

## MERCHANT NAVY OFFICERS PENSION FUND

### **THE TRUSTEE'S POLICY (THE "POLICY") ON THE COLLECTION OF CONTRIBUTIONS ("DEFICIT CONTRIBUTIONS") REQUIRED FROM PARTICIPATING EMPLOYERS UNDER RULE 5.2A. (REVISED 12 OCTOBER 2010).**

1. The total amount of deficit contributions allocated to each Participating Employer is due in full in a single payment unless the Trustee has agreed to payment by instalments in accordance with this Policy.
2. Where the deficit contributions required from a Participating Employer in relation to the deficit disclosed in an actuarial valuation is under the amount determined by the Trustee and specified in the relevant appendix to this Policy (the "Specified Amount"), the Participating Employer will be required to make payment in a single lump sum.

In circumstances where the Participating Employer demonstrates to the satisfaction of the Trustee that payment of the total amount of deficit contributions would cause significant detriment to its business, the Trustee may consider entering into other arrangements taking account of the individual situation.

In determining whether payment of the total amount of deficit contributions would cause significant detriment to the Participating Employer's business, the Trustee may require disclosure of additional information relating to the Participating Employer, including (but not limited to) the information set out in Appendix 5 to this Policy. The Trustee will, if so required by the Participating Employer, be prepared to enter into an appropriate confidentiality agreement on terms acceptable to the Trustee in relation to the disclosure of non publicly available financial or commercially sensitive information. If the Participating Employer does not disclose the information required by the Trustee in a timely manner, the Trustee may require the Participating Employer to make immediate payment of the full amount of its outstanding deficit contributions.

The Participating Employer will be required to pay the Trustee's costs and expenses reasonably incurred in determining whether payment of the total amount of deficit contributions would cause significant detriment to the Participating Employer's business and in entering into any alternative arrangements (including any fees paid to the Trustee's professional advisers). If the Participating Employer does not pay these costs and expenses, the Trustee may require the Participating Employer to make immediate payment of the full amount of its outstanding deficit contributions.

3. Where the deficit contributions required from a Participating Employer in relation to the deficit disclosed in an actuarial valuation are equal to or greater than the Specified Amount, and the Participating Employer is deemed by the Trustee to be sufficiently creditworthy, an option will be given of paying the deficit contributions by instalments as determined by the Trustee and specified in the relevant appendix to this Policy (subject to such variation as

may be determined by the Trustee from time to time). If the Participating Employer is not deemed by the Trustee to be sufficiently creditworthy, the Trustee may require a single payment to be made or may consider spreading payments over a shorter period.

In circumstances where the Participating Employer demonstrates to the satisfaction of the Trustee that payment of the total amount of deficit contributions either in a single payment or over a shortened period would cause significant detriment to its business, the Trustee may consider entering into other arrangements taking account of the individual situation.

In determining whether the Participating Employer is sufficiently creditworthy or whether payment would cause significant detriment to its business, the Trustee may require disclosure of additional information relating to the Participating Employer, including (but not limited to) the information set out in Appendix 5 to this Policy. The Trustee will, if so required by the Participating Employer, be prepared to enter into an appropriate confidentiality agreement on terms acceptable to the Trustee in relation to the disclosure of non publicly available financial or commercially sensitive information. If the Participating Employer does not disclose the information required by the Trustee in a timely manner, the Trustee may require the Participating Employer to make immediate payment of the full amount of its outstanding deficit contributions.

The Trustee may enter into such other arrangements as the Trustee considers appropriate, including (but not limited to) the transfer of assets to the Trustee on the occurrence of a specified contingent event, the provision of security over the assets of the Participating Employer or a third party and/or the provision of a third party guarantee or letter of credit.

The Participating Employer will be required to pay the Trustee's costs and expenses reasonably incurred in assessing the Participating Employer's creditworthiness and/or the potential detriment to its business and in entering into any arrangements (including any fees paid to the Trustee's professional advisers). If the Participating Employer does not pay these costs and expenses, the Trustee may require the Participating Employer to make immediate payment of the full amount of its outstanding deficit contributions.

