

Actuarial valuation as at 31 March 2024

Merchant Navy Officers Pension Fund

27 March 2025

Summary

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

- Technical provisions funding level as at 31 March 2024 has decreased to 99% (2021: 102%)



- Surplus of assets relative to technical provisions at 2021 of £58 million has changed to a deficit at 2024 of £11 million



- The Scheme Actuary's statutory estimate of solvency as at 31 March 2024 has remained at 99% (2021: 99%)



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Throughout this report the following terms are used:

Fund

Merchant Navy Officers Pension Fund

Trustee

Merchant Navy Officers Pension Fund Trustees Limited

Participating Employers

The Participating Employers 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 2024 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 Participating 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 2024 using several different measures of its liabilities and how it has changed since the previous valuation at 31 March 2021. It also describes the strategy that has been agreed between the Trustee and Participating Employers 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 100: Principles for Technical Actuarial Work and 300: Pensions.

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 Participating Employers' contributions to be paid will be reviewed at the next actuarial valuation, which is expected to be carried out at 31 March 2027.

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 2025, must be completed by 31 March 2026.

Kim Farnum

Kim Farnum

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27 March 2025

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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 accept 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 membership data at 31 March 2024 was provided by the Fund's administrators, Aptia, between 30 May 2024 and 8 August 2024.

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 Participating 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.

In particular, in relation to the assets, we have based our calculations on the Trustee Report & Accounts provided by Rock Pensions. We understand that the asset value has been assessed on an ongoing basis. It should be noted that if all of the Fund's assets were to be realised at short notice, the amount raised may be lower than the value in the asset statement. This is particularly the case for the Fund's illiquid assets and buy-in policies where, in the unlikely event of them being terminated, the surrender value may be significantly lower than the amount required to replace them.

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 WTW, so we have provided further details on the way we may use this data on our website at <https://www.willistowerswatson.com/en-GB/Notices/how-willis-towers-watson-uses-personal-data-for-actuarial-services-to-uk-pension-scheme-trustees>.

Assumptions

In accordance with the Scheme Funding legislation, the assumptions underlying the technical provisions have been chosen prudently. The choice of long-term assumptions, as set out in the Fund's Statement of Funding Principles dated 27 March 2025, 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 Participating 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.

The funding of the Fund is subject to a number of risks and it is not possible to make an allowance for all such risks in providing our advice. Unless stated, no explicit allowance has been made for any particular risk.

Further information on the main risks affecting the Fund and the actions taken to manage them is set out in the Additional Information section. As part of this risk analysis, the Trustee has considered climate-related risks and how these might manifest themselves within the Fund. The assumptions adopted for the funding of the Fund take into account these considerations.

Funding

Statutory funding objective

The Trustee's only 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. 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 2024 have been determined by the Trustee, having consulted the Participating Employers, and are documented in the Statement of Funding Principles dated 27 March 2025.

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

Financial assumptions	31 March 2024	31 March 2021
Discount rate	Gilts + 0.25% p.a. from 1 April 2024	Gilts + 0.875% p.a. at 31 March 2021, trending linearly down to gilts + 0.25% p.a. from 2025
RPI inflation	Break-even RPI curve	Break-even RPI curve
CPI inflation	1.0% below RPI to 2030, in line with RPI from 2030	1.0% below RPI to 2030, in line with RPI from 2030
Deferred pension revaluation		
- CPI revaluation in deferment	CPI curve	CPI curve
- Revaluation in "service"	CPI curve + 1.5%	CPI curve + 1.5%
Pension increases in payment		
- RPI capped at 5% p.a.	RPI curve, with appropriate caps	RPI curve, with appropriate caps
- CPI capped at 3% p.a.	CPI curve, with appropriate caps	CPI curve, with appropriate caps

