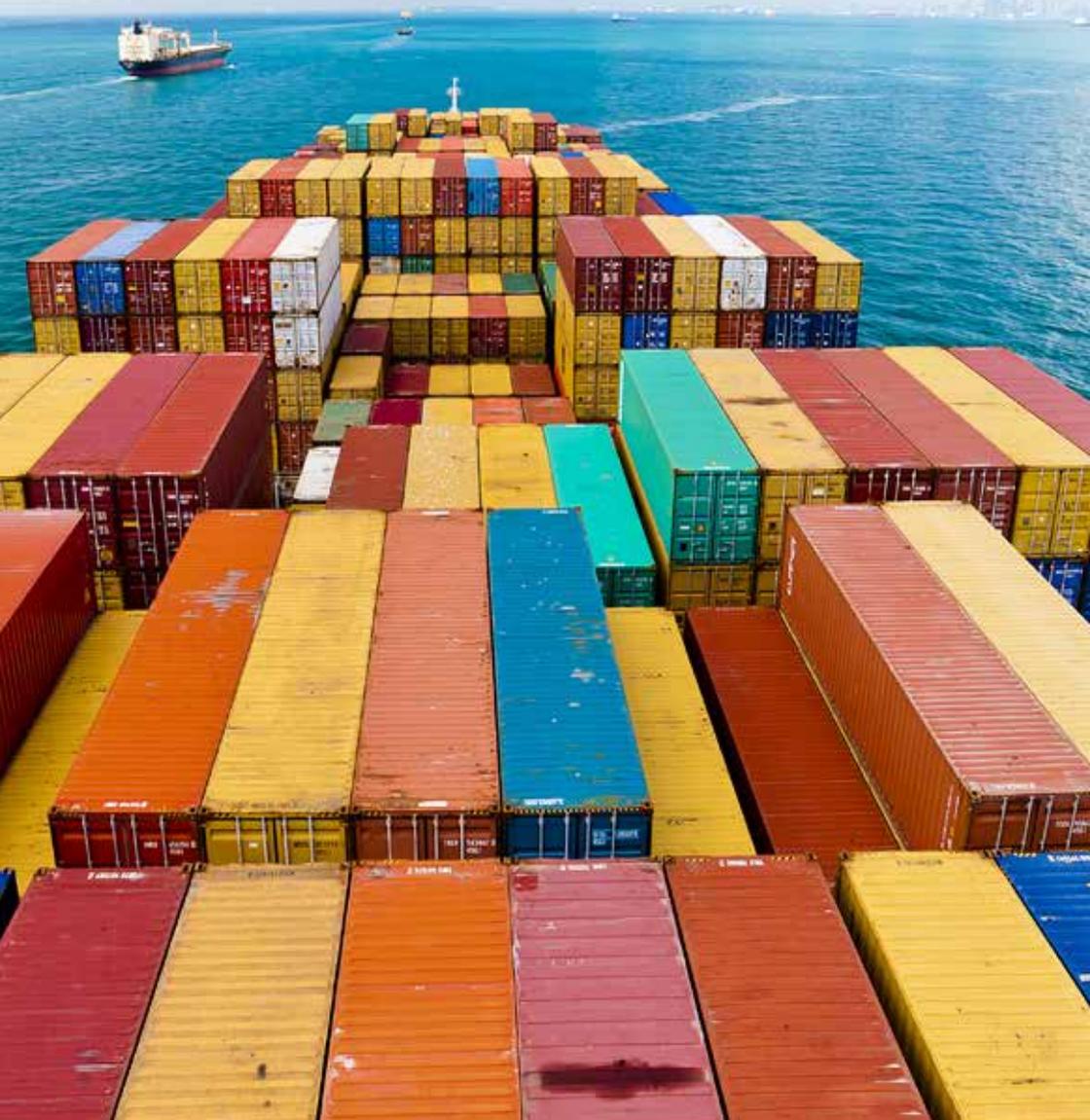




Members' Summary Annual Report 2017





MNOPF Highlights

1 April 2016 to 31 March 2017



3.1%

increase in funding level

Page 6



£123.5m

received in deficit contribution payments from employers

Page 9



£358m

rise in asset value

Page 10



£134m

paid in benefits to members

Page 10



25,319

members in the MNOPF

Page 13

Your Trustee Board

The Trustee Board's sole responsibility is to ensure the MNOFP is run in your best interests. It is an independent body made up of experienced individuals who have credentials and backgrounds relevant to the maritime industry. The appointment of directors is the responsibility of the Joint Officers Pension Committee (JOPC) formed by the officer and employer organisations.

