

Welcome from the Chair

Welcome to The Beacon – the newsletter for members of the MNOFP. In this edition, I am pleased to be able to bring you the final results of the actuarial valuation which took place in 2018, as well as other Fund news.

2018 Actuarial Valuation

Testimony to the success of the Journey Plan and progress towards meeting the Fund’s goals, it is particularly pleasing to report an increase in funding level over the three year period between the 2015 and 2018 actuarial valuations. This has been achieved by operating at the highest standards of governance, through our award-winning investment strategy and implementing a robust risk management program. It all adds up to greater security for your pensions and means that employers do not face new deficit contributions. There’s more information on the 2018 actuarial valuation and Journey Plan update on pages 2, 4 and 5.

The ‘B’ word

However fed up we are of hearing about Brexit, it is prudent, nevertheless, for the Fund to prepare for all eventualities. The report on page 5 gives an insight to how the Trustee Board and the Delegated Chief Investment Officer, Willis Towers Watson, think Brexit may impact the Fund.

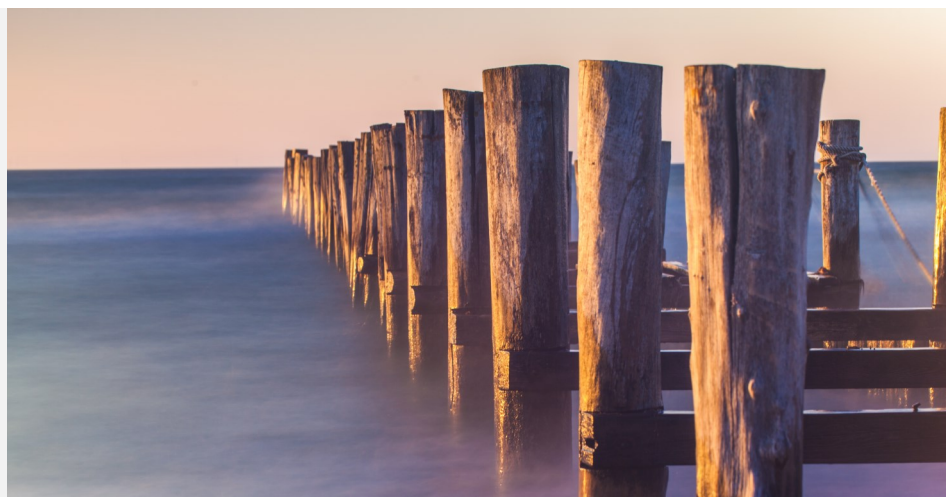
If you have any comments on the 2018 Actuarial Valuation, or any other topic concerning the MNOFP, we would welcome your feedback – please use the contact details on the back page to get in touch.

Rory Murphy
Chair of MNOFP Trustees Limited



“I am delighted with the results of the 2018 Actuarial Valuation, confirming the excellent progress made since 2015, and putting the MNOFP firmly on track to meet its goals ”

- Rory Murphy



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2018 Actuarial Valuation

What is the actuarial valuation?

Every three years, the Trustee must carry out a formal actuarial valuation of the Fund. It is an independent check by an actuary and helps establish how much the Fund will need in order to pay members' benefits as they become due (the Fund's liabilities).

Additionally, it will establish whether any extra contributions from the employers are required if there are insufficient assets to meet the promised benefits (this is known as a deficit and might require a 'recovery plan' to set out how the shortfall would be recovered).

The Trustee consulted with the employers about various matters in relation to the valuation, including any recovery plan, before concluding the valuation.

What do the 2018 funding figures show?

The results of the 2018 Actuarial valuation (summarised in the table below) have been finalised and were approved by the Board at its meeting on 26 March 2019.

The highlights are:

- The funding level, on an actuarial 'Technical Provisions' basis, has increased to 98% as at 31 March 2018, up from 90% in 2015, mainly due to deficit contributions paid to the Fund. (You may notice this level is different from the Journey Plan funding level, which is calculated on a different basis – see Journey Plan update on page 4).
- The overall Fund deficit decreased to £73m (compared to £329m in 2015). When this is compared to the outstanding contributions still to be collected from employers of approximately £64m (as at 31 March 2018), there is a net deficit in the Fund of £9m.

