

Summary Funding Statement

Explanatory note

The Trustee is required by law to issue regular funding statements to members of the MNOPF (“the Fund”). This is the 2009 statement and is based on the full actuarial valuation as at 31 March 2009.

Defined benefit pension schemes such as the MNOPF are set up to provide pension on retirement or death, the benefits being based on a combination of earnings and length of membership. As such, they represent a very long-term obligation on the part of Employers and it is not possible to know with certainty what contributions are needed to ensure that there is sufficient money available to pay the benefits as they fall due in the future.

Contributions from members and their Employers are paid into the MNOPF and are invested in a wide range of investments. Dividends and interest are received and added to the Fund. Over time, the value of the investments, dividends and interest is expected to increase and provide the money from which the benefits are paid.

In order to address the “unknown” factors such as to when members will retire or die and how investments will perform, the Trustee commissions actuarial valuations. These valuations normally take place once every three years, with annual reviews carried out in between. Using his specialist knowledge of statistics, economics and finance, the Actuary recommends to the Trustee what contribution rates are required to provide benefits, such recommendations are based on reasonable assumptions as to the future.

As part of the valuation, he estimates the amount of money required now if all of the benefits are to be paid as they fall due in the future. If there is more money in the Fund than he deems necessary, the Fund is said to have excess assets. On the other hand, if there is insufficient money in the Fund, it is said to have a shortfall.

Summary Funding Statement for 31 March 2009

Dear Member

The MNOPF is looked after by the Board of Directors of MNOPF Trustees Limited (“the Trustee”).

As you are entitled to benefits from the Fund we are writing to give you an update of the MNOPF’s funding position at 31 March 2009 based on the full actuarial valuation results.

We will continue to send you a statement like this each year so you are regularly updated with information about the funding of the MNOPF.

The Fund is split into two Sections, the Old Section which pays benefits earned before 1978 and the New Section which pays benefits earned after 1978. The funding positions of each Section are set out in the box below.

The funding position

Old Section

	<u>31 March 2009</u>
Estimated amount needed to provide benefits	£1,244m
Assets	£1,113m
(Shortfall) / excess	(£131m)
Estimated funding level	89%

The previous review of the Old Section’s funding position indicated a shortfall of £5m as at 31 March 2008. Over the year to 31 March 2009 the shortfall increased to £131m, mainly due to poorer than expected investment returns.

As part of the 31 March 2009 valuation the Trustee determined that no additional contributions were required to meet the shortfall. This was because there were higher than expected investment returns between the valuation date and the date the valuation results were finalised in November 2009 which had already eliminated the shortfall.

New Section

	<u>31 March 2009</u>
Estimated amount needed to provide benefits	£2,287m
Assets *	£1,730m
(Shortfall) / excess	(£557m)
Estimated funding level	76%

*including value of outstanding 2003 and 2006 valuation deficit contributions, which are due to continue to be paid annually by the Participating Employers until 2014 (in the vast majority of cases).

The previous review of the New Section’s funding position indicated a shortfall of £83m as at 31 March 2008. Over the year to 31 March 2009 the shortfall increased to £557m, mainly due to poorer than expected investment returns and an increase in the length of time members are expected to live.

Investment conditions at 31 March 2009 represented what now seems to have been a market low. The values of equities and corporate bonds have recovered significantly since that date. In determining the level of deficit contributions required from Employers the Trustee allowed for the improvement in the funding position over the remainder of 2009. In order to eliminate the remaining deficit the Trustee determined that additional deficit contributions with a value of £402m at 30 September 2010 would be paid by the Participating Employers over the period to 30 September 2022. The deficit of £402m includes approximately £12m in respect of the increase in the joint contribution rate required for benefits accruing for service from 1 April 2006 to 31 March 2009.

Payments to Participating Employers

There has not been any payment to Participating Employers out of the Fund in the period covered by this statement.

