

Merchant Navy Officers Pension Fund

Note from the Scheme Actuary on the annual funding update as at 31 March 2008

An annual funding update is required to be made each year by the Scheme Actuary in the years a full actuarial valuation is not undertaken. In my view, the assumptions I have adopted for the 2008 funding update are consistent with those set out in the Statements of Funding Principles adopted by the Trustee for the two sections of the Fund. I have amended the financial assumptions adopted for the 2006 valuations to reflect market conditions on 31 March 2008, but all other assumptions are the same as were used for the 2006 valuations.

The update shows that the financial positions of the two sections have deteriorated since 2006.

The Old Section remains in a reasonable financial position.

In respect of the New Section, payment of the 2006 deficit contributions, in addition to the outstanding 2003 deficit contributions, had been expected to be sufficient to eliminate the deficit estimated at 31 March 2006 by 30 September 2014. The 2008 funding update of the New Section indicates that a further deficit of £83 million has emerged over the two years since 31 March 2006. This is mainly caused by negative investment returns produced as a result of equity market falls since March 2006. It should also be noted that the financial position of the New Section on a discontinuance measure shows that the assets at 31 March 2008 are significantly less than the value of the New Section liabilities.

The funding update is just a snapshot of the financial positions of the two sections at 31 March 2008. Since that date, investment markets have been extremely volatile, reflecting concerns about the global economic outlook and the current financial positions are therefore likely to have worsened.

No changes to the level of contributions to be paid to the New Section will be made as a result of the 2008 funding update. The level of contributions will be reviewed by the Trustee at the next full actuarial valuation, due as at 31 March 2009.

C P Burbidge
Watson Wyatt Limited
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