However, the Trustee took the decision not to announce a new deficit amount to be collected from employers as returns on the assets are expected to meet this shortfall.

- The Fund is on schedule to achieve full funding (on a Technical Provisions basis) by 30 September 2023 and reach its Journey Plan target of being 103% funded by 2025.



Kim Farnum (above) the Scheme Actuary, commented:

“Members should take comfort from the improvement in the funding position, both on a Technical Provisions basis and also in relation to the Journey Plan, as it is the clear result of the good governance of the Fund. The investment strategy, in particular, has insulated the Fund from much of the market volatility of recent years and the Trustee has made significant inroads into the collection of outstanding deficit contributions from employers – together with other good experience, these factors mean that the Fund is very well positioned for the future.”

Find out more

You can find all the formal documents relating to the governance of the Fund, including the 2018 Actuarial Valuation report and documentation, in the library section of the MNOPF website at www.mnopf.co.uk, or by writing to MNOPF Trustees Limited, The Beehive, City Place, Gatwick Airport, West Sussex, RH6 0PA.

MNOPF Funding level progress

31 March	2015	2018
Estimated amount needed to provide benefits, including reserve for expenses	£3,227m	£3,351m
Assets	£2,898m	£3,278m
(Shortfall)	(£329m)	(£73m)
Estimated funding level	90%	98%

MNOFF Trustee Director profile - Mark Dickinson

Mark Dickinson has worked in the shipping industry for over 40 years and has served as a member-nominated trustee director on the Board of the MNOFF for nearly 20 years. In 2018, Mark was awarded the prestigious Merchant Navy Medal for Meritorious Service, awarded each year in recognition of those that have gone above and beyond with their services to the maritime industry. The medal is awarded, without bias towards age or rank, to those eligible seafarers who are judged to have made a worthwhile contribution to merchant shipping, its operations, development, personnel, welfare or safety, or who have performed an act of courage afloat.

Mark, who as well as being a Trustee of the MNOFF and Ensign, is also General Secretary of Nautilus International having been elected in 2009 and twice since then in 2013 and 2017. He is also a Trustee and Vice-Chair of the Merchant Navy Welfare Board, a member of the Executive and General Council of the Trades Union Congress and heavily involved in the International and European transport trade union movement (ITF and ETF). He has taken time out to tell us about his Merchant Navy Medal and his services to the maritime industry.

Q. The Merchant Navy Medal provides an opportunity for the industry to recognise in a worthy and public manner, meritorious service by British registered Merchant Seafarers. Can you tell us specifically what your medal was awarded for?

A. The formal citation states it was awarded in recognition of my work on seafarer employment, training and welfare but beyond that it is difficult to say as the nomination process is confidential. I have worked in the maritime industry since the age of 16 and in that time I have done a lot of really interesting work and always focused on the betterment of seafarers and the profession. I hope the award is a reflection of my personal drive and determination to make things better for seafarers and specifically for my members.

Q. The Merchant Navy Medal was presented to you by the Princess Royal in the beautiful surroundings of Trinity House in London. Can you tell us more about the presentation?

A. It was a really lovely day. I am sure that for all those worthy recipients the day begins with family and friends because it is as much about them as it is those of who received the award from the Princess Royal. The surroundings added gravitas to the occasion and the Princess Royal is one of our own in the Merchant Navy so it was extra special to receive the award from her. My Mum enjoyed meeting her and the Shipping Minister, Nusrat Ghani, enormously.

Q. Being a member-nominated trustee director of a multi-billion pound pension fund is a role which comes with great responsibility. How has your career in the maritime industry, and your current roles, equipped you to carry out this role effectively?

