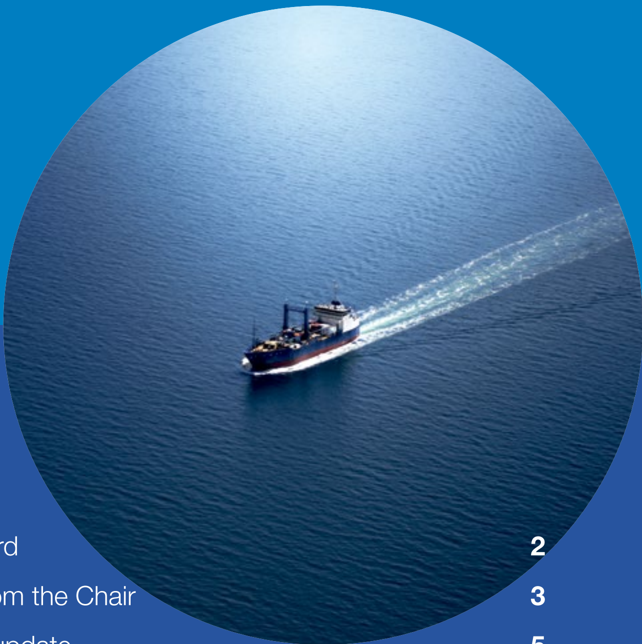
Members' Summary Annual Report 2016

Contents



Trustee Board as at 31 March 2016

The Trustee Board's sole responsibility is to ensure the MNOPF 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.

Below are the Trustee Directors of the MNOPF at 31 March 2016:

Rory Murphy M
Employer Director, Chair

Mike Jess M
Officer Director, Vice-Chair

Charles Boyle
Officer Director

Ronnie Cunningham
Officer Director

Mark Dickinson M
Officer Director

Garry Elliott
Officer Director

Allan Graveson A
Officer Director

Ed Jones M
Employer Director

Murdo MacDonald
Employer Director

John McGurk
Employer Director

Les Stracey A
Employer Director

Olu Tunde A
Officer Director

Peter Walker A
Employer Director

Paul Winter
Employer Director

M Member of the Management Committee

A Member of the Audit Committee

The appointment of directors is the responsibility of the Joint Officers' Pension Committee (JOPC) formed by the employer and officer organisations.

Welcome from the Chair

In another year of uncertainty and change, the progress of the MNOPF journey to full funding remains steadfast and I am delighted to present the highlights to you in this year's Summary Annual Report.

A year of enormous progress

The timeline below gives the highlights of the significant events that have impacted upon the MNOPF this year. More details of each event are included in the pages of this report, but I would like to draw your attention to some of the key information.

Actuarial valuation and investment returns

I am delighted to report a 10% increase in funding level over the three year period between actuarial valuations which is testimony to the success of the Journey Plan and the MNOPF's award-winning programme of change. It is particularly pleasing that these results have been achieved whilst operating at the highest standards of governance, investment strategy and risk management ensuring you enjoy greater security for your pensions and that employers do not face new deficit contributions. There's more information on the 2015 actuarial valuation and funding update on pages 7 to 10.

Journey Plan: MNOPF's path to achieve full funding by 2025.

The MNOPF's award-winning risk reduction strategies and use of a Delegated Chief Investment Officer (DCIO) have continued to pay dividends. The DCIO structure allows the Fund to invest in a wider range of investments and investment managers than otherwise might have been possible. These, in turn, aim to provide the investment returns needed to meet the Journey Plan, but with lower risk compared to other pension funds, and this has played a big part in the MNOPF weathering the recent market turmoil with very little impact. The full investment report is on pages 5 and 6.

Ensign Retirement Plan (for the MNOPF)

Last year saw some significant changes in pensions, most notably the flexibilities which were introduced in April 2015 which give savers in defined contribution (DC) schemes more choice over how, and when, they take their retirement benefits. The MNOPF is a defined benefit (DB) scheme, with benefits based on length of service and earnings. Such schemes are not common nowadays and most (like the MNOPF) do not allow new members to join. Employers tend to offer DC schemes to new employees where each member has their own retirement pot into which their, and their employer's, contributions are invested.