Changes to the Trustee Board

To streamline the governance of the Fund, the Board agreed to reduce the number of Trustee Directors from 14 to 10 (five Officer Directors and five Employer Directors) from 1 July 2017. Changes to the Board structure, and the subsequent personnel changes to the Audit Committee, are shown below.

MNOFP Trustee Directors	Role on Trustee Board	As at 31 March 2017	From 1 July 2017
Rory Murphy	Employer Director, Chair	M (Chair)	M (Chair)
Mike Jess	Officer Director, Vice-Chair	M	M
Charles Boyle	Officer Director		A
Ronnie Cunningham	Officer Director		
Mark Dickinson	Officer Director	M	M
Ed Jones	Employer Director	M	M
Murdo MacDonald	Employer Director		A
Sarmad Qureshi	Employer Director		
Olu Tunde	Officer Director	A	A (Chair)
Paul Winter	Employer Director		A
Garry Elliott	Officer Director		Resigned
Allan Graveson	Officer Director	A	Resigned
John McGurk	Employer Director		Resigned
Les Stracey	Employer Director	A (Chair)	Resigned

Welcome

to this year's Summary Annual Report from the Trustee, which gives an overview of the key facts and figures for the year to 31 March 2017.

As the Fund turns 80 years old, I am delighted to report that whatever uncertainties the political, economic or pensions worlds have thrown at the Fund in the last 12 months, the MNOPF continues to show remarkable resilience and has made good progress on its Journey Plan. Returns have outpaced the rise in the value of liabilities resulting in an improved funding level for the fifth year running. You can view the full investment report on pages 6 and 7 with the funding update on pages 8 and 9.

Market leading strategy

Market uncertainty is not necessarily a bad thing. Being able to adapt quickly can even give competitive advantage. It's something that the MNOPF does particularly well by constantly striving to innovate and improve. The array of awards won by the Fund are testament to the high regard in which the Fund, and its investment strategy, are held by the wider pensions' community. I am proud to say that, quite simply, you have a market leading pension fund, underpinned by a successful investment strategy, which other pension funds can only aspire to.



Looking to the future

In June 2017, I wrote to members to explain the Fund's plans for the future. We have a clear route to achieve our goal, called the Journey Plan, which sets out how we will reach our target of achieving full funding by 2025. We aim to achieve this by continuing to make good returns on Fund investments, by collecting all the deficit contribution payments due from employers, and by reducing the risks within the Fund.

We will, of course, keep you up-to-date with all the key decisions taken by the Trustee as we work towards achieving our long-term goals.

The next generation

Now that the MNOPF is closed to future accrual and on a journey to full funding, we look to the next generation of pension provision for the seafaring community. The Ensign Retirement Plan is just that. The Plan is a defined contribution industry-wide master trust, established to improve the retirement outcomes of all of those working in the maritime industry. You can find out more about the Plan and how it is helping those currently working in the maritime industry on page 15.



Awards
2016/17



Best Investment Strategy

Engaged Investor
Trustee Awards 2016



Best DB Investment Strategy

Professional Pensions
Pension Scheme of the Year
Awards 2016

Crew changes on the bridge

This year we said goodbye to a long-standing Employer Director, Peter Walker, and welcomed a new member of the Board, Sarmad Qureshi. With a wealth of experience in accounting and finance, and with an analytical eye, Sarmad's skill set is a valuable addition to the team and we welcome him aboard.

Since the scheme year-end, we have reduced the number of Trustee Directors as part of a wider review of Fund governance. Consequently, on 28 June, the MNOPF Trustee Board paid a fond farewell to four of its Directors - Garry Elliott, Allan Graveson, John McGurk and Les Stracey.

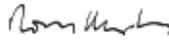
On behalf of the Trustee Board, I would like to thank all the departing directors for their hard work and guidance and wish them the very best for the future – you have left the ship sailing on a steady course towards harbour.

Backed by the maritime industry

With so many 'bad news' stories in the press about pension security and growing deficits, it is easy to worry about the safety of your own pension. The MNOPF is backed by hundreds of participating employers, including some of the biggest names in the maritime industry. The Fund operates on a 'last man standing' basis which means that should an employer fail as a business and be unable to pay its outstanding contributions, that employer's share of payments due would be split amongst the remaining participating employers. This makes your pension very secure.

I hope by reading this Summary Annual Report you will feel reassured that the MNOPF has a robust Journey Plan to reach full funding, is making excellent progress towards achieving this goal, and that your pension is in safe, experienced hands.