A. It is a responsible role and there's a huge amount of jargon, never mind the complex investment, legal and technical aspects of modern day pension provision, to get to grips with. As directors of the MNOFF we are supported by many experts and we take and act appropriately on their advice. What I bring to the role is the knowledge of the industry and an understanding of the needs and expectations of maritime professionals whose retirement savings we are entrusted to secure and aspire to enhance. Good governance is extremely important to me and that is one of my main focuses – ensuring the scheme is well run and delivers the best outcomes for members.



Mark receiving his medal from the Princess Royal (left) and with the other medal recipients (right).



Employer contributions

The excellent results of the 2018 Actuarial Valuation mean that no new contributions will be sought from the Fund's supporting employers (to supplement the investment returns needed to meet funding level targets). However, there are contributions outstanding from the valuations in 2009 and 2012 which continue to be collected from employers according to their agreed payment plans:

- All of the instalment invoices issued in September 2018 and March 2019 have been collected in full (with the Trustee receiving £25.1m of contributions).
- Employers are regularly given the option to settle their payments in full. In February 2019, just under £500,000 was received from one employer as a settlement of its 2009 and 2012 deficits.
- The amount still to be collected by September 2023, inclusive of instalment interest, is £42.7m (as at April 2019).

Journey Plan update

Review of the Plan

The actuarial valuation gives the Trustee an in-depth look at the Fund and the opportunity to review the Journey Plan which will take place later this year. In the meantime, two revisions to the Journey Plan have been made:

- The Trustee's Journey Plan aims to achieve 103% of the Fund's liabilities by 2025. The Trustee relies, in part, on its investment strategy to generate returns and achieve the Journey Plan. The Trustee's investment strategy previously had a target return of Gilts +1.8%, which would reduce gradually to Gilts +0.5% by 2025. In light of the good progress made by the Fund in recent years, as shown by the 2018 valuation results, and the recent volatility in the equity market, the Trustee agreed to reduce its target investment return to Gilts +1.4% until the end of the Journey Plan.
- The liability value has been retrospectively reduced by 0.7% from 31 March 2018 so that it reflects actual member experience, such as transfers out and lump sum payments.

Journey Plan progress

Over the quarter to 31 March 2019, the gilts-based funding level increased to 93.3%, which is below the level implied by the Journey Plan (94.1%). The Fund has recovered from the falls across the markets in the latter part of 2018 as a result of its well-diversified portfolio. The funding level has continued to remain relatively stable and is now closer in line with the Journey Plan.

Sustainability and stewardship

New regulations

The Government has reviewed and strengthened trustees' duties for sustainable investment and has set out the changes that will need to be made to a scheme's Statement of Investment Principles. By 1 October 2019 pension trustees will need to set out:

- how they take into account financially material environmental, social and governance (ESG) factors including climate change;
- their policies on stewardship including how they engage with firms and how they exercise their voting rights; and
- a statement on how non-financial factors are taken into account.

The MNOPF's Statement of Investment Principles is currently being reviewed following the 2018 Actuarial Valuation to ensure it meets the new requirements.

Annual review

The ESG and stewardship activities of the Fund are reviewed annually. The MNOPF's last review took place in December 2018. The review concluded that the Trustee's set of agreed formal sustainability beliefs (see The Beacon, May 2017) and its Statement of Commitment to the UK Stewardship Code (meeting the code ensures the MNOPF provides a quality and transparent description of the Fund's approach to stewardship), both of which are available to view on the MNOPF website, have been met over the year and remain appropriate for the Fund.

More about the 2018 valuation

Other ways to value the MNOFP

While we have no plans to wind up the Fund in the foreseeable future, we are required by law to tell you how well the MNOFP is funded if it were to wind up.

At 31 March 2018, the Actuary estimated that if the MNOFP had been discontinued, no further financial support was available from the employers, and the assets were invested in very low risk investments, the assets of the Fund would have been sufficient to cover about 92% of the liabilities at 31 March 2018 (compared to 76% as at 31 March 2015). The overall deficit on this 'solvency' basis is £271m (In 2015 this figure was £921m).