MNOPF

Key events
2015/16

2015

6 April
Pension freedoms introduced

1 August
Ensign Retirement Plan (for the MNOPF) launched

In light of these changes, the Trustee Board recognised the need for employers in the maritime industry to have access to a well-governed industry-wide occupational pension scheme to provide DC benefits for their employees. In June 2015, the Trustee made it possible for employees in the maritime industry to once again join the MNOPF through an arrangement called the Ensign Retirement Plan (for the MNOPF).

MNOPF closure to future DB accrual

As a Trustee Board, we are proud of our record of strong governance and as we progress along the Journey Plan to full funding, we work together to take leadership decisions that are in the best interests of the Fund and our members.

As I reported to you last year, funding the future benefits of MNOPF members who are still contributing to the Fund was becoming more and more challenging each year. The Trustee was advised that further contribution rate increases would be necessary and was concerned that these would not be affordable to all members. In response to this, the Trustee Board decided to consider closing the MNOPF to future DB accrual.

Whilst closure to future DB accrual can often be interpreted as a bad news story, in the case of the MNOPF, we do not believe this is the case. A thorough process of consultation was carried out in 2015, and it was pleasing to find our discussions with both employers and employees showed encouraging levels of support for the closure. It was critical in the opinion of the Trustee, however, that active members should earn excellent alternative benefits and that therefore, members and their employers should continue to pay similar levels of contributions and continue their membership of the Fund. This was made possible through the Ensign Retirement Plan (for the MNOPF) which is known as the Money Purchase Section of the MNOPF. The creation of this new section of the Fund enabled the Trustee Board to take the historic decision to close the Fund to future accrual of salary related benefits from 31 March 2016.

Industry recognition

Finding new and innovative ways of securing members' pensions is a priority for the MNOPF and I am delighted that this important work continues to be recognised by the wider pensions industry. The awards won this year by the Fund are shown on page 17. They are clear testament to the ongoing work to reduce the risk in the Fund and deliver the Journey Plan, all within a strong governance framework.

If there are topics you would like to see covered in future communications about the Fund, please do contact me at the address on the back page. Meanwhile, I wish you a happy and healthy year and look forward to meeting some of you at the ongoing series of forums around the UK.

Rory Murphy
Chair

22 March
2015 actuarial valuation signed by Trustee

31 March
Closure of the MNOPF New Section to future accrual

1 April
New 'Money Purchase Section' of the MNOPF created

2016

Investment update 2015/16

The MNOPF's objective is to pay all pensions (the Fund's liabilities) to you and your dependants now, and in the future.

The way in which we aim to do this is through the delivery of the Journey Plan which is achieved through a combination of investment performance and the collection of deficit contributions from employers. The investment performance of the Fund is measured against a benchmark of its liabilities, aiming to achieve a return in excess of any increase in liabilities.

Robust performance

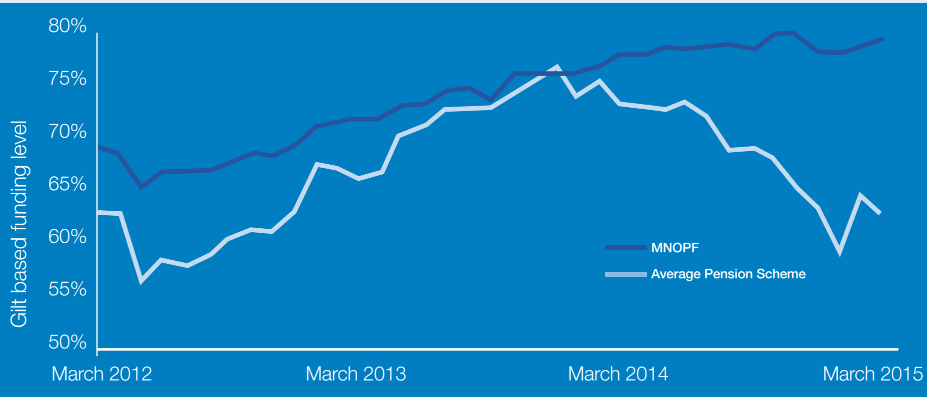
Over the year to 31 March 2016, the DB Section of the Fund has outperformed its liabilities by 0.8%, despite a challenging economic environment.