4. An invoice or statement will be issued to each Participating Employer that states the full amount of deficit contributions required and the due date for payment. Where the option to pay the deficit contributions by instalments has been given, the amounts and due dates of the instalments will also be included on the invoice or statement. References to the invoice or invoices in this Policy include any statement or statements issued in place of an invoice or invoices.

Where arrangements have been agreed with the Trustee for payment by instalments on some other basis than is specified in the relevant appendix to this Policy, payment will be required in accordance with the written terms of those arrangements.

Where the Participating Employer is or was, in the opinion of the Trustee, either:

- (a) the employer of Officers (or other MNOFF Members) supplied to shipowners or operators under contract and the shipowners and/or operators are also Participating Employers; or
- (b) otherwise connected with, an associate of, or affiliated to, one or more other Participating Employers

the Trustee may issue invoices for deficit contributions to those Participating Employers on a joint and several basis. In deciding whether to issue invoices on a joint and several basis, the Trustee will take into account such factors as the Trustee considers to be appropriate, including (but not limited to) the proximity of any connection, association or affiliation and, in the case of (a), the proportion of the deficit contributions attributable to the Officers (or other MNOFF Members) supplied to that shipowner or operator.

5. Where deficit contributions are to be paid by instalments, the amount of the instalments due will be calculated using a rate of interest determined by the Trustee and specified in the relevant appendix to this Policy.

Where arrangements have been agreed with the Trustee for payment by instalments on some other basis than is specified in the relevant appendix to this Policy, the amount of the instalments will be calculated in accordance with the written terms of those arrangements.

6. Participating Employers should, if at all possible, make payment by electronic transfer using the bank details and identification code provided on the invoice. A payment is treated as received on the date of electronic transfer into the MNOFF's bank account or the date on which a cheque is received at the MNOFF's premises (subject to that cheque being cleared in the ordinary course of business).
7. Where the date of receipt of a payment or part of a payment (including any instalment payment) is more than two working days later than the due date, interest will accrue daily from the due date of payment. The rate of interest will be the higher of the rate of interest used for calculating instalments in accordance with paragraph 5 plus 3.2% per annum compound and the base rate for lending from time to time of the National Westminster Bank plc plus 7% per annum compound. In the event that payment of part or all of the deficit contribution invoiced is made after the due date but interest accrued in the period since the due date is not paid in full, the outstanding amount of the interest due will be treated as an outstanding principal sum due as from the date of payment of the deficit contribution amount, and interest at the above rate will accrue thereafter daily on that outstanding principal sum. Unless the Trustee decides otherwise in any specific case, interest for late payment which does not exceed a specified amount (being £50 or such other amount as the Trustee shall from time to time determine) will not be imposed. Reports of failure to make payment will be made to the Pensions Regulator where required.

8. The Trustee will maintain a record showing for each Participating Employer the amount of all deficit contributions due, including instalments where applicable, and their due dates. A deficit contribution account will be maintained for each Participating Employer consisting of the full amount of deficit contributions plus interest (at the rate in paragraph 7 in the case of late payment, at the rate in paragraph 5 in calculating instalments, or, in respect of any late payments of instalments, at both rates) less payments made.

The deficit contribution accounts will be included in the annual external audit of the MNOFF.

9. Where a payment of the amount due is received in advance of the due date no credit for early payment will be given (unless arrangements for advance payment have been made with the Trustee and the Trustee has agreed in writing to give credit for such advance payment). However, where payment is being made by instalments and a Participating Employer wishes to make an advance payment to pay some or all of the total amount outstanding, the amount paid will be immediately credited to the account referred to in paragraph 8. The balance remaining (if any) will be notified to the Participating Employer and arrangements agreed for any future instalments.
10. Where payment is by instalments and any instalment is not paid by a date one month after the due date, the terms for paying by instalments will be withdrawn, unless the Trustee decides otherwise, and the total amount of deficit contributions and interest outstanding in the account referred to in paragraph 8 will become payable. The Trustee will issue to the Participating Employer a replacement invoice with the revised terms and due date for payment. Interest will accrue and be payable on the amount of that replacement invoice in accordance with paragraph 7 from the due date for payment of that invoice. If the Trustee considers it appropriate, the Trustee may enter into other arrangements.

