Navy Officers Pension Fund as at 31 March 2015 and I have prepared it for the Trustee. As noted in the Limitations section of this report, others may not rely on it.

The actuarial valuation is required under the terms of Clause 26.0 of the Trust Deed & Rules and Part 3 of the Pensions Act 2004; a copy of this report must be provided to the Employers within seven days of its receipt.

The main purposes of the actuarial valuation are to review the financial position of the Fund relative to its statutory funding objective and to determine the appropriate level of future contributions.

The report explains the financial position of the Fund at 31 March 2015 using several different measures of its liabilities and how it has changed since the previous valuation at 31 March 2012. It also describes the strategy that has been agreed by the Trustee for financing the Fund in future and provides projections of the funding position at the expected date of the next valuation.

This report and the work involved in the actuarial valuation are within the scope of and comply with the Financial Reporting Council's Technical Actuarial Standards regarding pensions, reporting actuarial information, data and modelling.

Next steps

The Trustee is required to disclose to members, in a summary funding statement, certain outcomes of this actuarial valuation within a reasonable period. Members may also request a copy of this report.

The financial position of the Fund and the level of Employers contributions to be paid, if any, will be reviewed at the next actuarial valuation, which is expected to be carried out at 31 March 2018.

In intervening years the Trustee will obtain annual actuarial reports on developments affecting the Fund's assets and technical provisions. The next such report, which will have an effective date of 31 March 2016, must be completed by 31 March 2017.

C P Burbidge
Fellow of the Institute and Faculty of Actuaries
22 March 2016

Towers Watson Limited
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London WC1V 6TP

http://eutct.internal.towerswatson.com/clients/617531/mnopftrval31mar15/documents/mnopf valuation report draft.docx

Limitations

Third parties

This report has been prepared for the Trustee for the purpose indicated. It has not been prepared for any other purpose. As such, it should not be used or relied upon by any other person for any other purpose, including, without limitation, by individual members of the Fund for individual investment or other financial decisions, and those persons should take their own professional advice on such investment or financial decisions. Neither I nor Towers Watson Limited accepts any responsibility for any consequences arising from a third party relying on this report.

Except with the prior written consent of Towers Watson Limited, the recipient may not reproduce, distribute or communicate (in whole or in part) this report to any other person other than to meet any statutory requirements.

Data supplied

The Trustee bears the primary responsibility for the accuracy of the information provided, but will, in turn, have relied on others for the maintenance of accurate data, including the Employers who must provide and update certain membership information. Even so it is the Trustee's responsibility to ensure the adequacy of these arrangements. I have taken reasonable steps to satisfy myself that the data provided is of adequate quality for the purposes of the investigation, including carrying out basic tests to detect obvious inconsistencies. These checks have given me no reason to doubt the correctness of the information supplied. It is not possible, however, for me to confirm that the detailed information provided, including that in respect of individual members and the asset details, is correct.

This report has been based on data available to me as at the effective date of the actuarial valuation and takes no account of developments after that date except where explicitly stated otherwise.

Some of the member data (such as date of birth and salary) required for the running of the Fund, including for paying out the right benefits, is known as 'personal data'. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on those who exercise control over the data (known as 'data controllers' under the Data Protection Act). Data controllers would include the Trustee of the Fund and may also include the Scheme Actuary and Towers Watson Limited, so we have provided further details on the way we may use this data on our website at http://www.towerswatson.com/personal-data.

Assumptions

The choice of long-term assumptions, as set out in the Fund's Statement of Funding Principles dated 1 March 2016, is the responsibility of the Trustee, after taking my advice. They are only assumptions; they are not predictions and there is no guarantee that they will be borne out in practice. In fact I would expect the Fund's experience from time to time to be better or worse than that assumed. The Trustee and the Employers must be aware that there are uncertainties and risks involved in any course of action they choose based on results derived from these assumptions.

Funding

Statutory funding objective

The Trustee's formal funding objective is the statutory funding objective under the Pensions Act 2004, which is to have sufficient and appropriate assets to cover the Fund's technical provisions.

The technical provisions are calculated by projecting the benefits (which are mostly pension payments) expected to be paid in each year after the valuation date and then discounting the resulting cashflows to obtain a present value. Benefits accrued in respect of service only up to the valuation date are taken into account in this calculation (although an allowance is made for an assumed level of future pensionable earnings increases for employed members). The main benefits taken into account in this actuarial valuation are summarised in the Additional Information section of this report.

The projections allow for benefit payments being made from the Fund over the next 80 or so years. Most of these payments depend on future increases in price inflation statistics subject to specified limits.

The method and assumptions for calculating the technical provisions as at 31 March 2015 have been determined by the Trustees, having consulted the Employers, and are documented in the Statement of Funding Principles dated March 2016.

The table below summarises the main assumptions used to calculate the Fund's technical provisions for this and the previous actuarial valuation.

Financial assumptions	31 March 2015 % pa	31 March 2012 % pa
Pre-retirement discount rate	**4.75**	5.7
Post-retirement discount rate	**2.6**	4.0
RPI price inflation	**3.1**	3.2
CPI price inflation	**2.1**	2.2
Section 148 increases	**4.1**	4.2
Deferred pension revaluation (Post-85 leavers non-GMP)	**2.1**	2.2
Pension increases:		
- Pre-97 pension (in excess of GMP)	**0.0**	0.0
- Post-97 pension	**2.9**	3.0
- Post-1988 GMP	**1.8**	1.9

Demographic assumptions	31 March 2015	31 March 2012
Mortality base tables:		
- Male pensioners	**85% of SAPS Heavy S2NMA tables projected to 2015**	85% of SAPS Heavy S1NMA tables projected to 2012
- Female pensioners	**85% of SAPS Heavy S2NFA tables projected to 2015**	85% of SAPS Heavy S1NFA tables projected to 2012
Future improvements in longevity	**CMI 2014 core projections from 2015 with a long term rate of 1.8% pa**	CMI 2011 core projections from 2012 with a long term rate of 1.8% pa
Proportion of pension exchanged for a lump sum at retirement (on rates anticipated to be 20% below the funding liability)	**50% of the maximum lump sum**	50% of the maximum lump sum