The longer-term performance of the Fund also remains strong, outperforming liabilities by, on average, 2.7% each year since the 2012 actuarial valuation (this is against a target outperformance over this period of 2.2% pa). The table below shows the Fund's investment performance compared to the liabilities over one year and longer periods using data from the independent performance measurer.

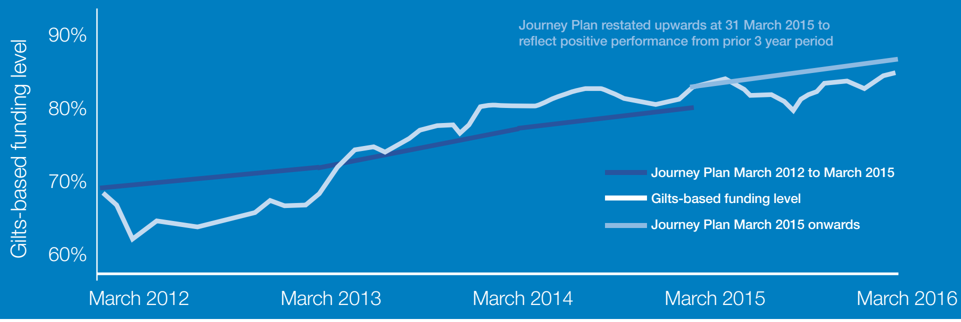
To 31 March 2016	1 Year/ Since 2015 Valuation (%)	3 Year (%)	4 Years/ Since 2012 Valuation (%)
Fund return	3.9	28.8	44.7
Gilts-based liabilities	3.1	20.7	31.2
Fund compared to liabilities	+0.8	+8.1	+13.5

Outperforming our peers

Willis Towers Watson compared the MNOPF funding level to that of the average pension scheme for the period between the 2012 and 2015 valuations. Over the 3 year period to the end of 2015, the MNOPF's funding level improved by 10%, whilst an average pension scheme would have only seen a 1% increase in funding level, as the chart below shows. This is testimony to the success of the investment strategy implemented by the Trustee.



Overall progress against Journey Plan



Journey Plan progress

The chart above shows the Journey Plan progress from 31 March 2012. The Journey Plan measures the MNOPF's funding level over time, monitoring progress towards target funding levels. The Journey Plan was reviewed following the 31 March 2015 actuarial valuation and this review concluded that the Journey Plan's target funding level of 103% on a gilts basis, by 2025, continues to be a reasonable target. The Fund has performed strongly since March 2012, and so the Journey Plan re-baselined to reflect the actual gilts-based funding level position as at 31 March 2015. The return target was reduced at the beginning of 2016 to reflect concerns over a more challenging economic environment.

The funding position has improved over the last year but the Fund has fallen behind the updated Journey Plan as at 31 March 2016 due to weaker market conditions. In the light of this, the Trustee decided to further reduce the amount of risk in the investment strategy. Although not totally eliminating all risks, the adjustment gave further protection to the funding position without adjusting the overall Journey Plan target. As events later in 2016 demonstrated, the decision to reduce the risk in the Fund was a sound one.

Impact of the EU referendum

This Summary Annual Report covers the year to 31 March 2016, however, it is impossible to ignore the impact of the EU referendum results on recent financial markets and so it is appropriate to make comment, in relation to the MNOPF, in the light of these events.

