

Welcome from the Chair

Welcome to The Beacon – the newsletter for members of the MNOFP. In this, the second edition, there are updates on the funding position, progress on the full Actuarial Valuation of the Fund which is taking place now, news about the Fund, and information on pensions from a wider perspective which I hope you will find useful.

How 'green' is the MNOFP?

Responsibility for the implementation of the Trustee's sustainable investment principles – our 'green' credentials – lies with the Fund's Delegated Chief Investment Officer (DCIO), Willis Towers Watson. A case study from the DCIO (page 2) shows how sustainable investment does not automatically mean compromised investment returns, in fact just the opposite.

Keeping your data safe

New data protection laws have recently come into force – the biggest change in this area for 20 years. The article on page 5 gives an overview of the new legislation, and tells you what the MNOFP has done in response to make sure your personal data is safe and secure. We have included the full Privacy Notice with this newsletter as we are required to do so by law.

Feedback is always welcome - if you have any comments on the Fund, or topics or questions you would like to see covered in future communications, please contact me using the ways shown on page 6.

Rory Murphy
Chair of MNOFP Trustees Limited



“The Fund continues to make good progress, and 2018 is proving to be another busy year with the full actuarial valuation already underway”

- Rory Murphy



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Sustainability and stewardship

The MNOPF Trustee sets the policy on sustainable investment for the Delegated Chief Investment Officer (DCIO) and the principles the Fund follows in this area were set out in last year’s edition of The Beacon.

Since then, sustainable investment practices have continued to gain momentum globally, especially with increasing pressures from government and regulatory bodies. Taking into account environmental, social, and corporate governance factors is not only a way of mitigating against potential investment risks but is also an opportunity to take advantage of longer-term themes, such as renewable energy, to increase investment returns.

Case study

Many assets in the Fund’s portfolio are underpinned by their sustainability credentials. One example of this was an investment, made in 2015, in Japanese solar energy farms. These were benefitting from the attractive government subsidies available for alternative sources of energy production following the Fukushima nuclear plant disaster. This investment has performed exceptionally well; the majority of these Japanese assets were sold in early 2018 for over two-and-a-half times the price paid (on average).



2018 Actuarial Valuation

The Trustee must carry out a full actuarial valuation at least every three years to assess the scheme’s funding level. The last full actuarial valuation took place in 2015, so the next is due as at 31 March 2018.

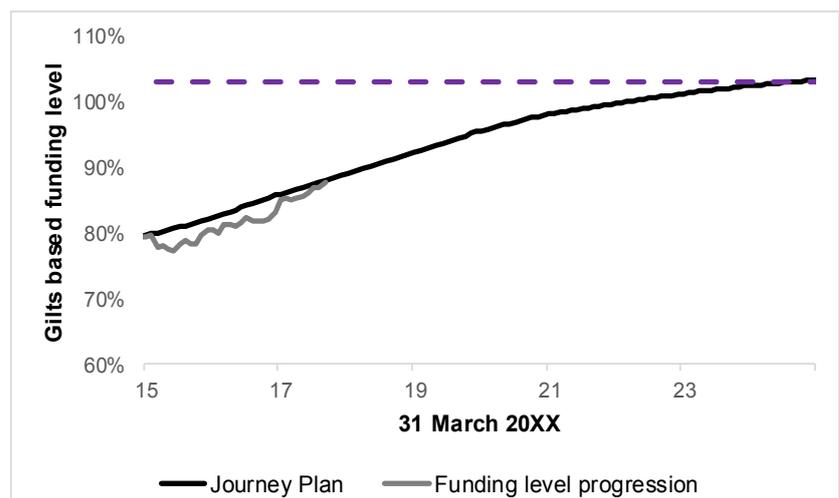
In the years between full actuarial valuations the Scheme Actuary provides the Fund with an annual funding update. At the last funding update, at 31 March 2017, the MNOPF showed an improvement in the overall funding of the scheme, due to positive investment returns and contributions paid by participating employers. Since that time, the improvement in the funding position has continued, boosted by significant levels of contributions received from employers (see Employer contributions on page 5) and the Fund remains on track to achieve its target of being 103% funded by 2025.

