

Welcome from the Chair

I last had the opportunity to bring you MNOFP news and developments in the Summary Annual Report which was mailed to members in October last year, and which referred to information from the year up to 31 March 2016.

We have created this member newsletter to update you on Fund news since then.

Remarkable resilience in a difficult year

2016 had its fair share of surprises, but I am delighted to be able to say that these did not impact upon the MNOFP. The assets of a pension scheme are expressed as a percentage of all of the projected benefits that they need to pay in the future and this is known as a “funding level”. In a year when schemes saw their funding level fall by an average of nearly 4% the MNOFP continued its steady progress with a 2.8% increase over the year. The MNOFP has weathered the EU referendum, the surprise US election result and market instability.

I hope the newsletter is relevant and of interest to you – we always appreciate feedback, so 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 the back page.

Rory Murphy
Chair of MNOFP Trustees Limited



“The MNOFP has shown remarkable resilience to the EU referendum result, the surprise outcome of the US election and a rough period for investment markets”

- Rory Murphy



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Sustainability and stewardship

The MNOPF Trustee sets the Fund's investment strategy for the Delegated Chief Investment Officer (DCIO) to implement.

Part of this is to set policy on sustainable investment (often called "green", "ethical" or "socially responsible" investment) and the Trustee recently reviewed and restated its "beliefs" in this area.

The beliefs include:

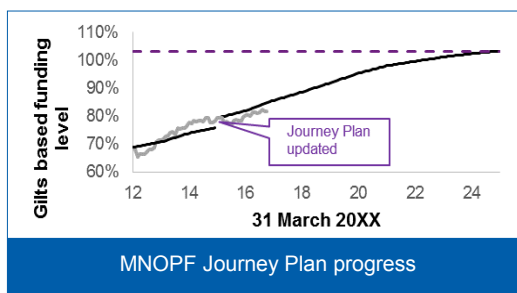
- setting a policy for considering Environmental, Social and Corporate Governance (ECG) factors;
- ensuring that MNOPF equity managers exercise their voting rights;
- monitoring the DCIO's incorporation of these factors into its decision-making process;
- confirming that the MNOPF will engage with other pension schemes and investors to aim to create positive change across the investment industry; and
- supporting investments with a positive social and environmental impact, but these investments must have a positive or neutral impact on overall investment efficiency.

All beliefs are consistent with the Fund's current investment approach, so no changes are currently required to the Fund's investment strategy as a result of the review.

Funding level update

Funding level: the percentage of all future projected member benefits currently invested by the MNOPF

The MNOPF Trustee uses a "Journey Plan" to set targets for its funding level and to monitor progress towards these and the chart below shows the steady progress made since 2012.

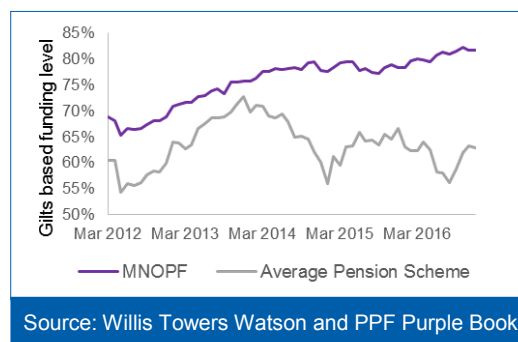


In March 2015 this allowed the Journey Plan to be reset. Despite a significant increase in liabilities (benefits projected as needing to be paid to members) in 2016, the Fund delivered an increase in funding of 2.8%.

Resilience to market uncertainty

The MNOPF remains on track to meet its funding level target and has shown remarkable resilience to market uncertainty. It has bucked the trend of many UK pension funds by seeing a steady increase in its funding levels compared to a general decline seen elsewhere.

The table opposite shows the MNOPF's funding level compared to an average pension scheme to 31 December 2016.



Stability in a volatile world

These fantastic results have been achieved with roughly a third of the volatility shown by the average scheme. The MNOPF's progress has been steady and not impacted by the large swings in funding levels experienced by other schemes. This stability is testament to the actions taken to remove risk from the Fund's investment strategy in recent years.



Collecting employer contributions

Every three years the MNOF has a valuation and this can sometimes identify that additional contributions from employers are required to supplement investment returns if the MNOF is to hit funding level targets.