The Participating Employer will be required to pay the Trustee's costs and expenses reasonably incurred in entering into any arrangements (including any fees paid to the Trustee's professional advisers). If the Participating Employer does not pay these costs and expenses, the Trustee may require the Participating Employer to make immediate payment of the full amount of its outstanding deficit contributions.

11. The continuing creditworthiness of Participating Employers will be monitored by the Trustee and, in relation to this, the Trustee may require further information from Participating Employers (including, but not limited to, the information set out in Appendix 5 to this Policy). If the Participating Employer does not disclose the information required by the Trustee in a timely manner, the Trustee may require the Participating Employer to make immediate payment of the full amount of its outstanding deficit contributions.

Where adverse changes in creditworthiness occur, the Trustee will consider revising the terms for paying all deficit contributions as set out in the original invoice(s) and will, if it considers it appropriate, issue to the Participating

Employer replacement invoice(s) with revised terms. The Trustee may withdraw the terms for paying by instalments and require immediate payment of the total amount of deficit contributions (and any interest) in the account referred to in paragraph 8. The Trustee will issue to the Participating Employer a replacement invoice with the revised terms and due date for payment. Interest will accrue and be payable on the amount of that replacement invoice in accordance with paragraph 7 from the due date for payment of that invoice. If the Trustee considers it appropriate, the Trustee may enter into other arrangements.

The Participating Employer will be required to pay the Trustee's costs and expenses reasonably incurred in assessing the Participating Employer's creditworthiness (except to the extent that the assessment forms part of the Trustee's routine ongoing monitoring of creditworthiness) and/or entering into any alternative arrangements (including any fees paid to the Trustee's professional advisers). If the Participating Employer does not pay these costs and expenses, the Trustee may require the Participating Employer to make immediate payment of the full amount of its outstanding deficit contributions.

12. Where the Trustee is assessing the creditworthiness of Participating Employers and/or considering entering into other arrangements under paragraph 2, 3, 10 and/or 11, the Trustee may appoint external advisers to enter into discussions with the Participating Employer with a view to investigating the company's accounts and business plans and to agree an appropriate arrangement for paying the deficit contributions.

The Participating Employer will be required to pay the Trustee's costs and expenses reasonably incurred in assessing the Participating Employer's creditworthiness and in entering into any arrangements (including any fees paid to the Trustee's professional advisers). If the Participating Employer does not pay these costs and expenses, the Trustee may require the Participating Employer to make immediate payment of the full amount of its outstanding deficit contributions.

13. The entity responsible for payment is the relevant Participating Employer which has been invoiced (either alone or on a joint and several basis). Where a Participating Employer fails to make payment when it falls due, the Trustee will in the first place pursue that Participating Employer for payment.

In respect of any Participating Employer that fails to make the required payments, if the Trustee considers it appropriate, the Trustee will consider approaching companies associated with the Participating Employer, such as its parent company or subsidiary companies, and may enter into arrangements with such companies in order to secure payment.

Where the relevant Participating Employer is, or was, the employer of Officers (or other MNOF Members) supplied to shipowners or operators under contract, that Participating Employer remains liable to the Trustee for payment of deficit contributions on the due dates. Any recovery of funds from

shipowners or operators which the Participating Employer can effect under the terms of its contract or otherwise does not alter the requirement for the deficit contributions to be paid by the Participating Employer on the due dates. If the Trustee considers it appropriate, it may enter into arrangements with the relevant shipowner or operator in order to secure payment.