The table below compares the Fund's technical provisions as at the date of the actuarial valuation (31 March 2015) with the market value of the Fund's assets and the corresponding figures from the previous actuarial valuation:

Valuation statement	31 March 2015 £m	31 March 2012 £m
Amount required to provide for the Fund's liabilities in respect of:		
Employed members	**417**	428
Deferred pensioners	**886**	787
Pensioners and dependants	**1,871**	1,408
Expenses	**50**	35
AVCs and other money purchase benefits	**3**	3
Technical provisions	**3,227**	2,661
Market value of assets	**2,898**	2,169
Funding level (assets ÷ technical provisions)	**90%**	82%
'Gross'[1] past service (deficit) (technical provisions less assets)	**(329)**	(492)
Value of future deficit contributions due after valuation date from previous valuations	**320**	340
Impact on (deficit) of closure to future accrual[2]	**4**	n/a
'Net'* past service (deficit)	**(5)**	(152)

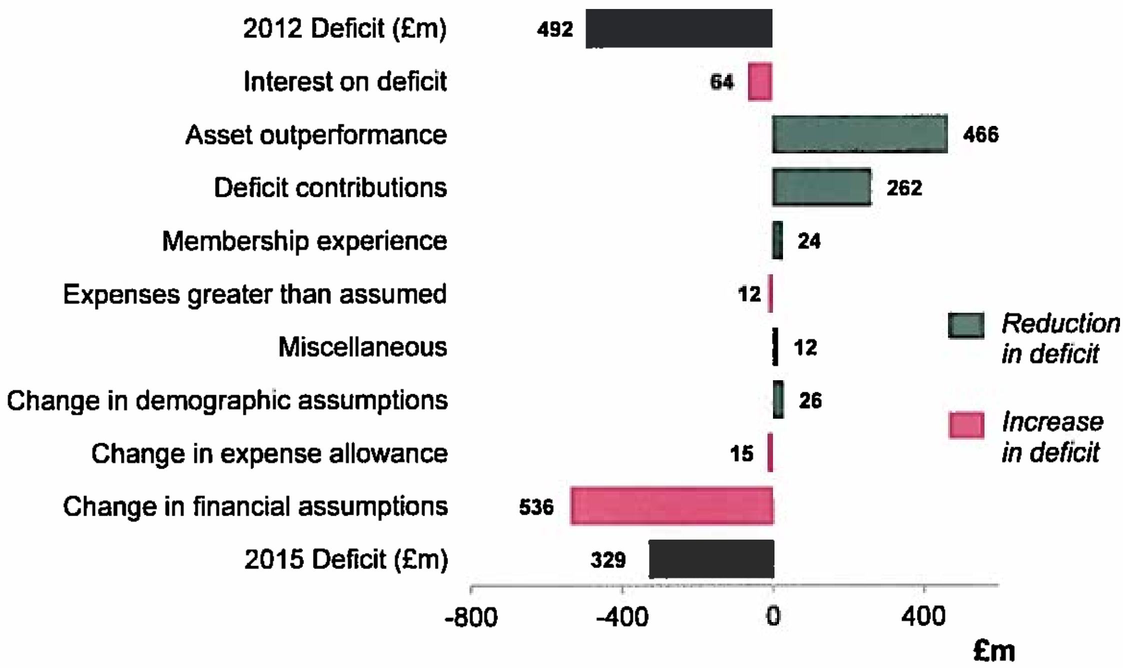
[1] Gross of the value of the deficit contributions from the 2003, 2006, 2009 and 2012 valuations to be paid after 31 March 2015

[2] The Fund is closing to future accrual from 31 March 2016. As part of this, employed members will become deferred pensioners from that date but with revaluation while they remain in service with their current employer of 1.5% pa in excess of standard deferred revaluation. As set out in the future accrual section below, the cost of future accrual from 31 March 2015 is higher than the contribution rates currently being paid and the Trustee has decided not to collect the shortfall over the year to 31 March 2016. The total impact on the deficit of these two factors is a reduction in the net deficit of £4 million.

Developments since the previous valuation

Since the 2012 valuation, the Fund has put into place a longevity swap covering the majority of the pensioner liabilities. The impact of the swap is broadly neutral based on the mortality assumptions underlying the 2015 Technical Provisions. However, the swap does reduce the Fund's longevity risk and sensitivity to a change in mortality assumptions, as reflected in the sensitivity information below.

The funding level has increased to 90% (a gross deficit of £329 million) from 82%(a gross deficit of £492 million) at the previous valuation. The main factors contributing to this increase are shown below.