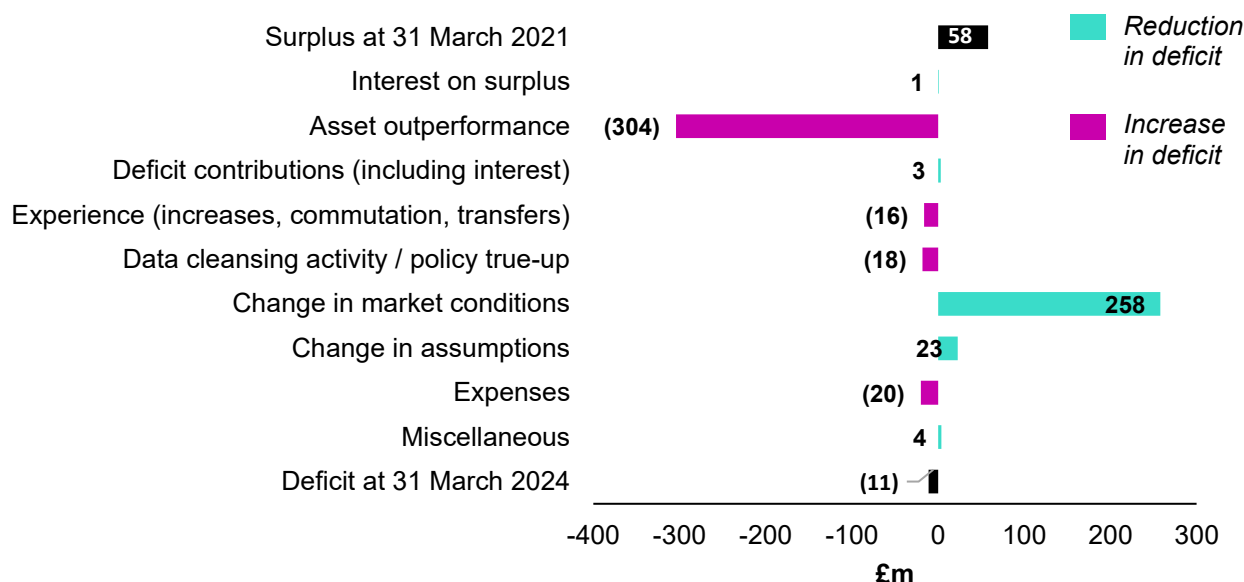
Demographic assumptions	31 March 2024	31 March 2021
Mortality base tables	<p>SAPS 4 normal health heavy pensioner tables with multiplier of 86% (all pensioners and male spouses)</p> <p>SAPS 4 dependant tables with multiplier of 108% (female spouses)</p>	<p>SAPS 3 normal health pensioner tables with multiplier of 107% (normal health members, ill-health pensioners and male spouses)</p> <p>SAPS 3 normal health pensioner heavy tables with multiplier of 88% (female spouses)</p>
Future improvements in longevity	<p>CMI 2023 projections with a 1.5% p.a. long term trend, the default smoothing parameter, and an initial addition of 0.25% p.a.</p>	<p>CMI 2020 projections from 2013 with a 1.8% p.a. long term trend, the default smoothing parameter, and an initial addition of 0.25% p.a.</p>
Allowance for commutation	<p>Allowance for 2/3 of maximum lump sum, on commutation factors 15% below equivalent technical provisions factors</p>	<p>Allowance for 50% of maximum lump sum, on commutation factors 20% below equivalent technical provisions factors</p>
Allowance for forfeiture	<p>Pension instalments that have been unclaimed for 6 years or more (8 years in the case of GMP) have not been valued. No allowance for future incidence of forfeiture. Wind up / small lump sums assumed paid to eligible deferreds over 61</p>	<p>Pension instalments that have been unclaimed for 6 years or more (8 years in the case of GMP) have not been valued. No allowance for future incidence of forfeiture.</p>
Expenses	£29m	£27m

The table below compares the Fund's technical provisions as at the date of the actuarial valuation (31 March 2024) with the market value of the Fund's assets and the corresponding figures from the previous actuarial valuation:

Valuation statement	31 March 2024	31 March 2021
	£m	£m
Amount required to provide for the Fund's liabilities in respect of:		
Employed / deferred pensioners	322	766
Uninsured pensioners and dependants	181	451
Insured pensioners and dependants	1,428	1,929
GMP equalisation reserve	7	19
Expenses	29	27
Technical provisions	1,967	3,192
Market value of assets	1,956	3,250
Past service (deficit)/surplus (technical provisions less assets)	(11)	58
Funding level (assets ÷ technical provisions)	99%	102%

Developments since the previous valuation

The funding level has decreased to 99% from 102% at the previous valuation. The main factors contributing to this fall are shown below.



Contribution requirements

Recovery plan

Notwithstanding this funding shortfall, the Trustee has agreed that no contributions will be collected from the Participating Employers. Instead, expected investment returns in excess of those underlying the technical provisions are expected to be sufficient to meet the outstanding shortfall of £11 million.

Projections and sensitivities

Based on the assumptions underlying the calculation of the Fund's technical provisions as at 31 March 2024 and allowing for the recovery plan as described above, the funding level is expected to gradually improve to 100%.

The chart below illustrates the sensitivity of the technical provisions as at 31 March 2024 to variations of individual assumptions. (If more than one of these assumptions is varied, the effect may be greater than the sum of the changes from varying individual assumptions.)



Solvency

Discontinuance

If the Fund's discontinuance is not the result of the Participating Employers' insolvency, the Participating 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 the Participating Employers' insolvency, 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 Participating 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 Participating 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 WTW at or around the valuation date. I have assumed the cost of implementing the winding-up to be £15 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. These assumptions apply to those liabilities that are not covered under buy-in policies.

Financial assumptions	31 March 2024	31 March 2021
Pensioner discount rate	Gilts + 0.30% p.a.	Gilts + 0.25% p.a.
Non-pensioner discount rate	Gilts - 0.10% p.a.	Gilts - 0.15% p.a.
CPI inflation	0.7% below RPI up to 2030, and in line with RPI from 2030	0.7% below RPI up to 2030, and in line with RPI from 2030
Demographic assumptions	31 March 2024	31 March 2021
Mortality base tables	SAPS 4 normal health heavy pensioner tables with multiplier of 86% (all pensioners and male spouses) SAPS 4 dependant tables with multiplier of 108% (female spouses)	SAPS 3 normal health pensioner tables with multiplier of 108.5% (normal health members, ill-health pensioners and male spouses) SAPS 3 normal health pensioner heavy tables with multiplier of 89% (female spouses)

Future improvements in longevity	Future improvements in line with CMI 2023 with a long term improvement rate of 1.5% pa, a default period smoothing parameter and an addition to initial rates of 0.25% pa.	Future improvements in line with CMI 2019 with a long term improvement rate of 1.5% pa, a period smoothing parameter of 7.5 and an addition to initial rates of 0.25% pa.
Allowance for commutation	No allowance for future commutation savings	No allowance for future commutation savings

My estimate of the solvency position of the Fund as at 31 March 2024 is that the assets of the Fund would have met 99% 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 2024	31 March 2021
	£m	£m
Total estimated cost	1,974	3,273
Market value of assets	1,956	3,250
Solvency (deficit)/surplus (total estimated cost less assets)	(18)	(23)
Solvency level (assets ÷ total estimated cost)	99%	99%

The solvency level has remained at 99%, mainly due to the estimated decrease in insurance company prices being offset by poorer asset performance than expected over the period.

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 Participating 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).

Relationship between the cost of securing benefits and the technical provisions

My estimate of the cost of securing benefits with an insurance company of £1,974 million is £7 million higher than the Fund's technical provisions of £1,967 million.