Since the UK voted to leave the EU on 23 June, the MNOPF funding level and investment strategy have remained largely unchanged. The Fund has a proven and effective governance and decision making structure in place to consider and take advantage of investment opportunities as they arise. Day to day decisions are taken to implement the Trustee's investment strategy and markets and economic conditions are monitored closely to ensure that risk to MNOPF investments is minimised.

Forward-thinking actions to reduce risk mean that the Fund investments offer protection against movement in interest rates and inflation and low volumes of investment in UK shares (less than 1%) and more significant investments in the US mean that the MNOPF has not been adversely impacted by the UK stock market dropping or by changes in the value of sterling.

The Trustee has been delighted with the way in which Willis Towers Watson, our Delegated Chief Investment Officer (DCIO), has managed the Fund and the significant impact the investment strategy has had on minimising the effects of these market movements on the MNOPF.

2015 Actuarial valuation and 2016 funding update

A full actuarial valuation of the Defined Benefit Section of the Fund was carried out at 31 March 2015 and a summary of the results of this valuation is provided here.

The next full valuation will be in three years' time, at 31 March 2018. In between full valuations, a more limited review of the funding position is carried out each 31 March, and the results of the 2016 review are also contained below.

If you wish to view previous Annual Funding Updates, please visit the MNOPF website, at www.mnopf.co.uk.

A reminder of how the fund works

The MNOPF is a pension scheme set up to provide pension benefits on retirement or death; the DB benefits are based on a combination of earnings and length of membership. Pensions are paid for the life of each member and their qualifying dependants. Therefore, the benefits represent a very long-term obligation and it is not possible to know, with certainty, what contributions to the Fund are needed to make sure that there will be sufficient money available to pay the benefits in the future.

The Scheme Actuary is a qualified individual who considers many factors to recommend the level of contributions required to meet the future liability.

The Trustee invests your contributions and those made by the employers into the MNOPF, with the aim of increasing its value so that there is enough to provide your benefits as they become due.

We ask the Scheme Actuary to carry out regular valuations to assess the likely level of benefits to be paid in the future and to compare this obligation to the assets held.

The Actuary's assessment is based on reasonable assumptions as to the future. If he thinks there is more money in the Fund than is necessary, the Fund is said to have excess assets – a surplus. If, on the other hand, the Actuary thinks there is less money in the Fund than is necessary, the Fund is said to have a shortfall – a deficit.

The objective is to have enough money to pay pensions and other benefits now and in the future. After taking into account investment returns this relies on the employers continuing to support the Fund as the funding level can fluctuate. When there is a shortfall they will usually need to put more money in.

What is the actuarial valuation?

Every three years, the Trustee is required to conduct a formal actuarial valuation of the Fund. The valuation reflects a particular point in time and assumes that the Fund will continue in the future. It is an independent check by an actuary and helps the Trustee to establish:

- how much the Fund will need in order to pay the members' benefits as they become due; and

MNOPF funding level progress

31 March	2013	2014	2015	2016
Estimated amount needed to provide benefits, including reserve for expenses	£2,840m	£2,774m	£3,227m	£3,226m
DB Section Assets	£2,407m	£2,411m	£2,898m	£2,960m
(Shortfall)	(£433m)	(£363m)	(£329m)	(£266m)
Estimated funding level	85%	87%	90%	92%

- the level of contributions required in respect of active members of the Fund to provide their benefits in the future (no longer required now the Fund is closed to accrual, but was relevant at 31 March 2015 when the last valuation was carried out), and any extra contributions from the employers where there are insufficient assets to meet the promised benefits (otherwise known as a deficit).

There are two elements to the valuation. Firstly, the Actuary places a value on the Fund's liabilities (i.e. the benefits due to be paid) and compares that with the value of the assets held by the Fund, in order to ascertain if there is a surplus or deficit. Secondly, if there is a deficit, the Trustee will then determine a 'recovery plan', which, if required, sets out the steps to be taken to meet any shortfall of the assets compared with the liabilities. In arriving at its conclusions, the Trustee also consults with the employers about various matters in relation to the valuation, including the recovery plan.