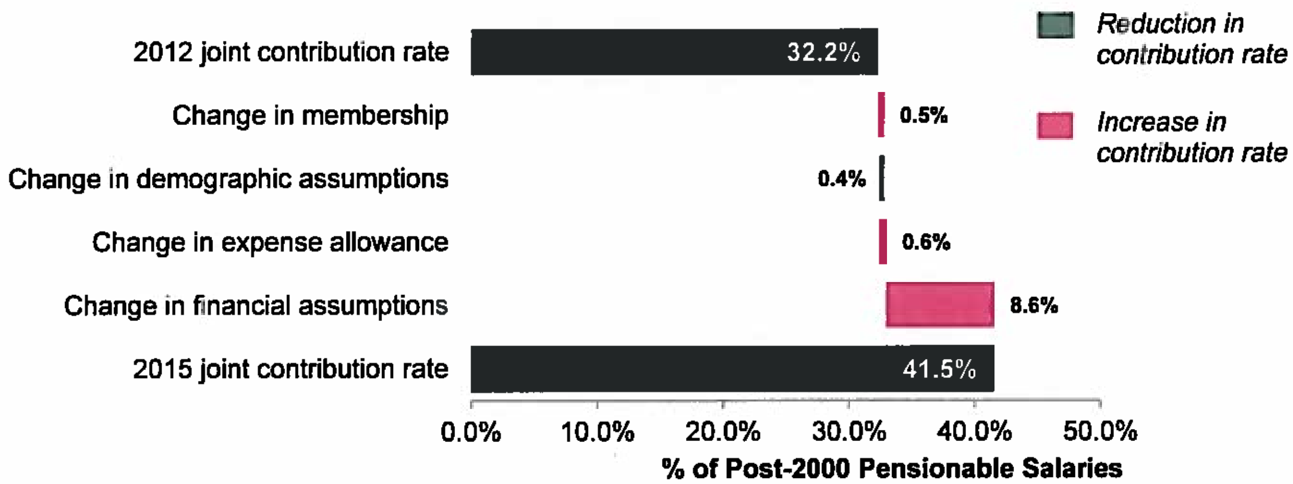


Contribution requirements

Future accrual of benefits

Under the method and assumptions described in the Statement of Funding Principles, the overall contribution rate needed to provide the benefits that are expected to be accrued over the four year period from 31 March 2015 is 41.5% of Post-2000 Pensionable Salaries. This rate is before deduction of members' mandatory contributions. An allowance of 1.0% of Post-2000 Pensionable Salaries is included in this future service contribution rate for administration expenses including PPF levies.

The change in the joint contribution rate and the main factors contributing to the change are shown below.



As the Fund is closing to future accrual with effect from 31 March 2016, future service contributions in respect of defined benefit accrual will cease from that date.

Recovery plan

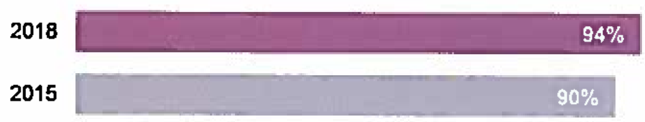
As there were insufficient assets to cover the Fund's technical provisions at the valuation date, the Trustee and the Employers are required to agree a recovery plan. This specifies how, and by when, the statutory funding objective is expected to be met.

The gross deficit as at 31 March 2015 on the Technical Provisions basis is £329 million. Allowing for the present value of deficit contributions due after this date from the Recovery Plans agreed at the 2009 and 2012 valuations, and for the closure of the Fund to future accrual from 31 March 2016, leads to a net deficit as at 31 March 2015 of £5 million to be met by the Recovery Plan from the 2015 valuation.

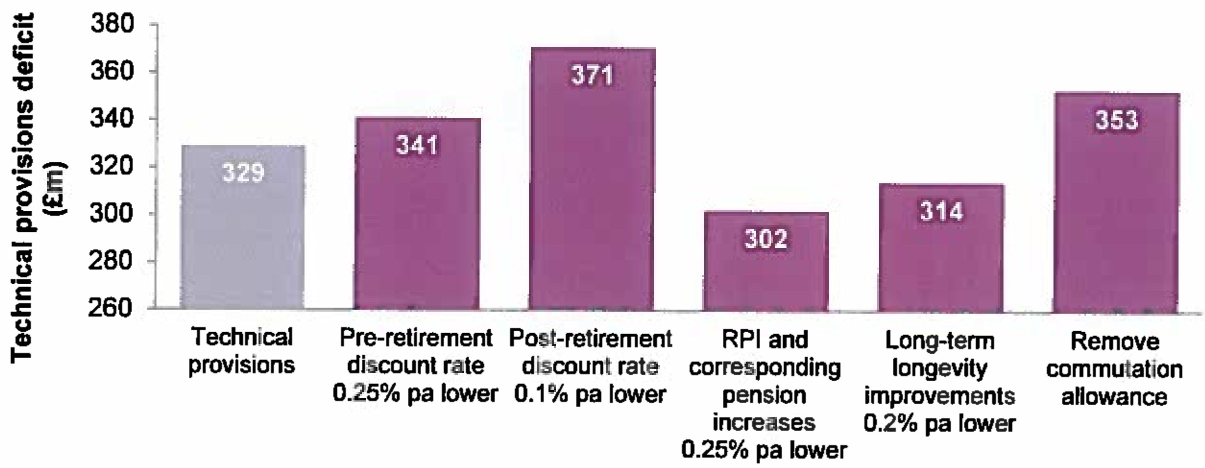
Allowing for the return on Fund assets to exceed the average discount rate by 0.1% pa, if the assumptions documented in the Statement of Funding Principles are borne out in practice, no additional contributions beyond those agreed at previous valuations would be required from the Participating Employers in order to remove this net deficit of £5 million over the period to the end of the current Recovery Plans (30 September 2025).

Projections and sensitivities

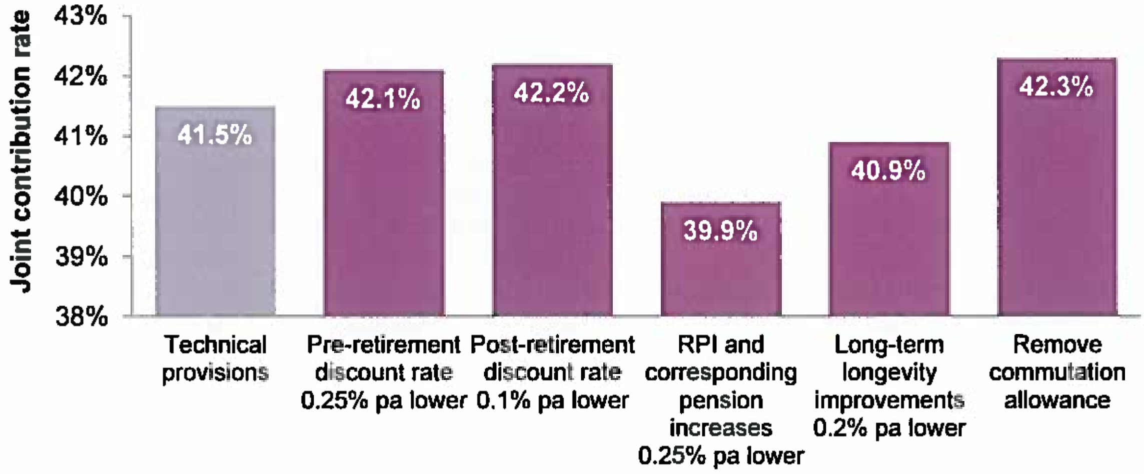
Based on the assumptions underlying the calculation of the Fund's technical provisions as at 31 March 2015 and allowing for contributions to be paid to the Fund as described above, the funding level is projected to increase from 90% to 94% by the expected date of the next actuarial valuation (31 March 2018).



