

# The Merchant Navy Officers Pension Fund



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## 1 Introduction

This booklet gives you the basic facts about the Merchant Navy Officers Pension Fund (throughout called the “MNOFP”) and describes the benefits provided and the contributions you pay. It applies only to Members in Service at 1 April 1997. The exact provisions of the MNOFP are set out in formal documents, the Trust Deed and Rules. **It is important to remember that nothing in the booklet overrides the terms of the formal documents governing the MNOFP: Although every effort has been made to ensure that this booklet is an accurate summary of the Trust Deed & Rules, if there is any inconsistency between information contained in this booklet and the Trust Deed and Rules, the latter will prevail. A copy is available to any Member upon application to MNPA at the address shown on page 3.** In addition, Members have the right to see the Minimum Funding Requirement valuation (See Note 1 on page 10).

There is a summary of the provisions of the MNOFP in Section 3 on page 6. The rest of this booklet gives more details and includes a number of examples which are shown for illustrative purposes only and do not apply to any particular Member

This booklet reflects changes to legislation affecting the MNOFP and all rule changes up to and including 12 June 1997.

The MNOFP is an industry-wide pension fund. This means that you may continue in the MNOFP even if you change employer provided that your new employer participates in the MNOFP and you meet certain

conditions. The conditions on which you may continue in the MNOFP are set out on page 9. A list of participating employers and their addresses is available from MNPA. From 1 November 1996, the MNOFP no longer admits new entrants or readmits ex-Members. A new pension scheme called the Merchant Navy Officers Pension Plan (MNOPL) has been set up for such employees.

### Fund Structure

The MNOFP consists of two sections.

The Old Section of the MNOFP commenced in 1938 and continued receiving contributions until 5 April 1978 when it was closed to new members.

The MNOFP was revised as from 6 April 1978 and this is known as the New Section. This booklet is primarily concerned with describing the New Section benefits but also includes details of the Old Section in Section 16 on page 36.

Members whose service began prior to 6 April 1978 and continued thereafter will receive part of their benefit from the Old Section and part from the New Section.

Some MNOFP Members may also belong to a pension fund of their employer which provides benefits additional to those from the MNOFP. These are commonly known as “top-up schemes”. Such Members should

also refer to the provisions of their employers' top-up schemes in order to ascertain their total benefits.

### **Investment**

The assets of the MNOFP are invested in a special trust fund which is quite separate from the finances or assets of your employer. The assets of the Old Section and New Section are entirely separate and there is no cross-subsidy.

The only part of the assets of the MNOFP which is currently covered by an insurance contract is the Additional Voluntary Contributions Scheme (see Note 17 on page 45) with the Equitable Life Assurance Society.

The Trustees maintain a Statement of Investment Principles in accordance with legislative requirements.

### **Management**

The MNOFP is managed in accordance with the Trust Deed and Rules by a trustee company called MNOFP Trustees Limited (throughout this booklet called the "Trustees"). There are fourteen directors, half of whom are nominated by the employers and the other half by NUMAST. These arrangements meet the requirements relating to pension scheme trustees set out in legislation. A list of directors and executives is included in the Trustees' Annual Report and Accounts which is issued to all contributing Members and pensioners each year.

### **State Pension Schemes**

Most Members employed by companies in the MNOFP are contracted-out of the State Earnings Related Pension Scheme (SERPS). Members in contracted-out employment do not belong to SERPS and consequently pay lower National Insurance contributions.

A number of companies do not contract-out their employees. Members from such employers either belong to SERPS in full and pay the standard rate of National Insurance contributions, or are not within the UK Social Security system and therefore cannot belong to SERPS. Members in the UK Social Security system normally will contribute to, and receive, the Basic State Pension. The State Pension Schemes are described more fully in Section 17 on page 38.

### **Administration**

The day to day administration of the MNOFP is carried out on behalf of the Trustees by Merchant Navy Pensions Administration Limited (MNPA). MNPA is a company wholly owned by MNOFP Trustees Ltd and is at the address shown. If you have any queries or require further information about anything contained in this booklet the staff at MNPA will be pleased to help you.