Whilst no additional contributions were required after the 2015 valuation, some employers are still paying contributions from earlier valuations in instalments. Excellent progress continues to be made in collecting these. The figure now owed in total is £147m, a significant reduction from the 2012 figure of £500m. Several employers have settled their debt in full, rather than continuing to pay by instalments, and this is something the Trustee is offering to all employers each time a new instalment is due.

Your questions. Our answers

Q. Will pension increases be paid in the future?

A. Some pension increases are already paid. These are provided for under the rules of the Fund and details of how they are applied are available on the MNOF website.

In the past, the Trustee was occasionally able to make discretionary pension increases in addition to those mentioned above, but the Trustee is not in a position to pay discretionary pension increases whilst the MNOF is working to increase its funding level. Such increases were not promised by the rules, and realistically, could only be paid if employers made additional contributions. The priority of the Fund and participating employers is to ensure that pension promises already made to members are met. 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.

Q. How did the EU referendum and the US election results affect the Fund?

A. Relatively little. Although the results led to general investment market instability, the MNOF was protected by its investment strategy. The low levels of risk within the Fund mean limited exposure to UK shares, and the Fund has a relatively higher exposure to US investments which were much less affected following BREXIT. Spreading the Fund investments across many different asset types reduces the impact of market and interest rate changes.

Q. Could the MNOF collapse in the same way the BHS Pension Fund did?

A. No. The BHS Pension Fund relied entirely on financial support from BHS, so when the company collapsed, the pension fund was left with a funding shortfall and no means of addressing this. The MNOF is supported by hundreds of participating employers from the maritime industry and is known as a "last man standing" scheme. This means that even if one of the big employers failed as a business and was unable to pay its outstanding contributions, its share of payments due to the MNOF would be split amongst all remaining participating employers.

Awards

Over the last year the MNOF has won the following awards:

- Pensions Age Awards 2017 – DB Scheme of the Year
- Engaged Investor Trustee Awards 2016 – Best Investment Strategy
- Professional Pensions Pension Scheme of the Year Awards 2016 – Best Investment Strategy & Best DC Scheme Innovation
- Investment & Pensions Europe Awards 2016 – Best Long-term Investment Strategy

"I am delighted that the hard work carried out by the MNOF Trustee, executive team and the Delegated Chief Investment Officer has been recognised by the wider pensions industry. To win DB Scheme of the Year and three "best investment strategy" awards is particularly pleasing in such a volatile and unpredictable year for investments."

- Rory Murphy



Andrew Waring, MNOF CEO, collects the Pensions Age award on behalf of the Fund.

Stay one step ahead of the scammers

People over 50 are a prime target for pension scammers and the pension freedoms which came into effect from April 2015 have given fraudsters added incentive to try to get their hands on your pension savings. Here are some simple steps you can take to protect your hard earned pension:

- Be wary of telephone calls, text messages, website pop-ups or someone coming to your door offering you a 'free pension review', a 'one-off investment opportunity' or letting you know that you can exploit a 'legal loophole'. These are all likely to be someone trying to benefit from your pension.
- Scammers may claim that they are from reputable organisations such as Pension Wise or another government-backed body. These organisations would, however, never phone or text to offer you a pension review.
- If someone delivers paperwork to you that requires your immediate signature, do not be tempted to do so unless you fully understand it. Take your time and, if necessary, get some advice from someone you trust before signing.
- Most marketing letters and brochures that promise high and/or guaranteed returns on your savings, offer pension loans, upfront cash and other promotions are bogus. You should be confident enough to question everything, however credible it sounds or looks.
- If you are tempted to transfer your pension, please take independent financial advice and make sure that your adviser is registered with the Financial Conduct Authority (FCA). Look up their details at www.fca.org.uk/firms/financial-services-register.

If you are at all worried, please contact myMNOPFpension on 01372 200200. There's more information at www.pensionwise.gov.uk/scams and, if you think you may be a victim of a scam, contact Action Fraud on 0300 123 2040 to report it.



Member forums

In the last year, the MNOPF has held forums for Fund members in Folkestone, Glasgow and Belfast. It was great to see so many of you attending these forums to hear how the Fund is progressing, and to meet the members of the MNOPF Trustee Board and executive.

Upcoming forums are to be held in Liverpool in June and Plymouth in September. Full details of forums are posted on the MNOPF website at www.mnopf.co.uk/myMNOPFpension/Member-forums and all members living within 75 miles of a venue are automatically invited to attend.

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 us to pay your benefits to if you die), please contact myMNOPFpension, using the ways shown opposite.

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