14. Where a Participating Employer defaults on payment, the Trustee will take all such steps as the Trustee shall deem reasonable in relation to the pursuit and recovery of outstanding amounts, including (but not limited to) some or all of the following: pursuing recovery of debts through insolvency processes against the Participating Employer; commencing and pursuing legal proceedings against the Participating Employer; compromising or settling claims for recovery of outstanding amounts in circumstances and on terms which the Trustee considers appropriate. Where the Trustee considers that it is no longer reasonable to pursue such steps, the Trustee may determine that no further steps will be taken. In determining what steps will or will not be taken, the Trustee will take into account such factors as the Trustee considers to be appropriate, including (but not limited to) the impact on the Participating Employer and its employees, the expense of pursuing the matter in relation to the deficit contributions outstanding and the likelihood of success in obtaining payment.

The Trustee may determine (in relation to either the whole or part of a liability) that the deficit contributions apportioned to a Participating Employer are unlikely to be recovered. In such cases, the Trustee may re-apportion the deficit contributions of the Participating Employer in accordance with the following principles:

- (a) where the Participating Employer is, or was, the employer of Officers (or other MNOFF Members) supplied to shipowners or operators under contract and the shipowners and/or operators are also Participating Employers, the Trustee may re-apportion the deficit contributions to one or more of those other Participating Employers, taking into account such factors as the Trustee considers to be appropriate, including (but not limited to) the proportion of the deficit contributions attributable to the Officers (or other MNOFF Members) supplied to that shipowner or operator, the expense of pursuing the matter, the impact on the other Participating Employer(s) and its employees and the likelihood of success in obtaining payment;
- (b) where the Participating Employer is or was, in the opinion of the Trustee, otherwise connected with, an associate of, or affiliated to, one or more other Participating Employers, the Trustee may re-apportion the deficit contributions to one or more of those other Participating Employers, taking into account such factors as the Trustee considers to be appropriate, including (but not limited to) the proximity of the connection, association or affiliation, the expense of pursuing the matter, the impact on the other Participating Employer(s) and its employees and the likelihood of success in obtaining payment; and
- (c) where neither (a) nor (b) applies, the Trustee will re-apportion the deficit contributions amongst all the Participating Employers in accordance with Rule 5.2A at such time as it deems appropriate.

Where the Trustee decides to re-apportion the deficit contributions of a Participating Employer (the "primary debtor") in accordance with (a) or (b) above, the Trustee may make two or more Participating Employers (including, where the Trustee so determines, the primary debtor) jointly and severally liable for those deficit contributions. The decision to re-apportion deficit contributions in accordance with this paragraph 14 shall be deemed to be a variation of the Trustee's decision to require the primary debtor to pay those deficit contributions.

The Trustee may require the Participating Employer(s) to pay the Trustee's costs and expenses reasonably incurred in relation to the pursuit and recovery of outstanding amounts and/or the re-apportionment of deficit contributions (including any fees paid to the Trustee's professional advisers).

15. The payments required in accordance with this Policy relate to the deficits disclosed by the actuarial valuations of the Post-78 Section specified in the appendices (as adjusted by the Trustee in accordance with its powers under Rule 5.2A). This does not affect the Trustee's ability to require further contributions from Participating Employers in accordance with Rule 5.2A by reference to any deficiency or anticipated deficiency in the MNOPF's resources disclosed by future actuarial valuations. Adjustments to deficit contributions might also be required to take account of payments that cannot be recovered by the Trustee.
16. The term Participating Employer in this Policy includes any other entity who is responsible for paying deficit contributions having entered into such an arrangement with the Trustee.
17. Specific terms relating to the application of the Policy to the deficit contributions required in relation to the deficits disclosed by particular actuarial valuations, and any shortfall in collecting the full amount of deficit contributions required in relation to particular actuarial valuations, are set out in the appendices to this Policy.
18. The Trustee reserves the right to vary this Policy at any time to meet changing circumstances.