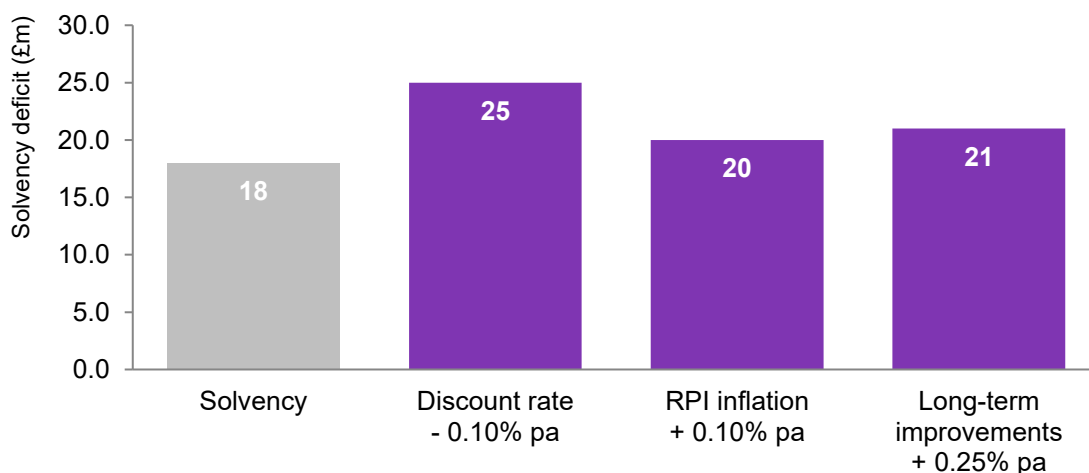
The technical provisions are intended to be a prudent assessment of the assets required under the Fund's investment strategy to meet future benefit payments as and when they fall due but with reliance placed on the Participating Employers being able to support the Fund in future if the assumptions are 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 Participating Employers.

If the statutory funding objective had been exactly met on 31 March 2024 (i.e. there had been no funding surplus or deficit), I estimate that the solvency level of the Fund would have been just under 100%.

Projections and sensitivities

Based on the assumptions underlying the calculation of the Fund's technical provisions as at 31 March 2024, the solvency level is projected to broadly uniformly increase over the recovery period, and will increase by a slightly greater extent than the technical provisions funding level.

The chart below illustrates the sensitivity of the solvency position as at 31 March 2024 to variations of individual key assumptions. (If more than one of these assumptions is varied, the effect may be greater 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
Participating Employers unable to pay contributions or make good deficits in the future	<p>At each valuation the Trustee takes advice from an independent specialist on the ability of the Participating 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.</p> <p>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.</p> <p>Between valuations the Trustee monitors the Participating Employers' financial strength regularly.</p>
Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives	<p>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.</p> <p>The Trustee is able to agree further contributions with the Participating Employers at subsequent valuations if future returns prove insufficient.</p>
Investment returns on future income could be lower than the returns available at the valuation date	<p>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.</p> <p>The Fund currently hedges part of its exposure to changes in interest rates.</p>
Price inflation could be different from that assumed which could result in higher liabilities	<p>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.</p> <p>The Fund currently hedges part of its exposure to inflation risk.</p>
Falls in asset values might not be matched by similar falls in the value of the Fund's liabilities	<p>The Trustee considers this risk when determining the Fund's investment strategy. It consults with the Participating Employers in order to understand the Participating Employers' appetite for bearing this risk and takes advice on the Participating Employers' ability to make good any shortfall that may arise.</p> <p>To the extent that such falls in asset values result in deficits at future valuations, the Participating Employers would be required to agree a recovery plan with the Trustee to restore full funding over a period of time.</p>
Fund members live longer than assumed	<p>The Fund currently hedges a significant part of its exposure to longevity risk in respect of pensioner members.</p> <p>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.</p>
Options exercised by members could lead to increases in the Fund's liabilities	<p>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.</p> <p>The terms are kept under regular review, generally following each actuarial valuation.</p>
Legislative changes could lead to increases in the Fund's liabilities	<p>The Trustee takes legal and actuarial advice on changes in legislation and consults with the Participating Employers, where relevant.</p>
Changing patterns of weather, temperature or disease could adversely affect the funding of the Fund	<p>The Trustee recognises that climate-related issues represent a material risk to future economic stability in the long term, with potentially wide-ranging impacts on environmental, societal and governance matters. From the perspective of the funding of the Fund the key ways these risks could manifest themselves are through unmatched falls in asset values, Fund members living longer than assumed or a reduction in the strength of the Participating Employers covenant. Each of these particular risks are separately addressed above.</p>
Political decisions and relations, both in the UK and internationally, could adversely impact the funding of the Fund	<p>Geopolitics can impact the Fund in a number of ways, most notably through unmatched falls in asset values or a reduction in the strength of the employer covenant. Each of these particular risks are separately addressed above, but the Trustee acknowledges that geopolitics could have an interconnected effect on these risks.</p>