***Please keep this booklet somewhere safe so that you can refer to it.***

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**July 1997**



## 2 Definitions

Some of the expressions used in this booklet have particular meanings as shown other expressions may be defined in the Trust Deed & Rules.

### Normal Pension Age

The Normal Pension Age is 61 and is the age at which you can start receiving your pension without any reduction for early payment. Females in Service as at 31 December 1990 retain the option to retire at age 60.

### State Pension Age

The age at which the State Retirement Pension is payable and is 65 for men and for women born after 1955. For women born before April 1950 the State Pension Age is currently 60. For women born between 1950 and 1955 an intermediate age applies.

### Service

The period since 6 April 1978 during which you have paid contributions to the New Section of the MNOFF. Service is calculated in years and part years based on your contribution record.

### Salary

The pay received from your employer during a Fund Year while you have been a contributing member of the MNOFF. Certain items of pay are included in or excluded from this definition as shown in the Trust Deed and Rules.

### Maximum Salary

As a result of the 1989 Finance Act, for any Member who joined or

rejoined the MNOFF on or after 1 June 1989, there is a Maximum Salary on which pension benefit can be granted from the MNOFF.

This maximum will normally be increased each tax year by the Government, broadly in line with the increase in prices and from 6 April 1997 is £84,000p.a.

### Guaranteed Minimum Pension (GMP)

Where a Member has been contracted-out of the State Earnings Related Pension Scheme ("SERPS"), the GMP is the equivalent of the pension that would have been earned under SERPS up to 5 April 1997. From that date a new system of contracting-out has been introduced and no further GMPs will accumulate.

### Fund Year

1 April one year to 31 March the following year.

### Pensionable Salary

Your Salary less 1.5% times the Lower Earnings Limit (LEL). The LEL is a figure determined by the Government and is reviewed in April each year. For the year commencing in April 1997 the LEL is £3,224 p.a. (or £62 per week) and thus the amount of your pay which is not pensionable in MNOFF is £4,836p.a. (1.5 x £3,224).

### Inland Revenue

References to the Inland Revenue mean the Pension Schemes Office, a specialist branch of the Inland Revenue. Local Offices of the Inland Revenue will not be familiar with the conditions applied to approved pension schemes.

## Average Revalued Pensionable Salary

This is an important figure on which your pension is based. The calculation takes into account the increase in the National Average Earnings Index published by the Government each year (known as Section 148 Orders).

These calculations change every year and apply to each year's Pensionable Salary since 6 April 1978, except the last year which is not revalued.

A brief example of how this is calculated is shown below, based on a Member serving between 1 April 1988 and 31 March 1997.

Fund Year	Salary £	1.5 Times LEL £	Pensionable Salary £	National Average Earnings Index	Revalued Pensionable Salary £
88/89	19,000	3,198	15,802	1.614	25,504
89/90	22,000	3,354	18,646	1.462	27,260
90/91	22,500	3,588	18,912	1.363	25,777
91/92	23,500	4,056	19,444	1.238	24,072
92/93	24,000	4,212	19,788	1.163	23,103
93/94	25,000	4,368	20,632	1.108	22,860
94/95	25,500	4,446	21,054	1.074	22,612
95/96	26,500	4,524	21,976	1.028	22,591
96/97	27,000	4,758	22,242	1.000	22,242
<b>Total Revalued Pensionable Salaries</b>					<b>£215,931</b>

Period of Service ( in years) 9

Average Revalued Pensionable Salary is

$$\mathbf{£215,931} \div \mathbf{9} = \mathbf{£23,992 \text{ p.a.}}$$

To simplify examples later in the booklet the Average Revalued Pensionable Salary shown above has been used, irrespective of the actual period of Service of the Member.