## APPENDIX 1

### APPLICATION OF SPECIFIC TERMS OF THE POLICY TO THE DEFICIT DISCLOSED BY THE ACTUARIAL VALUATION OF THE POST-78 SECTION AS AT 31 MARCH 2003

1. Paragraph 2 of the Policy  
The Specified Amount is £100,000. This relates solely to deficit contributions required in relation to the deficit disclosed by the 31 March 2003 actuarial valuation.
  
2. Paragraphs 3 and 4 of the Policy  
Full payment of the deficit contributions will be required by 30 September 2005 unless the option to pay by instalments has been given.  
  
Where such an option has been given, the deficit contributions can be paid by 10 instalments. The first instalment will be due on 30 September 2005 and the second to the tenth instalments will be due on each 30 March from 2006 to 2014 inclusive.
  
3. Paragraph 5 of the Policy  
The rate of interest used in calculating the instalments is 6.8% p.a. compound.

## APPENDIX 2

### APPLICATION OF SPECIFIC TERMS OF THE POLICY TO THE SHORTFALL IN COLLECTING THE FULL AMOUNT OF CONTRIBUTIONS REQUIRED IN RELATION TO THE ACTUARIAL VALUATION OF THE POST-78 SECTION AS AT 31 MARCH 2003

1. Paragraph 2 of the Policy  
Where the 2003 deficit contributions were required to be paid in full, the shortfall contributions will also be required to be paid in full.
  
2. Paragraphs 3 and 4 of the Policy  
Where the Participating Employer was given the option of paying the 2003 deficit contributions by instalments and is either paying such instalments or has settled the full amount due, the option of paying the shortfall contributions by instalments will be given, subject to the Trustee continuing to deem the Participating Employer to be sufficiently creditworthy.

Where the option to pay the shortfall contributions by instalments has been given, there will be 8 instalments. The first instalment will be due on 31 March 2007 and the second to the eighth instalments will be due on each 31 March from 2008 to 2014 inclusive.

Where the instalment option is offered but not taken up, the payment of the full amount of the shortfall can be made at 31 March 2007, or, with interest added at the rate set out in 3 below, at 30 September 2007.

Where the option to pay by instalments has not been given, payment of the full amount of the shortfall is due by 30 September 2007.

3. Paragraph 5 of the Policy

The rate of interest used in calculating the instalments is 6.8% p.a. compound.

### **APPENDIX 3**

#### **APPLICATION OF SPECIFIC TERMS OF THE POLICY TO THE DEFICIT DISCLOSED BY THE ACTUARIAL VALUATION OF THE POST-78 SECTION AS AT 31 MARCH 2006**

1. Paragraph 2 of the Policy

The Specified Amount is £100,000. This relates solely to deficit contributions required in relation to the deficit disclosed by the 31 March 2006 actuarial valuation.

2. Paragraphs 3 and 4 of the Policy

Full payment of the deficit contributions will be required by 30 September 2007 unless the option to pay by instalments has been given.

Where such an option has been given, the deficit contributions can be paid by eight instalments. The first instalment will be due on 30 September 2007 and the second to the eighth instalments will be due on each 30 September from 2008 to 2014.

3. Paragraph 5 of the Policy

The rate of interest used in calculating the instalments is 6.8% p.a. compound.

### **APPENDIX 4**

#### **APPLICATION OF SPECIFIC TERMS OF THE POLICY TO THE DEFICIT DISCLOSED BY THE ACTUARIAL VALUATION OF THE POST-78 SECTION AS AT 31 MARCH 2009**

1. Paragraph 2 of the Policy

The Specified Amount is £100,000. This relates solely to deficit contributions required in relation to the deficit disclosed by the 31 March 2009 actuarial valuation and excludes deficit contributions which are attributable to the decision, following the 31 March 2006 actuarial valuation, not to increase the contribution rates under Rules 5.1 and 5.2 (Members' and Participating Employers' ongoing contribution rates) ("Active Member Deficit Contributions").