The chart below illustrates the sensitivity of the technical provisions as at 31 March 2015 to variations of individual assumptions. (If more than one of these assumptions is varied, the effect may be greater or smaller than the sum of the changes from varying individual assumptions.)



The chart below illustrates the sensitivity of the joint future service contribution rate as at 31 March 2015 to variations of individual key assumptions. (If more than one of these assumptions is varied, the effect may be greater or smaller than the sum of the changes from varying individual assumptions.)


Joint contribution rate
43%
42%
41%
40%
39%
38%
41.5%
42.1%
42.2%
39.9%
40.9%
42.3%
Technical provisions
Pre-retirement discount rate 0.25% pa lower
Post-retirement discount rate 0.1% pa lower
RPI and corresponding pension increases 0.25% pa lower
Long-term longevity improvements 0.2% pa lower
Remove commutation allowance

Solvency

Discontinuance

In the event that the Fund is discontinued, the benefits of employed members would crystallise and become deferred pensions in the Fund. There would be no entitlement to further accrual of benefits.

If the Fund's discontinuance is not the result of insolvency of all the Employers, the Employers would ultimately be required to pay to the Fund any deficit between the Scheme Actuary's estimate of the full cost of securing Fund benefits with an insurance company (including expenses) and the value of the Fund's assets – the "employer debt". The Trustee would then normally try to buy insurance policies to secure future benefit payments. However, the Trustee may decide to run the Fund as a closed fund for a period of years before buying such policies if it is confident that doing so is likely to produce higher benefits for members or if there are practical difficulties with buying insurance policies, such as a lack of market capacity.

If the Fund's discontinuance is a result of insolvency of the Employers's, the "employer debt" would be determined as above and the Fund would also be assessed for possible entry to the Pension Protection Fund ("PPF").

If the assessment concluded that the assets (including any funds recovered from the Employers) were not sufficient to secure benefits equal to the PPF compensation then the Fund would be admitted to and members compensated by the PPF. Otherwise the Fund would be required to secure a higher level of benefits with an insurance company.

Statutory estimate of solvency

The Pensions Act 2004 requires that I provide the Trustee with an estimate of the solvency of the Fund at the valuation date. Normally, this means an estimate of the proportion of the accrued benefits that could have been secured by buying insurance policies with the assets held by the Fund at the valuation date. For this purpose I have assumed that no further payments are received from the Employers.

I have assumed that the insurance company price would be calculated on an actuarial basis similar to that implied by bulk annuity quotations seen by Towers Watson at around the valuation date. I have assumed winding-up costs of £60 million.

The table below summarises how the main assumptions used to estimate the Fund's solvency position at this and the previous actuarial valuation differ from the assumptions used to calculate the technical provisions liabilities.

Financial assumptions	31 March 2015 % pa	31 March 2012 % pa
Pensioner discount rate	**2.05**	3.35
Non-pensioner discount rate	**1.65**	2.85
CPI inflation	**2.8**	3.2

Demographic assumptions	31 March 2015	31 March 2012
Proportion of pension exchanged for a lump sum at retirement	**0%**	0%

My estimate of the solvency position of the Fund as at 31 March 2015 is that the assets of the Fund would have met 76% of the cost of buying insurance policies to secure the benefits at that date, based on the assumptions described above. Further details are set out in the table below alongside the corresponding details as at the previous valuation date:

Valuation statement	31 March 2015 £m	31 March 2012 £m
Total estimated cost of buying insurance policies	**3,819**	3,244
Market value of assets	**2,898**	2,169
Solvency (deficit)/surplus (total estimated cost less assets)	**(921)**	(1,075)
Solvency level (assets ÷ total estimated cost)	**76%**	67%

The change in the solvency level from 67% to 76% is due mainly to the investment performance of the Fund's assets being better than assumed and the deficit contributions paid over the period, partly offset by the estimated increase in insurance company prices.

The solvency estimate should not be relied upon to indicate the position on a future winding-up. Changes in market interest rates and in the supply and demand for annuities mean that the actual position at any particular point in time can be established only by obtaining specific quotations for buying the insurance policies required to secure the benefits.

The coverage for particular benefits depends on where they fall in the statutory priority order below. However, money purchase liabilities, such as those arising from members' Additional Voluntary Contributions (AVCs), are excluded from the statutory priority order; their treatment is determined by the Fund's own rules and would normally be that they are secured in full before any other benefits.

- category 1 – benefits relating to certain pension annuities secured by the Fund before 6 April 1997 (of which I understand there are none for the Fund);
- category 2 – the cost to the Fund of securing the compensation that would otherwise be payable by the PPF if the Employers became insolvent;
- category 3 – benefits in respect of defined benefit AVCs not dealt with above (of which I understand there are none for the Fund);
- category 4 – all other pensions and benefits due under the Fund, including pension increases (where these exceed those under the PPF).

As the Fund assets did not cover the Section 179 liabilities as at 31 March 2015, the Fund would probably have qualified for entry to the PPF had there been no solvent Employers at 31 March 2015, in which case the members would have received PPF compensation in place of their benefits.

Relationship between the cost of securing benefits and the technical provisions

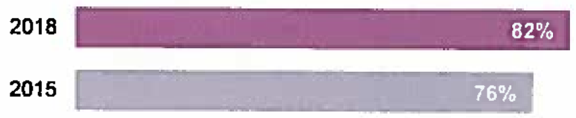
My estimate of the cost of securing benefits with an insurance company of £3,819 million is £592 million higher than the Fund's technical provisions of £3,227 million.

The technical provisions are intended to be a prudent assessment of the assets required under the Fund's investment strategy to meet future benefit payments as and when they fall due but with reliance placed on the Employers being able to support the Fund in future if the assumptions are not borne out in practice. By contrast the estimated cost of securing benefits with an insurance company is based on the price that an insurer might be likely to charge to take on the risks associated with operating the Fund without having recourse to future contributions from the Employers.