Economic risk
Demographic risk
Legal risk
Climate risk
Political risk

Benefits summary

The Fund is a registered pension scheme under the Finance Act 2004 and was contracted-out of the State Second Pension until 31 March 2016.

The main provisions of the Fund are summarised as follows:

Normal Retirement Age (NPA)	61
Retirement at NPA	A pension based on pensionable service and salary, calculated in accordance with the Fund Rules
Retirement before NPA	An immediate pension calculated as for retirement at NPA but reduced to reflect early payment, on the consent of the Trustee.
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.
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. Members still in pensionable service as at the closure of the Fund to future accrual on 31 March 2016 are entitled to enhanced revaluation at 1.5% pa higher than normal deferred revaluation while they remain in service.
Pension Increases	<p>Pension in respect of service before 1 April 1997</p> <p>Pension in payment, in excess of the GMP, has no guaranteed increases, although the Trustee may exercise its discretion to award increases.</p> <p>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.</p> <p>Pension in respect of service after 31 March 1997</p> <p>Pension increases in line with the Retail Prices Index subject to a maximum of 5% each year.</p>

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 2021 no changes have been made to the Fund's benefits.

Uncertainty about the benefits

An allowance of 0.6% of liabilities has been made in the calculation of the technical provisions and statutory estimate of solvency as an estimate for the 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. This allowance has then been reduced to reflect payments already made (or anticipated in the asset value).

Membership data

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

Number of members

Number	31 March 2024			31 March 2021		
	Males	Females	Total	Males	Females	Total
Deferred pensioners ¹	3,777	437	4,214	5,328	535	5,863
Pensioners ²	13,881	523	14,404	14,000	448	14,448
Dependants ²	30	4,002	4,032	21	3,877	3,898
Children	32	25	57	41	37	78
Total	17,720	4,987	22,707	19,390	4,897	24,287

¹ Deferred pensioners include 2,395 members who were over 61 (excluding ex-SPF members) at 31 March 2024.

² Pensioners, dependants and children include 16,722 members who were insured at 31 March 2024 and 15,806 members who were insured at 31 March 2021.

Annual salary or pension

£000s	31 March 2024			31 March 2021		
	Males	Females	Total	Males	Females	Total
Deferred pensions ¹	17,238.8	1,476.0	18,714.8	20,041.0	1,481.4	21,522.4
Pensioners' pensions ²	114,854.0	2,701.3	117,555.3	111,044.0	2,168.5	113,212.5
Dependants' pensions ²	161.6	17,106.1	17,267.7	113.3	14,422.8	14,536.1
Children's pensions	76.7	93.1	169.8	66.8	65.6	132.4

¹ Deferred pensions include £10,242k in respect of members who were over NRA (excluding ex-SPF members) at 31 March 2024.

² Pensions in payment include £123,975k in respect of insured members at 31 March 2024 and £110,791k in respect of insured members at 31 March 2021.

