

**Merchant Navy Officers Pension Fund – New Section
Recovery Plan following the 2006 valuation**

Status

This Recovery Plan has been prepared by the Trustee of the Merchant Navy Officers Pension Fund (the Fund) after obtaining the advice of Paul Burbidge, the Actuary to the Fund.

The actuarial valuation of the New Section of the Fund as at 31 March 2006 revealed a funding shortfall (technical provisions minus value of assets) of £151 million.

Steps to be taken to ensure that the Statutory Funding Objective is met

To eliminate this funding shortfall, the Trustee has agreed that additional contributions will be paid to the Fund by the participating employers with a present value of £164.6 million as at 30 September 2007 over the period to 30 September 2014. The Trustee will decide the payment terms for each participating employer, in accordance with the Contribution Collection Policy agreed by the Trustee at its meeting on 27 March 2007.

Period in which the Statutory Funding Objective should be met

The funding shortfall is expected to be eliminated by 30 September 2014. This expectation is based on the following assumptions:

- technical provisions calculated according to the method and assumptions set out in the statement of funding principles dated 27 March 2007;
- the return on existing assets and the return on new contributions during the period in line with the discount rates set out in the statement of funding principles dated 27 March 2007 for the calculation of technical provisions, plus an additional 0.2% per annum.

Progress towards meeting the Statutory Funding Objective

It is expected that 50% of the above additional contributions will be paid by 30 September 2010.

This Recovery Plan was agreed by the Trustee following discussion at its meeting on 27 March 2007:

Signed on behalf of the Trustee of the Merchant Navy Officers Pension Fund
Name: P G McEwen

Position: Chairman of the Trustee
Date: 3 July 2007