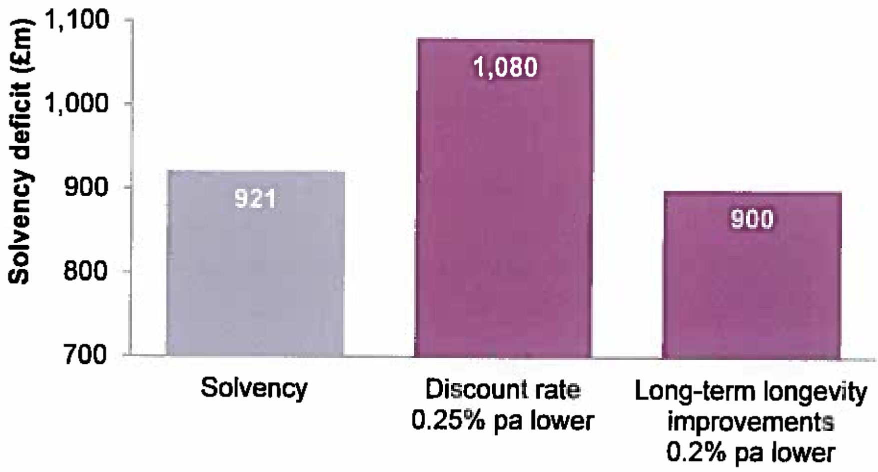
If the statutory funding objective had been exactly met on 31 March 2015 (ie there had been no funding surplus or deficit), I estimate that the solvency level of the Fund would have been 84%. This compares with 82% at the 31 March 2012 actuarial valuation.

Projections and sensitivities

Based on the assumptions underlying the calculation of the Fund's technical provision as at 31 March 2015 and allowing for contributions to be paid to the Fund summarised in the Funding section of this report, the solvency level is projected to increase from 76% to 82% by the expected date of the next actuarial valuation.



The table below illustrates the sensitivity of the solvency position as at 31 March 2015 to variations of individual key assumptions. (If more than one of these assumptions is varied, the effect may be greater or smaller than the sum of the changes from varying individual assumptions.)



Additional Information

Risks

The table below summarises the main risks to the financial position of the Fund and the actions taken to manage them:

Risk	Approach taken to risk
Employers unable to pay contributions or make good deficits in the future	At each valuation the Trustee takes advice from an independent specialist on the ability of the Employers to pay contributions to the Fund and, in particular, to make good any shortfall that may arise if the experience of the Fund is adverse. This advice is taken into account when determining the level of technical provisions and in considering the appropriateness of any recovery plan to remove a deficit relative to the technical provisions. Between valuations the Trustee monitors the Employers' financial strength regularly.
Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives	The Trustee takes advice from the Scheme Actuary on possible assumptions for future investment returns. For the calculation of the Fund's technical provisions, the Trustee has adopted discount rates that are lower than the expected returns on the Fund assets. The Trustee is able to require further contributions from the Employers at subsequent valuations if future returns prove insufficient.
Investment returns on future income could be lower than the returns available at the valuation date	The Trustee takes this risk into account when determining the Fund's technical provisions, by incorporating a level of prudence into the investment return assumptions. The Fund currently hedges part of its exposure to changes in interest rates.
Price inflation could be different from that assumed which could result in higher liabilities	The Fund currently hedges part of its exposure to inflation risk. Also, the Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real" assets). This means that, over the longer term, such assets are expected to keep pace with inflation. Such assets include equities, property and index-linked bonds.
Falls in asset values might not be matched by similar falls in the value of the Fund's liabilities	The Trustee considers this risk when determining the Fund's investment strategy. It consults with the Employers in order to understand the Employers' appetite for bearing this risk and takes advice on the Employers' ability to make good any shortfall that may arise. To the extent that such falls in asset values result in deficits at future valuations, the Employers would be required to meet a recovery plan set by the Trustee to restore full funding over a period of time.
Fund members live longer than assumed	The Fund currently hedges part of its exposure to longevity risk. For the calculation of the technical provisions, the Trustee has adopted mortality assumptions that it regards as prudent estimates of the life expectancy of members so that higher reserves are targeted in respect of the risk than are expected to be necessary.
Options exercised by members could lead to increases in the Fund's liabilities	The Trustee sets the terms for converting benefits in respect of member options on the basis of actuarial advice with the view to avoiding strains on the Fund's finances as far as is reasonably possible without disadvantaging members. The terms are kept under regular review, generally following each actuarial valuation.
Legislative changes could lead to increases in the Fund's liabilities	The Trustee takes legal and actuarial advice on changes in legislation and consults with the Employers, where relevant.

Economic risk | Demographic risk | Legal risk

Benefits summary

The Fund is a registered pension scheme under the Finance Act 2004.

The main provisions of the Fund as at 31 March 2015 are summarised as follows:

Normal Pension Age (NPA)	61
Pensionable Salary	The Salary received by a member in a Fund Year less 1½ times the Lower Earnings Limit applicable to that Fund Year. Some components of remuneration are excluded from Salary. Full details are in the Trust Deed and Rules.
Post-2000 Pensionable Salary	The Salary received by a member in a Fund Year less the Lower Earnings Limit applicable to that Fund Year.
Average Revalued Pensionable Salary (ARPS)	This is calculated by adding each year's Pensionable Salary (including Pensionable Salary in respect of service after 30 September 2000) revalued in line with Section 148 Orders and dividing by the total number of years of service.
Post-2000 Average Revalued Pensionable Salary (Post-2000 ARPS)	This is calculated by adding each year's Post-2000 Pensionable Salary revalued in line with Section 148 Orders and dividing by the total number of years of service after 30 September 2000.
Retirement at NPA	A pension of one-fortieth of ARPS for each year of service before 1 April 1997 and one-sixtieth of ARPS for each year of service from 1 April 1997 to 30 September 2000 and one-eightieth of Post-2000 ARPS for each year of service after 30 September 2000.
Retirement before NPA	An immediate pension calculated as for retirement at NPA but reduced to reflect early payment, on the consent of the Trustee.
Retirement due to incapacity	**a Service between 2 and 10 years** The pension calculated as above based on service to the date of retirement payable immediately with no actuarial reduction for early payment. **b Service of 10 years or more** A pension as above plus one-off cash payment on retirement, based on past service to the date of ill-health retirement plus potential service from the date of ill-health retirement to normal pension age, equal to 1/75th of ARPS for each year. **Members with 10 or more years' service who were aged 40 or over on 31 March 1987** qualify in some cases for an enhanced pension.
Death after retirement	A spouse's pension of 50% of the member's pension (calculated as if no commutation for lump sum has taken place at retirement and as if no reduction had been applied on early retirement) together with a cash sum if death occurs within 5 years of retirement, plus children's allowances.
Death in Service	A lump sum of twice salary together with a spouse's pension of 50% of the member's pension earned to the date of death, plus children's allowances.