Where the deficit contributions required from a Participating Employer in relation to the deficit disclosed by the 31 March 2009 actuarial valuation are less than the Specified Amount, and the Participating Employer is deemed by

the Trustee to be sufficiently creditworthy, the Trustee may give the Participating Employer the option of paying the deficit contributions by two instalments due on 30 September 2010 and 30 September 2013, instead of a single lump sum due on 30 September 2010. For these purposes:

- (a) paragraph 3 of the Policy shall apply in determining whether the Participating Employer is sufficiently creditworthy; and
- (b) paragraph 5 of the Policy shall apply in calculating the instalments.

Paragraph 4 of this Appendix 4 shall apply to Active Member Deficit Contributions.

2. Paragraphs 3 and 4 of the Policy

Subject to paragraph 4 of this Appendix 4, where the deficit contributions required from a Participating Employer in relation to the deficit disclosed by the 31 March 2009 actuarial valuation are equal to or greater than the Specified Amount, full payment of the deficit contributions will either be required by 30 September 2010 or be required in two instalments as described in paragraph 1 of this Appendix 4, unless the option to pay by additional instalments has been given.

Where such an option to pay by additional instalments has been given:

- (a) The Trustee will specify in the invoice issued to the Participating Employer the number of instalments which the Participating Employer is required to pay, the amount of each instalment and the due dates for payment.
- (b) In determining the amount of each instalment, the Trustee will take into account the level of instalments payable by the Participating Employer in respect of the 31 March 2003 and 31 March 2006 actuarial valuations.
- (c) The maximum number of instalments will usually be 21. The first instalment will be due on 30 September 2010 and each subsequent instalment will be due on each 31 March and 30 September from 2011 to 2020.
- (d) In exceptional circumstances, the Trustee may allow a Participating Employer to pay instalments over a longer period, provided that the last instalment is payable no later than 30 September 2022.

3. Paragraph 5 of the Policy

The rate of interest used in calculating the instalments is 8% p.a. compound. The Trustee reserves the right to vary this rate of interest at any time.

4. Paragraphs 1 and 2 of Appendix 4

Active Member Deficit Contributions shall either be payable in a single lump sum due on 30 September 2010 or be required in two instalments as described in paragraph 1 of this Appendix 4.

## APPENDIX 5

### INFORMATION WHICH MAY BE REQUIRED BY THE TRUSTEE UNDER PARAGRAPHS 2, 3 AND 11 OF THE POLICY

1. Group structure chart showing Participating Employers, security/guarantees in place, key operating entities and where the bank or other debt is held.
2. Details of any financial, operational or other interdependencies within the group (such as cash pools, leases or licences and other intra-group service arrangements).
3. Audited financial statements for the last two financial years including (where possible) an operating and financial review.
4. The consolidated financial accounts of the Participating Employer's corporate group.
5. Historical year end management accounts for the last financial year including a reconciliation to audited financial statements.
6. Year to date management accounts.
7. Details of any inter-company balances payable and receivable by the Participating Employer as at the date of the management accounts and the latest available statutory accounts.
8. Details of material acquisitions and disposals during the last two financial years and year to date including details of how acquisitions were financed and disposal proceeds were used.
9. Details of the dividends paid to the Participating Employer's parent company in the last two financial years and forecast dividend payments for the current financial year.
10. Details of bank or other loan facilities and any other financial commitments or encumbrances, including details of any other pension scheme obligations (including any schedule of contributions).
11. Details of banking covenants and the Participating Employer's forecast compliance with those covenants.
12. Three year forecast including profit & loss, balance sheet and cash flow and details of the key assumptions underpinning that forecast.
13. Any security arrangements and guarantees currently in place with banks, other creditors and other group companies, including fixed and floating charges.

14. Details of any inter-company guarantees or other financial support and guarantees provided to lenders or any other significant creditors.
15. Details of any inter-creditor or other priority agreements setting out the ranking of creditors or terms of subordination.
16. Contact details of the key members of the finance team.