What did the 2015 and 2016 funding figures show?

Both assets and liability values increased from 31 March 2014 to 31 March 2015, due substantially to changes in market conditions, but the deficit reduced over the period from £363 million to £329 million, which represented a slight increase to the funding level of 90%. The improvement was mainly due to the deficit contributions paid by employers. Allowing for the outstanding employer contributions due from previous valuations, and also for the closure of the Fund to future accrual from 31 March 2016, this deficit reduced to £5 million. The Trustees are continuing to collect deficit contributions from the employers over the period to 30 September 2025, as agreed at previous valuations, and they have determined that no additional contributions would be required to meet the deficit as at 2015, given the closure of the Fund to future accrual.

2015 Actuarial valuation and 2016 funding update continued

Over the year to 31 March 2016, the funding position improved slightly to give a reduced shortfall of £266 million, and a further small improvement in the funding level of 2% to 92%. This was, again, mainly due to the deficit contributions paid by employers. The value at 31 March 2016 of the contributions still to be collected from employers in respect of past actuarial valuation deficits was only slightly less than the £266 million shortfall.

Will the funding improve further?

Investment conditions have become more challenging for UK pension schemes since 31 March 2016, due to continued uncertainties in financial markets. In particular, the reduction in long-term interest rates has increased the value placed on future benefit payments. The Trustee had previously put in place hedging strategies which protected the MNOPF from most of the impact of the fall in interest rates, and the Fund has also reduced investment risk in other ways, so the Fund is in a good position compared to many other pension schemes. The 2015 valuation showed that the Fund continues to make good progress against its Journey Plan.

There is, however, no time to rest on our laurels, another three year cycle is now underway and the Trustee and Fund advisers are working hard on your behalf to ensure that similar results can be reported after the next valuation.

What other valuations of benefits are carried out?

While we have no intention of winding up the Fund in the foreseeable future, under Regulations we must tell you how well the MNOPF is funded if it were to wind up.

At 31 March 2015 and 31 March 2016, the Actuary estimated that:

- if the MNOPF had been discontinued; and
- no further financial support was available from the employers; and
- the assets were invested in very low risk investments such as government bonds,

the assets of the Fund would have been sufficient to cover about 76% of the liabilities at 31 March 2015, and 74% as at 31 March 2016.

What would happen if the MNOPF did wind up?

By law, we have to tell you what would happen if the Fund did wind up, even though there are no plans to wind up the Fund.

In this event, even if the MNOPF were to be fully funded under our funding plan, you might not get the full amount of pension you have built up.

While the MNOPF remains on-going, your benefits will continue to be paid in full. If the MNOPF were to start to wind up, the employers would be required to pay enough into the Fund to make sure that the members' benefits could be completely secured with an insurance company. It is, however, possible that they might not be able to pay the full amount.

In the very unlikely situation where all the participating employers became insolvent, the MNOPF might be taken over by the Pension Protection Fund, who might pay all or part of the members' benefits.

You can find further information and guidance on the Pension Protection Fund's website; www.pensionprotectionfund.org.uk, or you can write to:

The Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon
Surrey
CR0 2NA

What else you might need to know

Payments to employers – we have to tell you whether or not we have made any payment to any of the employers from the Fund in the period covered by this report and can advise that no such payments have been made.

The Pensions Regulator – we have not received any financial support directions or contributions notices relating to the Fund from the Pensions Regulator during the period covered by this report.