Leaving Service	A deferred pension, a transfer to another registered pension arrangement or, if the member has less than two years' service, a refund of contributions.
Pension increases	**Pension in respect of service before 1 April 1997** Pension in payment, in excess of the GMP, has no guaranteed increases, although the Trustees may exercise their discretion to award increases. GMPs in respect of service between 6 April 1988 and 5 April 1997 increase in line with the Consumer Prices Index subject to a maximum of 3% each year. **Pension in respect of service after 31 March 1997** Pension increases in line with the Retail Prices Index subject to a maximum of 5% each year.

Discretionary benefits

No future discretionary benefits or discretionary increases in benefit have been allowed for in the calculation of the technical provisions and statutory estimate of solvency, other than our understanding of established practices in benefit calculations.

Changes to the benefits

Since the valuation as at 31 March 2012 no changes have been made to the Fund's benefits.

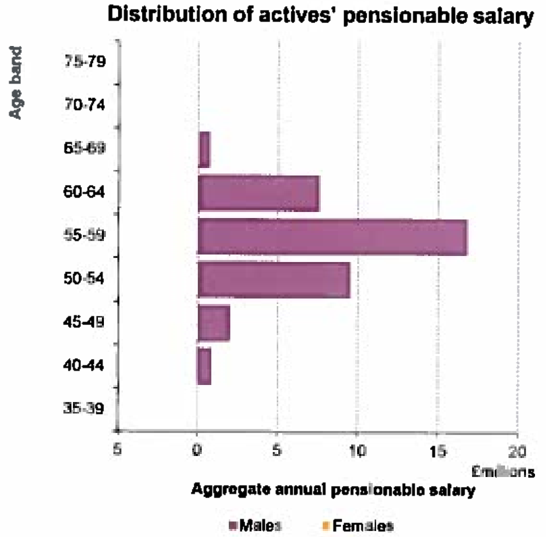
Uncertainty about the benefits

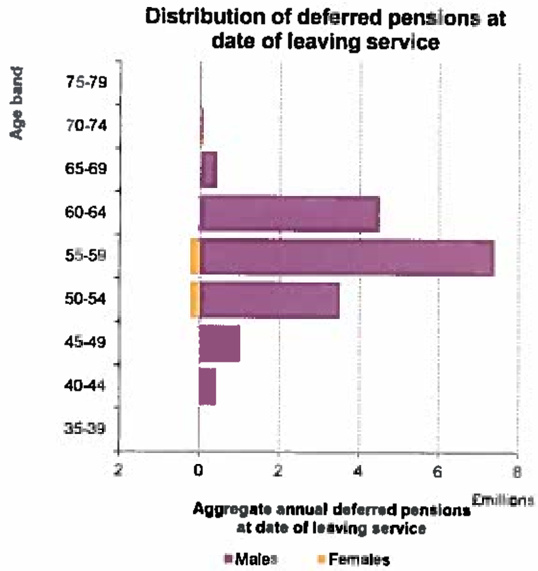
No allowance has been made in the calculation of the technical provisions or the statutory estimate of solvency for possible changes to the benefits that may be required to ensure that the Fund provisions in respect of Guaranteed Minimum Pensions do not unlawfully discriminate between male and female members.

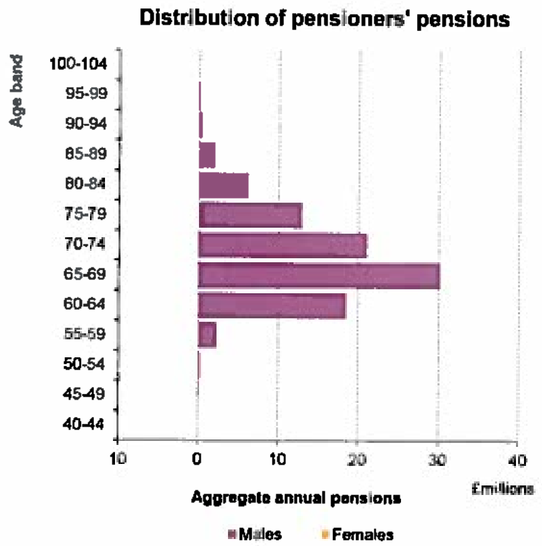
Membership data

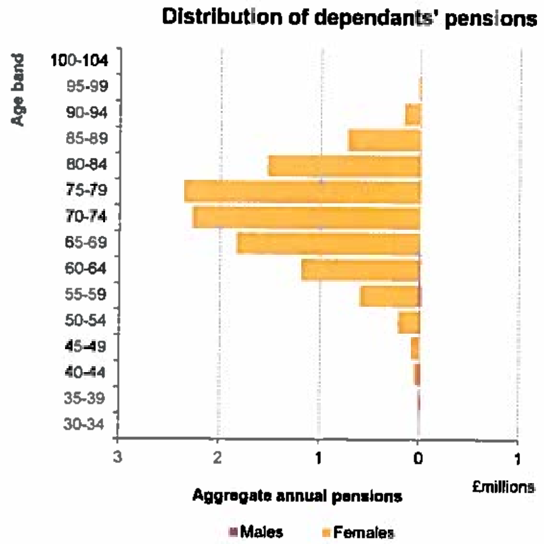
Population pyramids

A graphical summary of the Trustee's membership information supplied by the Fund's administrator is shown below.