### 3 Summary

<b>Your Contribution</b>	<b>Ceasing to Contribute</b>	<b>Death in Service</b>
<b>NEW SECTION</b>	<b>NEW SECTION</b>	<b>NEW SECTION</b>
<p>Current 4.7% of (5.4% from 1 April 2000) Pensionable Salary.</p> <p><i>Note:</i> The contribution rate is below the normal rate of 7.5% stated in the Trust and Rules. The reduction is funded from "surplus assets" generated in the past.</p>	<p>A pension payable from Normal Pension Age <b>or</b> A transfer value to a new scheme <b>or</b> An immediate early retirement pension (if over age 50 or in ill health) <b>or</b> A refund of our contributions plus interest (if you have less than 2 years service).</p>	<p>A lump sum of 2 times salary <b>plus</b> A widow's or widower's pension of 50% of the pension you have earned to the date of death <b>plus</b> A child's pension of 25% of the pension you have earned to each of up to two children.</p>
<b>For more details see section 5.</b>	<b>For more details see Sections 16 &amp; 10.</b>	<b>For more details see section 8.</b>
<b>OLD SECTION</b>	<b>OLD SECTION</b>	<b>OLD SECTION</b>
<p>Contributions ceased on 5 April 1978.</p>	<p>A pension payable from Normal Pension Age <b>or</b> A transfer value to a new scheme <b>or</b> An Immediate early retirement pension (if over age 50 or in ill health).</p>	<p>A widow's or widower's pension of 50% of pension earned <b>plus</b> A child's pension of 25% of the pension you have earned to each of up to two children <b>plus</b> A lump sum equivalent to a proportion of your own contributions with interest.</p>
<b>For more details see section 16</b>	<b>For more details see section 16</b>	<b>For more details see section 16</b>

<b>Pension at Normal Pension Age</b>	<b>Death after Retirement</b>	<b>Pension Increases after Retirement</b>
<b>NEW SECTION</b>	<b>NEW SECTION</b>	<b>NEW SECTION</b>
<p>1/60<sup>th</sup> of Average Revalued Pensionable Salary for each year of Service from 1 April 1997  <b>plus</b>  1/40<sup>th</sup> of Average Revalued Pensionable Salary for each year of Service before 1 April 1997.</p>	<p>A widow's or widower's pension of 50% of your own pension  <b>plus</b>  A child's pension of 25% of your own pension to each of up to two children  <b>plus</b>  A cash sum if you die within the first 5 years of retirement.</p>	<p>For pension built up from before 1 April 1997, increases line with inflation up to 5% a year.  <b>plus</b>  For pension built up from before 1 April 1997, such discretionary increases as may be declared by the Trustees from time to time.</p>
<b>For more details see section 9.</b>	<b>For more details see section 12.</b>	<b>For more details see section 13.</b>
<b>OLD SECTION</b>	<b>OLD SECTION</b>	<b>OLD SECTION</b>
<p>A pension based on contributions paid until 5 April 1978 and such increases as may be declared by the Trustees up to Normal Pension Age</p>	<p>A widow's or widower's pension of 50% of your own pension  <b>plus</b>  A child's pension of 25% of your own pension to each of up to two children  <b>plus</b>  A cash sum if you die within 5 years of retirement.</p>	<p>Such discretionary increases as may be declared by the Trustees.</p>
<b>For more details see section 16.</b>	<b>For more details see section 16.</b>	<b>For more details see section 16.</b>



## 4 Membership

You are eligible for membership of the MNOF if you are an Officer employed by a company that is participating in the MNOF and you joined before 1 November 1996. The MNOF was closed to new members on that date.

Membership of the MNOF is voluntary and you may choose not to remain a Member by giving written notice to the Trustees.

That notice will normally take effect at the end of the month following that in which it is received by the Trustees.

If you leave the MNOF, you may not be able to rejoin at a later date. A leaflet entitled "Membership on Changing Employment" gives further explanation about circumstances in which you can continue membership and those in which you cease membership. A copy of the leaflet was issued with the 1996 benefit statement.