The preliminary results of the valuation will be presented to the Trustee in the autumn, followed by a consultation with the MNOPF’s participating employers. Once the Trustee has considered the responses from employers, the valuation will be agreed by the Board. The results will then be communicated to members and employers – this is expected to take place in late spring of 2019.

Funding level update

Over the last quarter of 2017 the funding level increased by nearly 2% to 87.9%. This great result contributed to another strong year for performance, with the Fund outpacing it’s liabilities by 2.1% in 2017.

Journey Plan: MNOPF’s path to have all member benefits 103% funded by 2025



MNOPF Journey Plan progress

The MNOPF Trustee uses a “Journey Plan” to set targets for its funding level and to monitor progress towards these. Progress against the Journey Plan since the 2015 Actuarial Valuation is shown in the chart above.

As at 31 December 2017 the Fund was making excellent progress and is exactly where we would expect it to be at this time.

MNOFP Trustee Director profile - Mike Jess BEM

Mike Jess has served as a member-nominated trustee director of the MNOFP Board for seven years and became the Fund's Vice-Chair in October 2014. In 2016 Mike was awarded the British Empire Medal in recognition of his work in support of seafarer welfare services. Mike has taken time out to tell us about his award and his services to the maritime industry.

Q. The British Empire Medal was presented to you by the Lord-Lieutenant of Merseyside. Can you tell us more about the presentation?

A. The ceremony was held at the Athenaeum in Liverpool and the award was presented on behalf of Her Majesty the Queen by her Representative, Dame Lorna Muirhead DCVO DBE, Lord-Lieutenant of Liverpool. Having the award ceremony in Liverpool meant that I could be accompanied by my wife Sue and four of our five children, the youngest being unable to attend as he was at sea completing his "sea time" to become an Engineering Officer in the Merchant Navy. It was great to have so many of my family there on such a special occasion.

Q. The honours system recognises people who have made achievements in public life or committed themselves to serving and helping the United Kingdom. Can you tell us what your medal was awarded for?

A. The citation was for services to seafarers' welfare in my capacity as Assistant General Secretary of Nautilus International, Secretary of the Nautilus Welfare Fund (NWF) and trustee director of other maritime charities including the Merchant Navy Welfare Board, Seafarers Hospital Society, Maritime Education Foundation and Maritime Charities Funding Group.

Q. You have clearly achieved a great deal in your career. Is there anything else that you would like to achieve, or see happen in the maritime industry?

A. Although I have retired from the majority of my previous roles, I am still involved with Nautilus as its Senior Policy Advisor and I am Vice-Chair of both the MNOFP and the defined contribution maritime industry pension scheme - the Ensign Retirement Plan. I also remain a trustee director of the Seafarers Hospital Society. I am very proud of the work that has been done by all present and past trustees and staff of the MNOFP in ensuring that the pension promise made to seafarers in the scheme is being met now and in the future. I would like to see the Ensign Retirement Plan be equally successful as the MNOFP and be embraced by the whole maritime industry to ensure decent pensions for future generations of seafarers and other maritime professionals.

Q. Your experience within the maritime industry is evident. How important do you think it is that the Fund's trustee directors have experience of the industry in order to carry out their role?

A. The new governance regulations for pension schemes talk about having a spread of expertise on trustee boards. Looking at the two boards I am associated with, that is more than evident - every one of the trustee directors has experience of the industry from either the member or employer perspective. I do think that having

Trustees with first hand experience of the industry really does help when making decisions that can impact on pensioners present, and future, and employers alike.



Mike Jess receiving the British Empire Medal from Dame Lorna Muirhead DCVO DBE, Lord-Lieutenant of Liverpool (Centre), with the Vice Lord-Lieutenant (Left) and the High Sherriff of Merseyside (Right).

Awards success in Europe

The MNOPF was awarded Best Multi-Employer Pension Fund, not just in the UK but across Europe, at the highly prestigious Investment and Pensions Europe (IPE) Awards in Prague in November 2017. In addition to this coveted award the MNOPF also received the Best Diversification Award for its investment strategy, further enhancing its reputation as one of Europe's most innovative pension funds.