We always appreciate your feedback, so if you would like to say something about the Fund, please get in touch. I look forward to seeing some of you in person at the forums around the UK and, in the meantime, I wish you and your family a happy and healthy year ahead.



Rory Murphy
Chair



Best Long-Term Investment Strategy

Investment & Pensions in
Europe Awards 2016



DB Scheme of the Year

Pensions Age
Awards 2017



Best Investment Strategy

European Pensions
Awards 2017

Investment update 2016/2017

Another positive year for the Fund

The MNOPF's investment objective is to achieve returns which are higher each year than any increase in the value of pension benefits promised to all members and their dependants (the Fund's liabilities).

Figure 1 below shows that over the year to 31 March 2017, the Fund's liabilities increased by 12.2%. Despite this significant increase in liabilities, the Fund delivered a return of 13.6%, thereby outperforming its liabilities by 1.4%.

To 31 March	1 Year (%)	2 Years / Since 2015 valuation (%)	5 Years / Since 2012 valuation (%)
Fund return	13.6	17.9	64.4
Fund liabilities*	12.2	15.6	47.2
Fund compared to liabilities	+1.4	+2.4	+17.2

Figure 1. Fund performance over one, two and five years

The data comes from the independent performance measurer. *This is a gilts-based measure ('gilts-based liabilities') and is different from the measure used to place a value on the Fund's liabilities during an Actuarial Valuation (see Funding update, pages 8 and 9).

Journey Plan update

Figure 2 opposite shows the Journey Plan progress from 31 March 2012. The Journey Plan measures the MNOPF's gilts-based funding level over time, monitoring progress towards target funding levels. It takes into account the investment performance of the Fund and the amount of deficit contributions received from employers.

The Fund performed strongly between the actuarial valuations in March 2012 and 2015, and, as such, the Journey Plan was revised upwards to reflect the actual gilts-based funding level position as at 31 March 2015.

Robust performance over the longer term

The Fund's recent performance is also reflected over the longer term. Figure 1 shows how the Fund has also outperformed liabilities over two and five years.

This is reflected in the 'jump' in the Journey Plan line in the chart.

The gilts-based funding position has improved by 3.1%, to 83.0%, over the year to 31 March 2017. However, once further significant deficit contributions received early in April had been added, the funding level increased to 85.2%, putting the Journey Plan broadly on track as can be seen in Figure 2 opposite. An excellent result.



Steady progress in an uncertain world

The last scheme year has certainly been an unpredictable one in terms of election and referendum results, market returns and pension fund instability. Nevertheless, despite the surprises, the MNOPF continues to make steady progress towards its goal without experiencing the volatility in funding levels seen by many pension schemes.

Figure 3 shows how the increase in the MNOPF's funding level has been higher than the average pension scheme, whilst at the same time demonstrating significantly less volatility.

For a number of years the MNOPF has sought opportunities to reduce the risk within the Fund. The success of this strategy, carried out by the Fund's Delegated Chief Investment Officer (DCIO), Willis Towers Watson, has meant that the Fund has shown remarkable resilience to market uncertainty. The Fund is delivering consistent results, making steady progress on its Journey Plan, and is achieving these with much less volatility (less than a third) than that shown by the average pension scheme.

As part of the ongoing development of the investment strategy, the Trustee and DCIO will continue to seek out new opportunities to purchase insurance policies to keep risks low, minimise the impacts of future market movements, and to make your pensions more secure.

Performance over one year to 31 March 2017

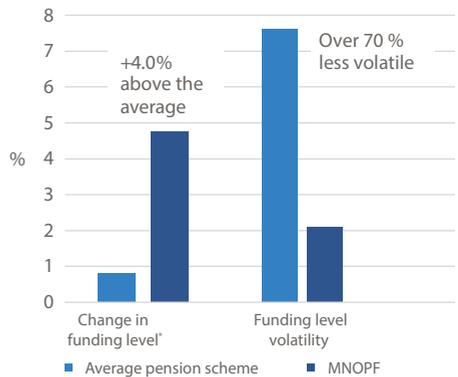


Figure 3. Performance over one year

*The numbers take into account the significant deficit contributions received in early April 2017.

Journey Plan progress



Figure 2. Journey Plan progress

Funding update as at 31 March 2017

A full actuarial valuation of the Defined Benefit Section of the Fund was carried out as at 31 March 2015 and the next full valuation is due as at 31 March 2018.