In the event of the MNOFP winding up, even if the MNOFP were to be fully funded under our funding plan, you might not get the full amount of pension you have built up. While the MNOFP remains on-going, your benefits will continue to be paid in full. If the MNOFP were to start to wind up, 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, 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 MNOFP might be taken over by the Pension Protection Fund, who might pay all or part of 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 before a transfer payment can be made. For help with choosing an impartial financial advisor in your area, please contact www.unbiased.co.uk

The Trustee has published some useful information about transferring your MNOFP benefits: 'Transfers Out - the Trustee's View'. You can find this on the www.mnopf.co.uk homepage under 'Popular in Documents'.

Preparations for Brexit

As the uncertainty over Brexit continues, the key areas that could impact the MNOFP:

Investment volatility

The Fund's Delegated Chief Investment Officer (DCIO) believes that the Fund's portfolio is well-positioned to withstand the impact of many risks, including Brexit, that have the potential to cause significant market downturns, due to its well-diversified return-seeking portfolio and hedging of key risks.

The DCIO has also considered the potential impact of Brexit on the investment management supply chain, to avoid additional costs being incurred by the Fund.

Payment of pensions

The impact on the services provided to you is expected to be minimal. It should remain possible for members to transfer pension benefits to and from UK pension schemes from and to schemes in the EEA (and the rest of the world), subject to the existing arrangements for 'qualifying recognised overseas pension schemes'. The existing Double Taxation Agreements, that ensure a pension paid from the UK to another country is only taxed once, are not expected to change.

Employer covenant

Although there will be no changes to the obligation on employers to support the MNOFP, the ability of sponsoring employers to support the Fund, and therefore the overall strength of the employer covenant, may be impacted. The Trustee will continue to monitor the employer covenant to minimise the risk.

Member communications review

The Trustee has recently carried out a review of the ways in which the Fund communicates with you to ensure they remain effective.

Currently, we send you this newsletter – The Beacon – in the Spring, and the Summary Annual Report in the Autumn.

The result of the review is that you will now receive two editions of The Beacon each year, in Spring and Autumn, with the Autumn edition containing much of the information highlighted in the Summary Annual Report. Consequently, the Summary Annual Report will no longer be produced, however, the full Annual Report and Financial Statements will continue to be available to view online at www.mnopf.co.uk

The Trustee has also considered a move to more online communications. Over time, The Beacon will not be automatically posted to members, but instead be emailed to those members we have addresses for and also made available to view online (with printed versions offered on request). More information will be provided in future editions of The Beacon. In the meantime, if you would like to provide us with your email address, please use the contact details below.

Single finance guidance body

A new body, sponsored by the Department for Work and Pensions, has been set up to provide a single point of contact to ensure that people throughout the UK have guidance and access to the information they need to make effective financial decisions over their lifetime.



The Money & Pensions Service brings together three previous organisations – Pension Wise, The Pensions Advisory Service and The Money Advice Service. It has five core functions: Pensions guidance, debt advice, money guidance, consumer protection and strategy.

The Money & Pensions Service can be contacted via their website www.moneyandpensionsservice.org.uk, or by telephone on 01159 659570.

Member forums

The next MNOPF Member Forum is to be held on 19 November 2019.

Full details of this forum will be posted on the MNOPF website at www.mnopf.co.uk nearer the time.

Pension increases

In the last edition of The Beacon (June 2018) we explained what pension increases are paid and explained the difference between discretionary and non-discretionary (those that are required by law) payments.

For 2019/20, the Trustee has agreed that no discretionary pension increases will be paid to members.

The non-discretionary pension increases that apply for 2019/20 can be found on the MNOPF website at www.mnopf.co.uk

Contact us

Please contact myMNOPFpension in the following ways:



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



Email: enquiries@mymnopfpension.co.uk



Write to: myMNOPFpension,
JLT Employee Benefits Post Handling Centre U
St James's Tower, 7 Charlotte Street, Manchester, M1 4DZ.