Andrew Waring, Chief Executive Officer of the MNOPF, was delighted to collect the award on behalf of the Fund, and said,

“There have been some great moments on the MNOPF journey, but winning this award is a standout occasion. This is the highest accolade the MNOPF has ever achieved and is testament to the fantastic work by the Trustee Board, its advisers and Executive Team over the past decade.”

The IPE Awards recognise the innovative and inspiring achievements of pension funds and providers throughout Europe. Representatives from leading pension companies, representing over 90 million pension fund members, in 24 countries across Europe, were in attendance.



Andrew Waring, MNOPF CEO, collects the IPE award on behalf of the Fund.

Pension increases

What pension increases are paid?

Some pension increases, on specific elements of pensions, are required by law. Details of these ‘non-discretionary’ pension increases can be found on the MNOPF website at www.mnopf.co.uk.

What about discretionary increases?

The Trustee can award discretionary increases on top of those required by law. However, currently, the MNOPF only has around 88% of the funds it needs to pay all its pension liabilities now and in the future. The Fund’s Journey Plan aims to make up this shortfall by 2025 through a combination of contributions from participating employers and achieving positive investment returns, at an appropriate level of risk. Pension increases could only be paid if additional investment return was obtained and this would involve taking greater risk than necessary, which could jeopardise the Fund’s ability to pay the existing member benefits.

What if performance is better than expected (outside of the usual tolerances built in to the Journey Plan)?

The Trustee would use any “surplus” to reduce the risk within the Fund, making it safer and even more likely that the Journey Plan target will be reached. It is, therefore, extremely unlikely that there will be sufficient money in the Fund to allow discretionary pension increases to be paid in the future.

Steps to make the MNOPF more secure

The MNOPF Trustee and its Executive Team are always looking for ways to invest the Fund’s assets efficiently and improve security for members as part of its ongoing Journey Plan.

On 5 December 2017, another step was taken towards achieving this goal, when the MNOPF Trustee secured £490 million of members’ pension benefits through a ‘buy-in’ transaction with top UK insurer, Legal & General. The buy-in policy will be held as a long-term investment for the Fund and protects the MNOPF against a number of investment risks and the life expectancy risk for the Fund’s pensioners.

You may recall the £1.5 billion longevity insurance transaction that took place in 2014 which covered the benefits of many of the Fund’s “New Section” pensioner members. This new buy-in arrangement covers all the 2,500 or so new retirees since that date. This means that the benefits of almost all 17,300 current MNOPF pensioners are now protected against longevity risk – the risk that our pensioners live longer than predicted. This does not affect pension payments and benefits will continue to be paid to retired members in the usual way.

Rory Murphy, MNOPF Chair, commenting on the buy-in, said

“The transaction with Legal & General enables us to have more control over managing the risks faced by the Fund. This ultimately means that our pensioners’ benefits are more secure, the Fund’s liabilities are reduced and the funding levels are improved.”

Keeping your data safe

Keeping your personal data safe is important to us. Prior to 25 May 2018, the Data Protection Act 1998 set out how your personal information could be used by government, companies and other organisations, such as the MNOFP. Since this legislation was drawn up in the 1990s a lot has changed. We now create huge amounts of digital information each day and everything from mobile phones to smart watches collect data that could identify us. In short, the laws overseeing our personal information were not fit for purpose anymore.

The result has been the introduction of the General Data Protection Regulation (GDPR), which came into force on 25 May 2018. The GDPR seeks to give people more control over how organisations use their data, and has introduced hefty penalties for organisations that fail to comply with the rules, and for those that suffer data breaches. It also ensures data protection law is almost identical across the EU.

Why was the GDPR introduced?

The main reason for the introduction of GDPR is to bring data protection law in line with how people's data is being used in the 21st Century. Firms like Google, Twitter and Facebook offer their services for free, as long as people offer their data in exchange. The dangers of doing so have been all too apparent this year, illustrated by the Cambridge Analytica scandal where millions of Facebook profiles were used to influence the 2016 US election. With a lack of up-to-date legislation, the internet has enabled organisations to freely invent methods to use (and abuse) people's data. The introduction of the GDPR aims to put a stop to this.

