Merchant Navy Officers Pension Fund (MNOPF)
Actuarial report on developments in the funding position to 31 March 2011

Purpose

Following completion of the actuarial valuation as at 31 March 2009 the Trustee is now required (under Section 224 of the Pensions Act 2004) to obtain either:

- a full actuarial valuation each year; or
- an annual "actuarial report" covering factors affecting the funding position, with a full actuarial valuation every three years.

The purpose of this report is to provide an approximate update of the funding position of the MNOPF (both the Old and New Sections) as at 31 March 2011 as instructed by the Trustee. It represents the annual "actuarial report" that is required (if a full actuarial valuation is not conducted). It should be considered in conjunction with the last full actuarial valuation report as at 31 March 2009 and the preceding annual report as at 31 March 2010. This report has been prepared for the Trustee, but should be made available to the participating employers within seven days.

Approach taken

In carrying out this review, we have not carried out full liability calculations. Instead, we have estimated how the funding position may have moved over the year to 31 March 2011, using approximate methods. This has involved investigating such factors as:

- Movements in the assets of each section of the Fund, as a result of contributions and benefit payments over the year and the investment returns achieved.
- Changes in investment conditions, affecting the assumptions used to determine the Fund's liabilities ('technical provisions') in accordance with the Statement of Funding Principles.
- Movements in the 'technical provisions' resulting from additional benefit accrual for active members and benefit payments made over the year, together with the impact of applying the return that was assumed within the calculation of the 'technical provisions' at the beginning of the year.

It should be appreciated that the approach taken will not be as robust as the calculations performed as part of a full actuarial valuation, but should be sufficient, in normal circumstances, in order to obtain a reasonably good approximate indication of how the funding position might have moved.

This report makes an allowance for the change in statutory revaluation of pension in deferment to be based on the Consumer Prices Index instead of the Retail Prices Index, following legal advice received by the Fund.

There is no allowance in the assumptions underlying the technical provisions for any future discretionary increases to benefits.

Although the assumptions adopted within this actuarial report are not precisely the same as those in the Fund's current Statements of Funding Principles (as adopted by the Trustee on 18 November 2009 (Old Section) and 26 March 2010 (New Section) and underlying the actuarial valuations as at 31 March 2009), they are consistent with these principles. We have not considered any possible changes to the 'technical provisions' as a result of any changes to the employers' covenant.

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The actuarial report required by legislation falls within the scope of four Technical Actuarial Standards (TASs) published by the Board for Actuarial Standards, *TAS R: Reporting Actuarial Information, TAS D: Data, TAS M: Modelling* and the *Pensions TAS*. I confirm that this report complies with these TASs. However, this reflects the fact that the report required by the legislation has a very limited purpose and is not in itself intended to lead to further decisions by the Trustee (who in the context of the TASs should be considered to be the sole user of this report). To the extent that this report contains further information, beyond the minimum required by the legislation, this further information would not on its own be sufficient for the Trustee to make any decisions that they wish to make and would need to be supplemented by other reports.

Results

The assumptions adopted for the funding report as at 31 March 2011, and the results of the update are contained in the attached presentation.

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Fellow of Institute and Faculty of Actuaries

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