If you cannot rejoin the MNOF then you may be eligible to join the Merchant Navy Officers Pension Plan (MNOF), which was set up on 1 November 1996. Please contact MNPA for further details.

It is not legally possible for you to be a Member of MNOF by paying both the employer's and Member's contributions. Your employer must have signed an agreement to participate in the MNOF and must pay the employer's contribution set out on page 10.

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<sup>3</sup> For further information on the following subject see:  
membership of other Schemes Page 44



## 5 Contributions

### By the Member:

The Trustees decide the rate of Members' contribution on the advice of the Actuary

You currently pay

**4.7%** OF **PENSIONABLE SALARY**

- From 1 April 2000 the contributions will increase to 5.4% of Pensionable Salary.
- Your contributions will be deducted from your pay in each pay period and any income tax relief will be automatic if you are within the PAYE system.
- Provided your employment is contracted-out of the State Earnings Related Pension Scheme you pay lower National insurance contributions. A list of participating employers in the MNOFP who contract-out their employees is available from MNPA.
- You can pay extra contributions known as Additional Voluntary Contributions (AVCs) in order to buy extra benefits (see Note 17 on page 45).
- Contributions cease at Normal Pension Age.

### By the Employer:

Your employer currently pays

**6.9%** OF **PENSIONABLE SALARY**

- From 1 April 2000 the contributions will increase to 7.9% of Pensionable Salary

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- <sup>4</sup> The trustees have the discretion to set the employer's contribution rate. In doing so the MNOFP Actuary advises the Trustees on the contribution rate required to ensure that adequate funds are available to meet the cost of providing MNOFP benefits when they become due. Each year, from 1999, the Actuary has to certify that the MNOFP meets a Minimum Funding Requirement under the 1995 Pensions Act.
  - The contributions rates above are less than would normally be required for the level of benefits provided by the MNOFP. The balance is funded from "surplus assets" generated in the past.
  - Your employer is required by law to pass the contributions deducted from your pay to the Trustees within 19 days of the end of the month in which they were deducted.

## Example:

### How to Calculate Your Contributions

In this example, the Member is earning a Salary of £24,000. Assume that the Member is entitled to claim full tax relief and is working for an employer who is contracted-out of the State Earnings Related Pension Scheme (see Section 17 on page 38).

Salary	£24,000 per annum
Pensionable Salary £24,000 less £4,836	£19,164
Contributions 4.7% of £19,164	£900.71
Less tax relief 23% of £900.71	£207.16
Net contributions £900.71 less £207.16	£693.55
In addition you save National Insurance contributions of 1.6% of (£24,000 less £3,224)	£332.42
Net cost to you of membership of MNOPF £693.55 less £332.42	£361.13

- You pay reduced National Insurance contributions if you are contracted-out of the State Earnings Related Pension Scheme. As at 1 April 1997 the saving is 1.6% of pay between £3,224 per annum and £24,180 per annum.
- In this example, the net cost of £361.13 represents 1.5% of the Salary of £24,000.<sup>5</sup>

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<sup>5</sup> For further information on the following subjects see:

Voluntary Contributions	Page 17
State Pension Schemes	Page 38
Inland Revenue Approval	Page 40



## 6 Ceasing to Contribute

The MNOFP is an industry wide scheme. This means that when you move between employers who belong to the MNOFP, you remain a Member and your pension continues to be revalued in line with National Average Earnings

You may cease to contribute because you are no longer eligible to be a Member of the MNOFP (eg you may leave the Merchant Navy or take up employment with an employer who does not participate in the MNOFP). Alternatively you may choose to stop contributing even though you are still eligible to be a Member of the MNOFP.

If you choose to do so you must give notice to the Trustees. You will usually be treated as having left the MNOFP at the end of the month following that in which notice is received.