How does this impact the MNOFP and me?

The Trustee collects personal information about you in order to calculate and pay benefits to you. As data controller, the Trustee is responsible for how your data is used. The Trustee appoints various service providers, such as JLT, the scheme administrator, who also use your data and these providers are now much more accountable for data protection.

The Trustee has updated its policies, processes and contractual arrangements to ensure that these are all compliant with the new rules, so you can rest assured your personal data is safe, secure and is being stored and used as it should be.

We are required, by law, to provide you with certain information about the personal data we hold about you and how we use that data. We are also required to inform you of your rights in relation to the data we hold about you. To fulfil our obligations, a new privacy notice is included with this newsletter and is also available for you to view on the MNOFP website at www.mnopf.co.uk/privacy_notice.html



Employer contributions

The MNOFP is no longer open to new members or contributions. However, some employers are required to pay additional contributions to the Fund (identified following the valuations in 2009 and 2012).

These additional payments supplement the investment returns to help the MNOFP meet its funding level targets. The Trustee has agreed individual payment plans with these employers which detail the contributions to be paid each year.

Significant progress has been made in 2017 to reduce the amounts owed by employers. The highlights from 2017 are:

- All of the instalment invoices issued in March and September 2017 have been collected in full (with the Trustee receiving £45m of contributions due under the payment plans).
- Employers are regularly given the option to settle their payment plans in full. In 2017, over £100m was collected in this way and this has directly improved funding levels.

As at April 2018, the amount still to be collected from employers is £60.2 million (£68.3 million inclusive of instalment interest), down from nearly £500 million in 2012 - a massive reduction of 88% over five years.



Cold-calling legislation

A long-awaited ban on pension cold-calling will be in place in June after the government introduced amendments to the Financial Guidance and Claims Bill.

The changes are designed to protect pensioners against the scammers and fraudsters who have stolen increasingly large amounts of cash from unsuspecting savers. This welcome move represents a major leap forward in the urgent fight to protect pensioners' savings against scams and sharp practice. However, please still remain vigilant as the scammers are becoming increasingly sophisticated and it is inevitable that their tactics will evolve - if you receive a cold call about transferring your pension to an alternative scheme, simply hang up the phone.

If you are concerned that you have been a victim of fraud or attempted fraud, please contact myMNOPFpension using the contact details below. There's more information at www.pensionwise.gov.uk/scams or you can call Action Fraud on 0300 123 2040.

Support for seafarers

Sometimes we need a little help in steering a course through life's problems. Seafarer Support is a free and confidential referral service for serving and former seafarers and their families. They will guide you and your family to some of the services available - this might include advice, or finding financial support, depending upon your circumstances.

Their award-winning online Maritime Charities Welfare Guide has information on over 150 maritime charities to help refer you to the charity best suited to your individual needs. They can even arrange for a trained caseworker to visit you in your home. You can contact Seafarer Support on their free phone helpline on 0800 121 4765, or visit their website at www.seafarerssupport.org



Member forums

The next forum is to be held in Newcastle in November. All members living within 75 miles of a venue will automatically be invited to attend.

Full details of forums are posted on the MNOPF website at www.mnopf.co.uk under myMNOPFpension/member forums or from the home page under 'Events'.

Transfers out

In common with many pension schemes, the Trustee has seen the volume of transfers out of the Fund increase significantly since the advent of 'pension freedoms' in 2015.

Your MNOPF pension is a valuable benefit, and if the transfer value is £30,000 or more, you must take advice from an Independent Financial Adviser before going ahead with the transfer.

Following widespread negative press coverage on transfers out, the Trustee has published 'Transfers Out - The Trustee's View'. This is available on the website at www.mnopf.co.uk

Contact us

Please contact myMNOPFpension in the following ways:



Online at www.mnopf.co.uk



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



Email: enquiries@mymnopfpension.co.uk



Write to: myMNOPFpension,
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St James's Tower, 7 Charlotte Street, Manchester, M1 4DZ.