The Pensions Regulator

The Pensions Regulator has not issued any financial support directions or contribution notices relating to the Fund in the period covered by this statement.

Important: If you are thinking of leaving the Fund for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action.

How the Fund operates

How is my pension paid for?

Participating Employers pay contributions to the Fund so that the Fund can pay pensions to members of the Fund when they retire. Active members also pay contributions to the New Section of the Fund, and these are deducted from gross pay.

The money to pay for members' pensions from each Section is held in a common fund. It is not held in separate funds for each individual.

How is the amount each Section needs worked out?

The Trustee obtains regular valuations of the benefits earned by members. Using this information, the Trustee sets the rate of future contributions.

The importance of the Employers' support

The Trustee's objective is to have enough money in each Section to pay pensions and other benefits now and in the future. However, the success of the funding plan relies on the Employers continuing to support the Fund because:

- they will be paying towards the future expenses of running the Fund;
- the funding level can fluctuate or the target set may turn out not to be enough so when there is a funding shortfall, they will usually need to put in more money

What would happen if the Fund started to wind up?

If the MNOPF is no longer able to continue and has to wind up, you might not get the full amount of pension you have built up even if the MNOPF is fully funded under our funding plan, as the cost of securing your benefits outside of the Fund on wind up is dependent on market conditions at the time. However, whilst the Fund remains ongoing, even though funding may temporarily be

below target, benefits will continue to be paid in full. If the Fund were to start to wind up, the Employers would be required to pay enough into the Fund to enable your benefits to be completely secured with an insurance company. If the Fund were to wind up and the Employers were unable to pay the full amount due, members' benefits may not be paid in full.

Estimates made as at 31 March 2009 indicated that in the very unlikely event that the Fund had discontinued then with no further financial support being available from the Employers and with the assets being invested in very low risk investments such as government bonds, the assets of the Old Section would have been sufficient to cover about 83% of the Section's liabilities (with no future bonuses).

For the New Section the corresponding "solvency" coverage was about 53% at 31 March 2009.

In the very unlikely situation where all the Employers became insolvent, the Pension Protection Fund might be able to take over the Fund and pay all or part of the benefits due to members. Further information and guidance is available on the Pension Protection Fund's website at www.pensionprotectionfund.org.uk, or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.

Why does the funding plan not call for full solvency at all times?

The full solvency position stated in the section above assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. By contrast, our funding plan assumes that the Employers will continue in business and support the Fund.

What is the Fund invested in?

The Trustee's policy is to invest in a broad range of assets. At 31 March 2009 the assets of the MNOPF were invested as follows:

	Old Section	New Section
Company shares	5.2%	35.3%
Government securities and corporate bonds	56.4%	9.0%
Commercial property	7.6%	6.6%
Pooled investment vehicles	28.8%	47.5%
Cash / other	2.0%	1.6%

Where can I get more information?

If you have any queries about your benefits, you should contact: MNPA Limited, Leatherhead House, Station Road, Leatherhead, Surrey KT22 7ET (Tel: 01372 386000). Please note that a notification of change of address or bank account details should be advised in writing.

Any requests for copies of documentation should be made in writing to: MNOPF Trustees Limited, Ashcombe House, The Crescent, Leatherhead, Surrey KT22 8LQ. Alternatively, they can be viewed on the MNOPF's website (www.mnopf.co.uk).

Peter McEwen MBE

Chairman
MNOPF Trustees Limited

Additional documents available on request

The Statement of Funding Principles. This explains how the Trustee decides the amount of assets that the Fund needs to pay members' benefits.

The Statement of Investment Principles. This explains how the Trustee invests the money paid into the Fund.

The Schedule of Contributions. This shows how much money is being paid into the Fund.

The Recovery Plan. This sets out how the shortfall is to be eliminated.

The Annual Report and Accounts, which shows the Fund's income and expenditure.

The full report on the *Actuarial Valuation*, which states the results of the Actuary's calculation of the Fund's position as at 31 March 2009.