If you choose to stop paying contributions, leave the industry or claim your benefit e.g. retire or transfer to another scheme, you are deemed to have left the MNOFP immediately. Otherwise your membership will continue for 12 months after the date of your last contribution but will then cease. The Trustees can extend or reduce that period. **However, see Section 7 on page 17 on how this period might be extended by paying Voluntary Contributions during Temporary Absence.**

Once your membership ceases, you cannot rejoin MNOFP as it is closed to new entrants and rejoiners from 1 November 1996. A new pension scheme, the Merchant Navy Officers Pension Plan (MNOFP) is nonetheless open to eligible officers.

The benefits on leaving depend on whether or not you have 2 or more years membership of the MNOFP Membership means the time between the start of your membership and the end of the period covered by your last contribution, including any gaps of less than 12 months when you did not pay contributions.

### (a) Refund of Contributions

This is only available if you have less than 2 years' membership of the MNOFP

#### A REFUND OF YOUR OWN CONTRIBUTIONS

LESS

#### YOUR SHARE OF THE COST OF PRESERVING THE EQUIVALENT OF SERPS

LESS

#### TAX AT 20%

- The cost of preserving the equivalent of SERPS this is the amount of National Insurance Contributions you have saved whilst a member of the MNOFP. It secures you a pension which is broadly equivalent to the pension you would have earned in SERPS over the same period (see Section 17 on page 38).
- If you are leaving the industry you can apply, if eligible, for a refund immediately

This example assumes a Member has contributed £1,200 to the MNOPF and is Leaving with less than 2 years membership.

## 6 Example

Calculation of Refund  
of Contributions

<b>Member's contributions</b>	=	<b>£1,200</b>
<b>Less: Member's share of cost of preserving the equivalent of SERF'S -</b>	<b>£550 =</b>	<b>£650</b>
<b>Less: Tax at 20%</b>	<b>- £130 =</b>	<b>£520</b>
<b>Refund to member</b>	=	<b>£520</b>

Interest is payable on Members' contributions held for more than one complete tax year up to the date of leaving service.

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<sup>6</sup> For further information on the following subjects see:  
Voluntary Contributions Page 17  
Early Retirement Page 21  
State Pension Schemes Page 38  
Transfer Value Page 43



**6 Ceasing to CONTRIBUTE** continued

**(b) Deferred Pension**

A deferred pension is available whatever your period of membership unless you have taken a refund.

<b>1/60</b>	X	<b>SERVICE FROM 1 APRIL 1997</b>	X	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>
<b>Plus 1/40</b>	X	<b>SERVICE BEFORE 1 APRIL 1997</b>	X	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>

- Service is calculated in years and part years based on your contribution record.
- The deferred pension is increased after leaving as follows:
  - i) The whole of the deferred pension is increased in line with the General Index of Retail Prices ("RPI") to a maximum average of 5% p.a. over the number of whole years between the date of leaving and Normal Pension Age.
  - ii) At State Pension Age a further increase is given to allow for the statutory revaluation of your GMP since leaving Service.
- The deferred pension is payable from your Normal Pension Age although it can be taken at any time after age 50.
 

On retirement before Normal Pension Age it will be reduced because it will be in payment for longer. However, an immediate unreduced pension may be granted at any age at the discretion of the Trustees if a medical consultant certifies to the satisfaction of the Trustees that you are permanently unfit because of ill health or incapacity for any form of remunerative employment or self employment. That pension may however be suspended if you subsequently earn an income.
- If you qualify for the Additional One Year's Credit (see Section 14 on page 33) your deferred pension will be increased by:

<b>1/40</b>	x	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>
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- Once the pension starts to be paid it is subject to increases as described in Section 13 on page 32.

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<sup>7</sup> For further information on the following subjects see:  
 Voluntary Contributions Page 17    Early Retirement Page 21    Death after Retirement Page 30    Pension Page 43  
 Increases after Retirement Page 32    Additional One Year's Credit Page 33    Transfer Value

## 6 Example

- If you die before you start to receive your deferred pension, a widow's/widower's pension and child's/children's pension(s) are payable as described in Section 8 on page 18.
- If you have any Old Section benefits these are payable in addition (see section 16 on page 36).
- On death after retirement, a widow's/widower's pension and child's/children's pension(s) are payable as described in Section 12 on page 30. In addition a lump sum may also be payable.