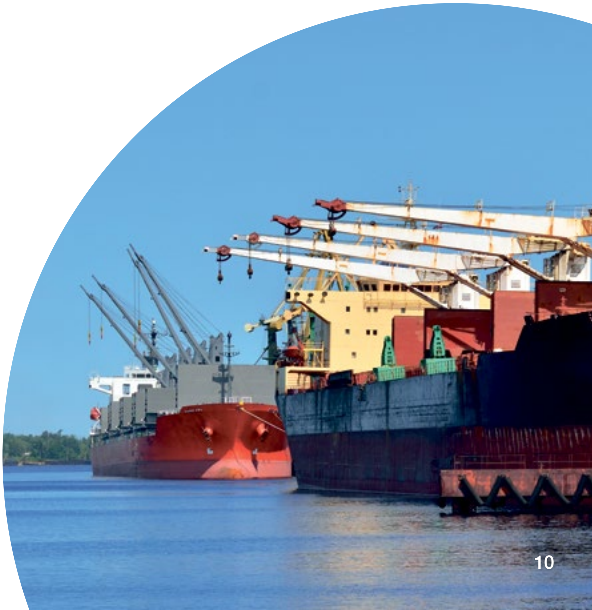
Thinking of leaving the Fund?

If you want to take a transfer value, you will probably need to take advice from an independent financial adviser at your own expense, before a transfer payment can be made. For help with choosing an impartial financial advisor in your area, please contact the Money Advice Service: www.moneyadviceservice.org.uk or www.unbiased.co.uk

You can find the formal documents relating to the governance of the Fund, including the latest actuarial valuation, on the MNOPF website, www.mnopf.co.uk. Alternatively, you can write to request a copy of these documents, to:

MNOPF Trustees Limited
The Beehive
City Place
Gatwick Airport
West Sussex
RH6 0PA

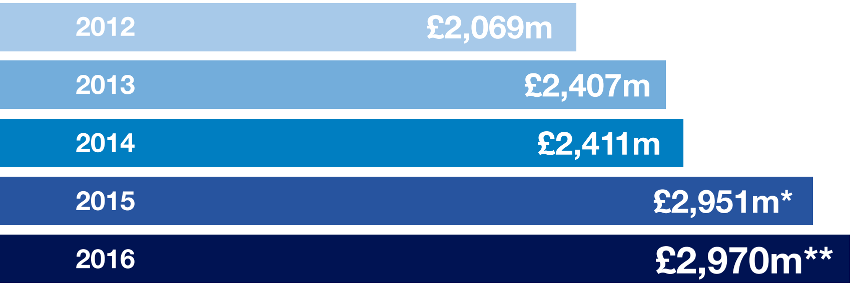
Or email: comms@mnopf.co.uk



Fund finances and membership

Fund finances

Value of the Fund’s assets as at 31 March



The table below provides a summary of the Fund’s finances over the year to 31 March 2016:

Fund finances	Total £m
Opening balance as at 31 March 2014 as originally stated	2,897.6
Effect of moving to new accounting standard	53.1
Opening balance as at 31 March 2015 as restated	2,950.7
Income during the year	77.7
Less Expenditure during the year	(145.0)
Plus Net return on investment	86.3
Equals	
Closing balance as at 31 March 2016:	2,969.7
of which Defined benefit assets	2,960.3
and Money purchase assets	9.4
Total MNOPF assets	**£2,969.7**

*This figure 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 the table on page 8, was in accordance with the applicable accounting standards at that time.

** This figure includes £9.4m of money purchase assets.

+43.5%

increase in total Fund assets since last actuarial valuation in 2012

Fund membership

The number of DB Section members in the Fund at 31 March 2016 are:

Active members

575

Pensioner members

16,942

Members with deferred benefits

8,400

Total

25,917

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 2016.