In the years between full valuations, we ask the Scheme Actuary to carry out annual checks to assess the likely value of benefits to be paid out to members in the future and to compare this value to the assets held within the Fund. This amount is expressed as a percentage, and is known as the 'funding level'. You may have noticed that this 'funding level' amount (96%) is different from the one used to show progress against the Journey Plan (83.0%). This is because we use a gilts-based liabilities measure with reference to the Journey Plan because it is a more appropriate measure for the Fund's liabilities, whereas the funding levels shown on these pages use the Technical Provisions measure which the Scheme Actuary must use during a valuation.

What do the 2017 figures show?

The funding level has improved by 4% since 2016, boosted significantly by the deficit contributions paid by employers, but at 96%, the MNOFP currently does not have enough funds to meet all future pension liabilities.

Please remember that the numbers represent a snapshot of the position as at 31 March 2017. Your Fund is a very long-term investment with the benefits paid to you and your dependants, so there is sufficient time, and a robust plan - the Journey Plan - in place to achieve full funding.

Steady progress is being made to reduce the gap through the good investment returns achieved on the Fund's assets (see Investment report, pages 6 and 7), and the continuing collection of contributions from employers in respect of past shortfalls in funding, or 'deficits' (see Figure 4 below and Deficit collection update opposite).

You can view a copy of the 2015 Actuarial Valuation on the MNOFP website, at www.mnopf.co.uk under Library/Publications & Reports.

As at 31 March 2017 the MNOFP's funding level was 96%

MNOFP funding level progress

	31 March 2015	31 March 2016	31 March 2017
Assets (of the DB Section)	£2,898m	£2,960m	£3,316m
Estimated amount needed to provide benefits (including a reserve for expenses)	£3,227m	£3,226m	£3,445m
Shortfall	(£329m)	(£266m)	(£129m)
Estimated funding level	90%	92%	96%

Figure 4. Funding level progress



Deficit collection update

Excellent progress has been made this year. The Trustee continues to reduce the funding shortfalls, identified in the 2009 and 2012 valuations, by collecting over £123m in deficit contributions from employers invoiced over the scheme year (according to the agreed instalment plans) and from several employers who chose to repay their debt in full, rather than pay by instalment.

The amount owed after all March instalments were received, and accounting for the employers who opted to pay off their debts in full, totals £147m. Although still a large sum, this has reduced from nearly £500m in 2012, and by over £123m in the last year alone.

The Trustee's policy is to collect every penny that is due by the end of the Journey Plan, and we continue to work closely with employers to help them meet their obligations, whilst remaining fair and consistent with all participating employers.

The solvency position of the Fund

While we have no intention of winding up the Fund in the foreseeable future, the Pensions Regulator requires us to tell you how well the MNOFP is funded if it were to wind up.

It is estimated that if the MNOFP was to be discontinued, no further financial support was

available from the employers, and the assets were invested in very low risk investments such as government bonds, then the assets available would be sufficient to secure about 85% of the liabilities at 31 March 2017 (compared to the 2016 figure of 74% and the 2015 figure of 76%).

If the Fund was to wind up, even if it was fully funded under our current funding plan, you might not get the full amount of pension you have built up. In this situation, the employers would be required to pay enough into the Fund to make sure that members' benefits could be completely secured with an insurance company. It is possible, however, that they might not be able to pay the full amount.

In the very unlikely situation where all the participating employers became insolvent, the Pension Protection Fund might be able to take over the MNOFP and pay compensation to members.

You can find further information and guidance on the Pension Protection Fund's website; www.pensionprotectionfund.org.uk

We are also required to report that there have been no payments to employers from the MNOFP since the last funding update, nor has the MNOFP received any financial support directions or contribution notices from the Pensions Regulator during the same period.

Find out more

For more information about the valuation and what it means, please contact the Fund using the details shown on the back cover. If you need pensions advice, and particularly if you are thinking about transferring your MNOFP benefits out of the Fund, please speak to a financial adviser. You can find details of impartial financial advisers in your area at www.unbiased.co.uk.

Fund finances and membership

Fund finances

Value of the Fund's defined benefit (DB) assets as at 31 March 2017



Figure 5. Value of assets

*This number has been restated from that reported in the 2015 Summary Annual Report because we were required to adopt a new accounting standard ('Financial Reporting Standard 102') which alters the way in which this figure is calculated. The previous figure of £2,898m, as shown in Figure 4 on page 8, was in accordance with the applicable accounting standards at that time.