Notes on data charts:

- Deferred pension amounts are as at date of leaving.
- Dependants' pensions exclude children.

A summary of the data provided for this and the previous valuation is presented below.

Number of members

Number	31 March 2015			31 March 2012		
	Males	Females	Total	Males	Females	Total
Active members	659	12	671	1,015	15	1,030
Deferred pensioners	9,549	714	10,263	11,495	547	12,042
Pensioners	12,974	294	13,268	11,996	178	12,174
Dependants	20	3,887	3,907	15	3,705	3,720
Children	52	71	123	81	107	188
Total	**23,254**	**4,978**	**28,232**	**24,602**	**4,552**	**29,154**

Annual salary or pension

£ million	31 March 2015			31 March 2012		
	Males	Females	Total	Males	Females	Total
Pensionable salaries	37,966.4	413.8	38,380.2	51,600.2	481.7	52,081.9
Deferred pensions	30,696.7	1,589.1	32,285.8	35,042.2	1,104.2	36,146.4
Pensioners' pensions	94,036.7	1,300.1	95,336.8	83,591.0	737.5	84,328.5
Dependants' pensions	83.8	11,181.4	11,265.2	68.3	9,368.3	9,436.6
Children's pensions	76.2	104.2	180.4	110.1	159.4	269.5

Average age

Years	31 March 2015			31 March 2012		
	Males	Females	All	Males	Females	All
Active members	56.6	55.7	56.5	55.2	53.0	55.2
Deferred pensioners	57.3	52.3	57.3	55.8	52.3	55.8
Pensioners	69.7	67.1	69.6	68.4	65.3	68.3
Dependants	57.7	72.3	72.2	55.7	70.5	70.4
Children	15.7	19.7	18.0	17.7	19.1	18.5

Notes on data tables:

- Figures in respect of dependants exclude children
- Deferred pension amounts include revaluation to the valuation date.
- Amounts for pensioners include increases at the 1 April following the valuation date.
- Average ages are weighted by annual salary or pension.

Summary of significant membership events

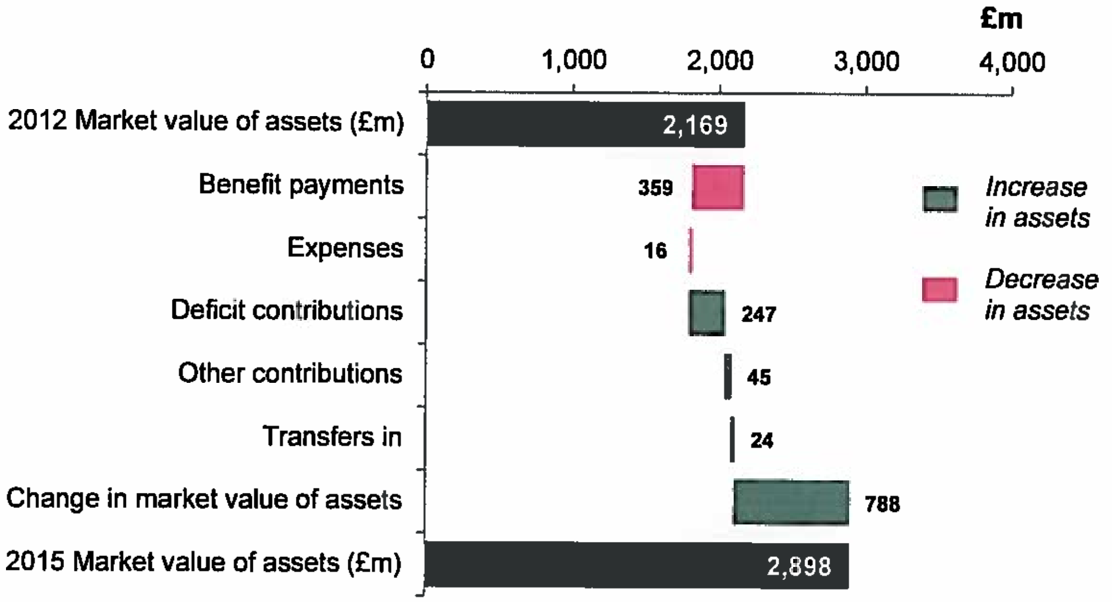
There was a bulk transfer in of the assets and liabilities of the MNPA Staff Pension Fund on 30 May 2014. This transfer was in respect of around 400 individuals, and the assets transferred in totalled £24 million.

Asset information

Movements in the market value of assets

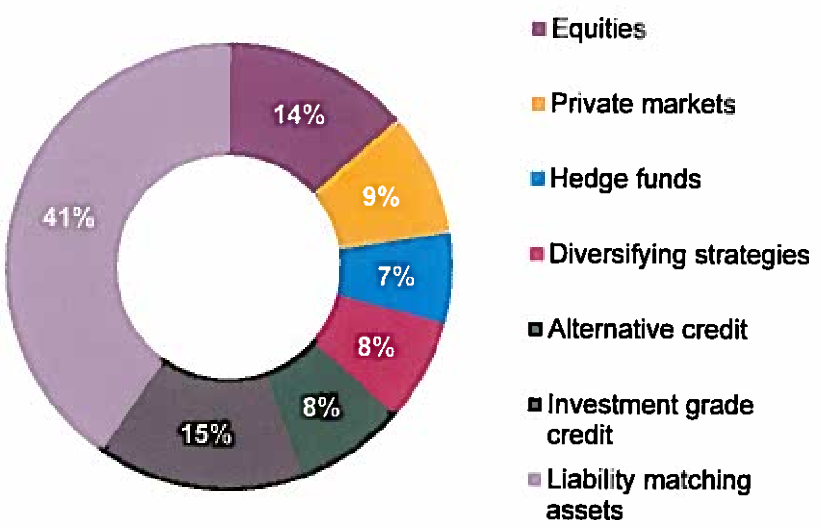
The audited accounts supplied as at 31 March 2015 show that the market value of the Fund's assets was £2,898 million. This includes Additional Voluntary Contributions (AVCs) which amounted to £3 million.

