

Letter sent to all members

[Name]
[Address]

Our Ref: PMcE/mw/09-021

10 February 2009

Dear Member

Merchant Navy Officers Pension Fund ("MNOPF")

The Trustee is undertaking a strategic review of the MNOPF and I am writing to let you know the current position.

Old Section

As you will already be aware from my letter of 15 August 2008, the Trustee embarked on its strategic review of the Old Section of the MNOPF with the objective of enhancing the security of members' benefits. Much work has been done since then, but the turbulence in global investment markets has inevitably had a significant impact on progress. The Old Section has not been immune from the recent adverse market movements, as I reported in the letter that accompanied the Summary Annual Funding Statement issued in December 2008, and the value of the Old Section investments has fallen significantly.

As part of the strategic review, the Trustee was investigating the possibility of securing Old Section benefits with insurance companies using policies in the name of the Trustee. Whilst securing members' benefits in this way remains the Trustee's longer-term objective, progress towards this goal will inevitably take longer than originally anticipated.

I would like to make it clear that the Trustee's intention to secure member benefits does not mean that the Old Section would cease to exist. The Trustee fully expects the Old Section to continue. Any decision by the Trustee to secure benefits with an insurance company would be an investment decision made by the Trustee (and in the name of the Trustee), in much the same way as any other investment decision, but with the added safeguard of enhancing the overall security of the investments of the Old Section. Benefits would continue to be paid to members in the usual way.

With the fall in investment values over 2008, it is likely that the ability of the Trustee to award bonuses to Old Section pensions in future will be severely restricted and thus no bonus award will be made this year. An actuarial valuation is due as at 31 March 2009, after which the position regarding future bonuses will be re-assessed. However, members should be aware that given the current financial position it is most unlikely that bonuses will be awarded for several years.

However, please be assured that this situation does not affect your current benefit entitlement and pensions will continue to be paid as at present.

New Section

As part of the New Section strategic review, last summer the Trustee undertook a consultation exercise with a number of employers. Naturally, views that were expressed by some employers at the time of the consultation may no longer be appropriate following the adverse market movements in the second half of 2008 and the current economic turmoil. Nevertheless the Trustee is continuing to explore possible ways in which the security of members' benefits could be improved and members will be kept informed of progress. Meanwhile I would like to emphasise that there is no need for members to be concerned about their benefits.

As the latest actuarial investigation as at 31 March 2008 indicated the New Section continued to be in deficit, I have to advise that there is no scope for any discretionary increases to be awarded to pensions this year, although those increases that are required to be made by regulation will continue to be implemented as they fall due. As members are aware, participating employers are paying additional contributions to make good the deficits disclosed by the 2003 and 2006 actuarial valuations. The next actuarial valuation is to be undertaken as at 31 March 2009.

If you have any questions relating to this letter, it would be helpful if you could put them in writing to MNOF Trustees Ltd at the address shown at the head of this letter or alternatively, please send an e-mail to memberenquiries@mnopf.co.uk.

Yours faithfully

Peter McEwen
Chairman
MNOF Trustees Limited