The table below provides a summary of the Fund's DB finances over the year to 31 March 2017:

Fund finances	Total £m
Opening balance as at 1 April 2016	2,958.1
Plus Income during the year	123.6
Less Expenditure during the year	(156.5)
Plus Net return on investment	390.8
Equals Closing balance as at 31 March 2017	3,316.0
MNOPF DB assets	£3,316.0

Figure 6. Finance summary

+52.9%

increase in Fund DB
assets since the
actuarial valuation
in 2012





**You can view the full
2017 Annual Report at
www.mnopf.co.uk**

Fund membership

The number of DB Section members in the Fund at 31 March 2017 are:

Pensioner members

17,229

Members with deferred benefits

8,090

Total

25,319

The Fund's accounts are audited each year by independent auditors, Grant Thornton LLP. Grant Thornton reported that the Fund's accounts show a true and fair view of the financial transactions during the 12 months to 31 March 2017.



Member Forums

The next member forum will take place in Cardiff in 2018. Details can be found at www.mnopf.co.uk nearer to the event.

News

Visit to Mariners' Park

New friends were made in June when the MNOFP's Executive Team spent the day volunteering at the Mariners' Park Estate, run by the Nautilus Welfare Fund, in Wallasey.

The team-building kicked off with an insightful dementia awareness induction, resulting in all team members becoming 'Dementia Friends'. The team then helped residents prepare the rooftop garden for the royal opening of the new state-of-the-art Seafarers UK Centenary Wing, by building bird tables, decorating bird boxes and planting flowers. The afternoon was filled with golf, bowling, a sixties-themed quiz, afternoon tea and a BBQ.

Pensions liberation

In the 2016 Summary Annual Report and the summer edition of The Beacon we highlighted the growing trend of pensions transfer fraud, also known as pensions liberation, and gave you tips on how to stay one step ahead of the scammers.

In light of the recent growth in cyber crime, please continue to stay vigilant, and if you are at all worried about any offer being made to you regarding your pension, please contact myMNOFPpension before signing any papers. If you think you may have been a victim, or you have information regarding pensions fraud, you can contact Action Fraud on 0300 123 2040.

Pension increases

For MNOFP pensions in payment there are two types of increase – discretionary increases, and those required by the Fund rules or by statute. Members are reminded that discretionary increases are not part of the pension promise offered by employers when enrolling members into the MNOFP and, whilst the MNOFP continues its journey to become fully funded, discretionary increases are unlikely to be paid.

Full details of the non-discretionary increases that were applied in 2017 are available on the website www.mnopf.co.uk/myMNOFPpension/Pension-payments



ENSIGN
RETIREMENT
PLAN

Ensign Retirement Plan and Ensign Retirement Plan (for the MNOFF)

Like many defined benefit pension funds, the MNOFF is now closed to new members and future accrual. However, to support the next generation of seafarers and those associated with the seafaring industry, the Ensign Retirement Plan has been established. The Ensign Retirement Plan is a high-quality, low cost defined contribution (DC) scheme set up specifically to secure the future pension provision for those working in the maritime industry. Indeed, a number of you may be members of this Plan.

At a glance

As at 31 March 2017, the Ensign Retirement Plan and Ensign Retirement Plan (for the MNOFF) have:

- **2,161 members**
- **80 participating employers**
- **£53m funds under management**

A Plan with quality governance at its heart

The Trustee Board of the Ensign Retirement Plan is made up of some familiar names – Rory Murphy (Chair), Mike Jess (Vice Chair) and Mark Dickinson (Chair), who are all current Trustee Directors of the MNOFF, and John McGurk who, until recently, was also an MNOFF Trustee Director. Together they are fully committed to the future success of the Plan.

If you or your employer would like more information about the Plan, or would like to talk to someone about joining, please contact the team at enquiries@ensignretirementplan.co.uk or go to the Plan website at www.ensignretirementplan.co.uk for more information.

You can view the Ensign Retirement Plan Annual Report and Financial Statements online at www.ensignretirementplan.co.uk





Get in touch

If you would like to find out more about your pension benefits, or need to ask a question, you can contact us in the following ways:

By email: enquiries@mymnopfpension.co.uk

By calling myMNOPFpension on **01372 200200**

On our website at www.mnopf.co.uk

By writing to:

myMNOPFpension
JLT Employee Benefits
Post Handling Centre U
St James' Tower
7 Charlotte Street
Manchester M1 4DZ

Are your details up to date?

If you need to update your personal details, or amend your Expression of Wish form (which tells us who you wish to pay your benefits to when you die), please contact myMNOPFpension, using the ways shown above.

By printing this publication on Oxygen Offset 100% recycled paper the environmental impact was reduced by:

-  2,481 kg of landfill
-  67,711 litres of water
-  6,751 kWh of electricity
-  367 kg CO2 and greenhouse gases
-  4,030 kg of wood

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Results are obtained according to technical information and are subject to modification.