Deficit collection

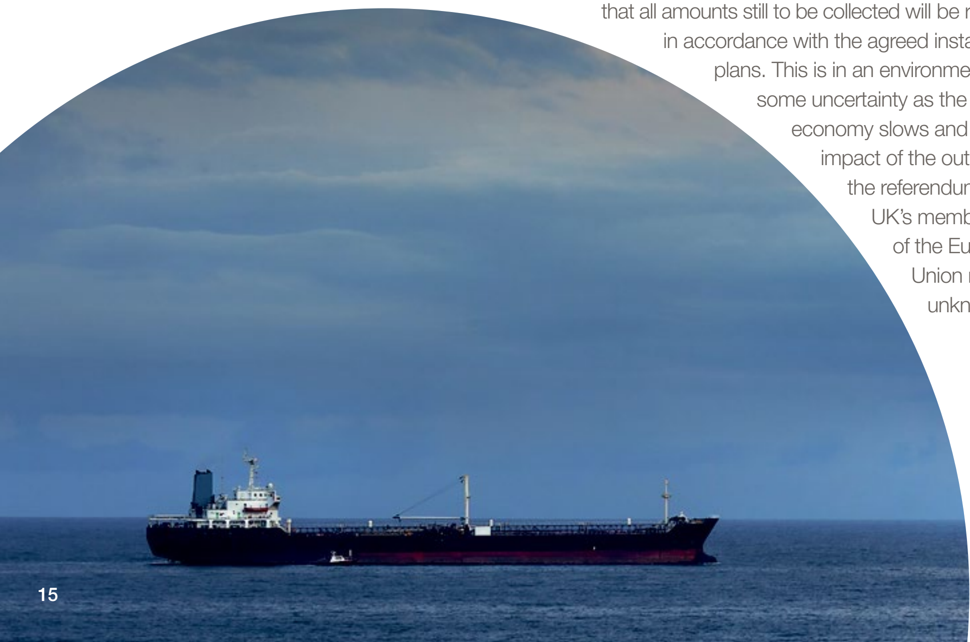
During the year to 31 March 2016 deficit contributions continued to be collected in accordance with the instalment plans agreed with employers. We are pleased to continue to have positive engagement with participating employers, and where the payment of contributions may be difficult, help them pay their outstanding deficit contributions in ways which fit with their business pressures without creating additional risk for the Trustee.

The Trustee seeks to collect deficit contributions over the shortest practicable time period, but with several employers we have agreed instalment plans to collect the amounts due in a structured manner over an agreed number of years. In many cases, where such arrangements are agreed, we have also put in place suitable credit support arrangements, such as corporate and bank guarantees, where necessary.

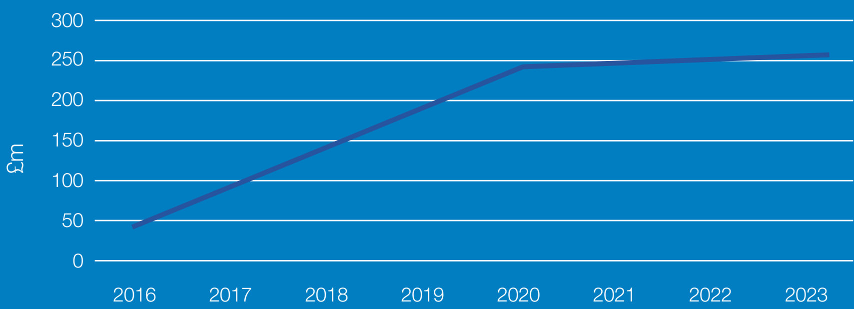
In line with the agreements with employers, and as a result of statutory debts being triggered, the Trustee collected over £56m in deficit contributions during the year ended 31 March 2016. This, together with investment returns, increased the funding level of the MNOPF and the security of your benefits.

Following the 2015 actuarial valuation, no new deficit collection was announced and so the current recovery of money owed continues to be in respect of the 2009 and 2012 deficits. The Trustee expects to receive the outstanding amounts until 2024, as shown in the chart on the right.

Good progress has, therefore, been made over the year, but the Trustee continues to invest significant time in monitoring employers to ensure that all amounts still to be collected will be received in accordance with the agreed instalment plans. This is in an environment of some uncertainty as the global economy slows and the full impact of the outcome of the referendum on the UK's membership of the European Union remains unknown.



Cummulative deficit money due to be collected



The Trustee has not, however, identified any immediate risks. On the few occasions where deficit contributions have not been received by their due date, the Trustee has made arrangements to collect these deficit contributions, engaging lawyers and other professional advisers to assist where necessary.