Average age

Years	31 March 2024			31 March 2021		
	Males	Females	All	Males	Females	All
Deferred pensioners	62.6	57.5	62.2	60.3	55.7	59.9
Pensioners	74.0	70.5	73.9	72.3	69.4	72.3
Dependants	65.1	77.1	77.0	64.0	75.7	75.6
Children	18.9	16.9	17.8	17.6	18.1	17.9

Notes on data tables:

- "Number" is the number of records, which is more than the number of members due to some members having more than one record.
- Deferred pension amounts include revaluation to the valuation date and pension amounts include the pension increase as at 1 April 2024.
- Average ages are weighted by amount.

Summary of significant membership events

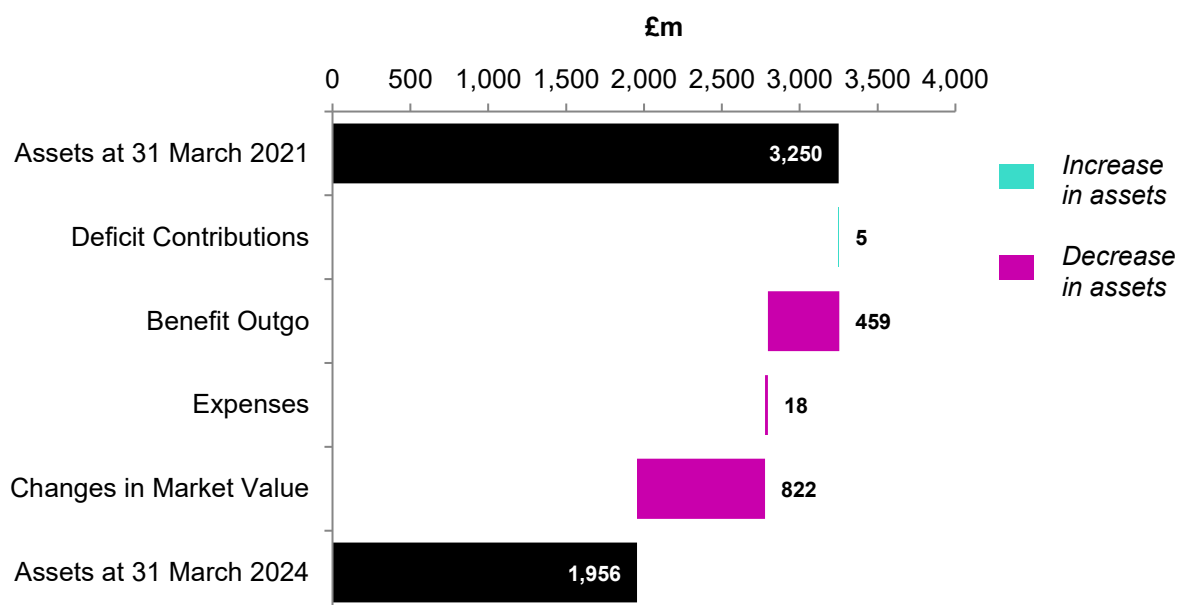
We are not aware of any significant events since the last valuation as at 31 March 2021.

Asset information

Movements in the market value of assets

The audited accounts supplied as at 31 March 2024 show that the market value of the Fund's assets (excluding AVCs) was £1,956 million.

The change in the Fund's assets from £3,250 million as at 31 March 2021 to £1,956 million as at 31 March 2024 is detailed in the Trustee's Report and Financial Statements over that period. The chart below sets out a broad reconciliation of the change:



Investment strategy

The assets, excluding AVCs, were invested as summarised below as at 31 March 2024 and 31 March 2021:

	Market value as at 31 March 2024		Market value as at 31 March 2021	
	£m	%	£m	%
Bonds	420	21%	820	25%
Equities	92	5%	160	5%
Hedge funds	36	2%	173	5%
Private equity	23	1%	43	1%
Property	4	0%	14	0%
Absolute return funds	100	5%	212	7%
Derivatives	16	1%	108	3%
Insurance Policies	1,428	73%	1,929	60%
Cash and other investment assets and liabilities	(163)	-8%	(209)	-6%
Total	1,956	100.0%	3,250	100.0%

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 2024 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 27 March 2025.

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27 March 2025

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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 target/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. I 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.