

## **Merchant Navy Officers Pension Fund (MNOFF) Actuarial report on developments in the funding position to 31 March 2010**

### **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 MNOFF (both the Old and New Sections) as at 31 March 2010 as instructed by the Trustee. It represents the annual “actuarial report” that is required (if a full actuarial valuation is not conducted). This report has been prepared for the Trustees, 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 2010. 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 (I have not considered how any of the other assumptions might have changed had the Trustee and participating employers been required to agree them as at the effective date of this report).
- 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 does not allow for the possibility that some deferred pension revaluation and pension increases in payment may in future be based on the Consumer Prices Index instead of the Retail Prices Index, since this is currently uncertain.

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. As such, for this report to comply with the actuarial guidance note “GN9: Funding Defined Benefits – Presentation of Actuarial Advice” it is not necessary for it to contain all the detail that was required for the reports on the 2009 actuarial valuations.

The actuarial report required by legislation falls within the scope of two Technical Actuarial Standards (TASs) published by the Board for Actuarial Standards, *TAS R: Reporting Actuarial Information* and *TAS D: Data*. I confirm that this report complies with these two TASs. However, in the case of TAS R 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 trustees (who in the context of the TASs should be considered to be the sole users of this report). Although I am providing further information, beyond the minimum required by the legislation, in this report, this further information is not within the scope of TAS R and TAS D.

## Results

The assumptions adopted for the funding report as at 31 March 2010, and the results of the update are contained in the attached presentation.



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