It is important to recognise that there will be occasions where the collection of contributions will cause a business to become financially distressed, and so in such circumstances the Fund will work closely with the companies' management to try to agree a way forward. It is always the Trustee's aim to be fair and consistent with all the MNOPF's participating employers and our policies and guidelines regarding deficit collection reflects this. Having a robust process for collection gives greater certainty about future cash flow, which in turn helps the Trustee deliver its long-term investment goal – the Journey Plan.

News

Awards

Over the 12 months to the end of March 2016, the MNOPF has won the following industry awards:

- Financial News, Awards for Excellence, Institutional Pensions – Best De-risking Strategy
- Professional Pensions Pension Scheme of the Year Awards – Best DB Scheme Innovation and Best Use of Risk Reduction Strategies
- IPE Awards - Innovation Award and prestigious "Bronze Award" for Best Use of Alternatives
- Pensions Age Awards - Pension Scheme Innovation Award

"All of these awards have been given for the ground-breaking ways in which the MNOPF has reduced the levels of risk within the Fund and is testament to the dedication shown by the MNOPF in finding new ways to secure members pensions benefits"

Rory Murphy, Chair.

Member Forums

Throughout the year, popular Member Forums have been held in Newcastle, Aberdeen and Folkestone. The upcoming programme of Forums can be found on the MNOPF website at www.mnopf.co.uk, and if you live within 75 miles of a Forum venue, we will contact you automatically to invite you to join us. We look forward to seeing many of you in the year ahead.

New member website

The MNOPF website has been updated and refreshed and is now predominantly member focused. You will find information on Fund benefits, options at retirement, and a library of Fund publications, including the full Annual Report and Accounts.

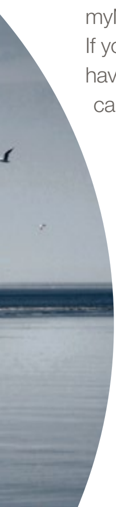
Details of upcoming Member Forums, contact information and Fund news are also available on the new website at www.mnopf.co.uk

Pensions liberation

Pensions transfer fraud, also known as pensions liberation, continues to give concern, with the tactics used by pension scammers to encourage people to transfer their pension savings to them constantly changing. Here are some of the most common tactics used by pension scammers to trick savers out of their savings:

- A cold call, text message, website pop-up or someone coming to your door offering you a 'free pension review', 'one-off investment opportunity' or 'legal loophole'.
- Convincing marketing materials that promise returns of over 8% on your investment.
- Paperwork delivered to your door by courier that requires immediate signature.
- A proposal to put your money in a single investment. In most circumstances, financial advisers will suggest diversification of assets.
- A claim that you can access your pension before age 55.
- An attempt to convince you to transfer your money overseas.

If you are worried about any offer being made to you, or you are being pressured into making a quick decision, please contact myMNOPFpension 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.



Find out more

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

Who will receive your MNOPF benefits should you die?

Your MNOPF pension pays valuable benefits to your dependants in the event of your death and are currently paid free of inheritance tax directly to your beneficiaries at our discretion. So it's important that the Trustee knows what your wishes are and why we remind you from time-to-time to keep your Expression of Wish Form up-to-date. Although your wishes are not binding on the Trustee, it always takes them into consideration.

Remember, if your circumstances have changed, for example, if you have recently married, divorced or have had a child, your Expression of Wish Form may need updating. You can download a copy of the form from the website www.mnopf.co.uk which you will need to complete and return to myMNOPFpension using the address provided.

Don't forget…

Please keep us informed if you move house, or your personal details change, especially if you are receiving your pension – if we lose touch with you, your benefit payments may be delayed.

MNOPF

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

Source: Carbon footprint data evaluated by Labelia Conseil in accordance with the Bilan Carbone® methodology. Calculations are based on a comparison between the recycled paper used versus a virgin fibre paper according to the latest European BREF data (virgin fibre paper) available.

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

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