The change in the Fund's assets (including AVCs) from £2,169 million as at 31 March 2012 to £2,898 million as at 31 March 2015 is detailed in the Trustee's Report and Financial Statements over that period. The chart below summarises a broad reconciliation of the change (including AVCs):



Investment strategy

A summary of the Fund's strategic investment benchmark at 31 March 2015 is set out below:



The assets, excluding AVCs (which amounted to £3 million at both dates), were invested as summarised below as at 31 March 2015:

	Market value as at 31 March 2015	
	£m	%
Equities	429	14.8%
Private markets	243	8.4%
Hedge funds	176	6.1%
Diversifying strategies	199	6.9%
Alternative credit	220	7.6%
Investment grade credit	359	12.4%
Liability matching assets	1,224	42.3%
Cash and net current assets	45	1.6%
Total	2,895	

Statutory Certificate

Actuarial certification for the purposes of regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Merchant Navy Officers Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Fund's technical provisions as at 31 March 2015 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Fund and set out in the Statement of Funding Principles dated March 2016.

C P Burbidge
Fellow of the Institute and Faculty of Actuaries
22 March 2016

Towers Watson Limited
71 High Holborn
London WC1V 6TP

Glossary

This glossary describes briefly the terminology of the regime for funding defined benefit pension schemes as introduced by the Pensions Act 2004.

Actuarial report: A report prepared by the Scheme Actuary in years when an actuarial valuation is not carried out that provides an update on developments affecting the Fund's assets and technical provisions over the year.

Actuarial valuation: A report prepared by the Scheme Actuary that includes the results of the calculation of the technical provisions based on the assumptions specified in the Statement of Funding Principles and assesses whether the assets are sufficient to meet the statutory funding target.

Covenant: This represents an employer's legal obligation and its ability to provide the financial support to a scheme that may be required now and in the future. The trustees' assessment of the sponsor's covenant will inform both investment and funding decisions.

Demographic assumptions: Assumptions relating to social statistics for Fund members, which can affect the form, level or timing of benefits members or their dependants receive. This can include levels of mortality experienced by the Fund and the proportion of members electing to exercise benefit options.

Discount rates: Assumptions used to place a capital value at the valuation date on projected future benefit cash flows from the Fund. The lower the discount rate the higher the resulting capital value.

Financial assumptions: Assumptions relating to future economic factors which will affect the funding position of the Fund, such as inflation and investment returns.

Funding objective: An objective to have a particular level of assets relative to the accrued liabilities of the Fund. See also statutory funding objective.

Pension Protection Fund (PPF): Provides compensation to members of an eligible occupational scheme in the event that it is wound up with insufficient assets and the employer is insolvent. The level of PPF compensation provided would not usually be at the full level of the benefits that would otherwise have been due.

Prudence: Regulations require that assumptions are chosen prudently when assessing the level of technical provisions, although they do not define this term. We have interpreted prudence to be the level of conservatism in the assumptions. Where this is interpreted quantitatively, assumptions said to be prudent would result in higher technical provisions than a "best estimate" assumption (where a "best estimate" assumption is one where there is a 50% chance that the actual outcome will be higher or lower than assumed).

The Pensions Regulator: The regulatory supervisor for occupational pension schemes with statutory objectives to protect members' benefits and the Pension Protection Fund, and statutory powers to take interventionist action.

Recovery plan: A document required where an actuarial valuation discloses that the statutory funding objective is not met (ie the assets held are less than the technical provisions). It is a formal agreement between the trustees and the employer that sets out the steps to be taken to achieve the statutory funding objective by the end of an agreed period (the "recovery period").

Schedule of contributions: A document that sets out in detail the agreed contributions payable to a scheme by members and the employers and the dates by which such contributions are to be paid. It includes, but is not limited to, contributions agreed under a recovery plan.

Scheme Actuary: The individual actuary appointed (under the Pensions Act 1995) by the trustees to perform certain statutory duties for the Fund.

Scheme-Specific Funding Regime: A term used to refer to the legislative and regulatory rules that stem from the Pension Act 2004 and which govern the funding of occupational defined benefit pension schemes in the UK.

Statement of Funding Principles (SFP): The SFP sets out the trustees' policy for ensuring that the statutory funding objective and any other funding objectives are met and, in particular, the assumptions for calculating the technical provisions at the effective date of the actuarial valuation. The trustees are responsible for preparing and maintaining this document, taking into account the advice of the Scheme Actuary and in many cases seeking the agreement of the employer.

Statement of Investment Principles (SIP): The SIP sets out the trustees' policy for investing the Fund's assets. The trustees are responsible for preparing and maintaining this document, taking into account written investment advice from the appointed investment advisor and consulting the employer before any changes are made.

Statutory estimate of solvency: An estimate of the cost of discharging a scheme's liability to pay benefits through the purchase of insurance policies in respect of each member's full benefit entitlement under the Fund (unless the actuary considers that it is not practicable to make an estimate on this basis, in which case the estimate of solvency can be prepared on a basis that the actuary considers appropriate).

Statutory funding objective: To have sufficient and appropriate assets to cover the Fund's technical provisions.

Statutory priority order: The order in which the assets of a scheme must be applied in securing the benefits of different members in the event of it being wound up. The order is consistent with the Pension Protection Fund (PPF) because benefits covered by the PPF are the highest priority class of defined benefit liabilities.

Summary funding statement: An update sent to members following the completion of each actuarial valuation or actuarial report informing them of the assessed financial position of the Fund.

Technical provisions: The amount of assets required to make provision for the accrued liabilities of the scheme. The technical provisions are calculated using the method and assumptions set out in the Statement of Funding Principles.

Winding-up: This is a particular method of discharging a scheme's liability to pay benefits. It typically arises where the employer no longer provides financial support to it (for example if it becomes insolvent) and would usually involve using the scheme's assets to buy insurance policies that pay as much of the scheme's benefits as possible in accordance with the statutory priority order.