This example assumes that a male Member with Salary details matching those given in Section 2 on page 5 but assumed Service of 13 years, (i.e. 12 years and 3 months service prior to April 1997 and 9 months from April 1997), is leaving service on 31 December 1997, aged 47.

- a) The deferred pension calculated at the date of leaving, which would be paid from Normal Pension Age is:

<b>1/60</b>	X	<b>9/12</b>	X	<b>£23,992</b>	=	<b>£300 p.a.</b>
<b>Plus</b>						
<b>1/40</b>	X	<b>12 3/12</b>	X	<b>£23,992</b>	=	<b>£7,347p.a.</b>
<b>Total = £7,647 p.a.</b>						

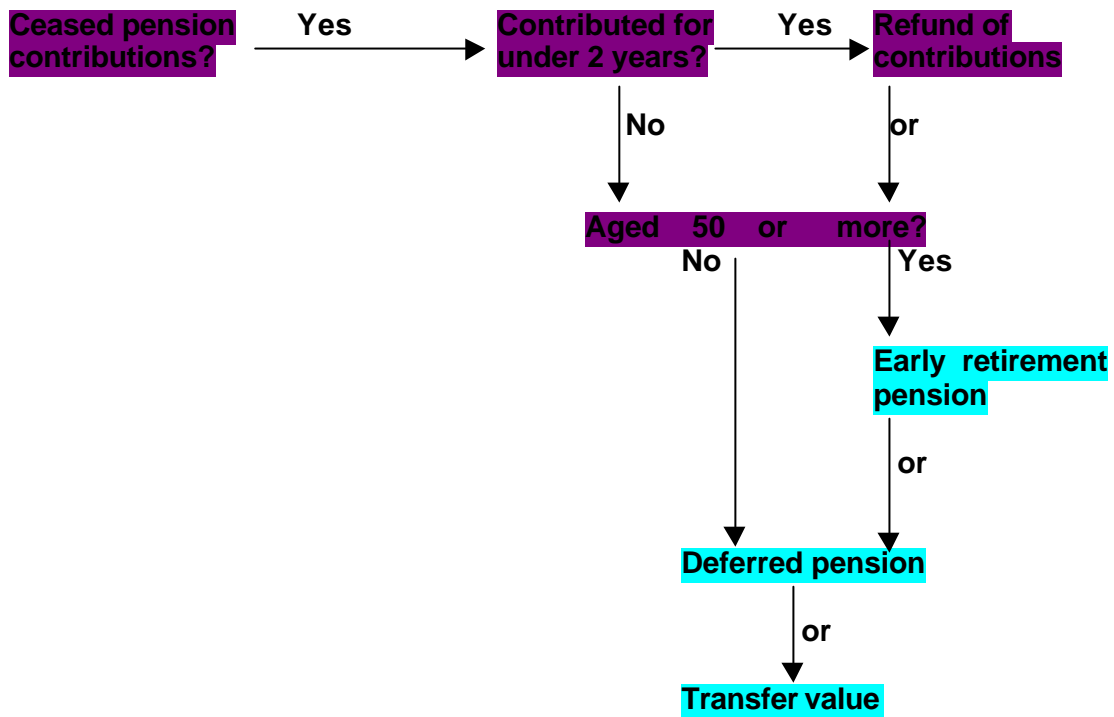
- b) This deferred pension is increased as described under (i) and (ii) on the opposite page.

Assuming the increase in note (i) on the opposite page is 5% per annum, the deferred pension of £7,647 p.a. would increase to £15,141 p.a. at Normal Pension Age. After Normal Pension Age it will increase as described in Section 13 on page 32, together with any increase applicable under note (ii) on the opposite page.



**Ceasing to Contribute**  
*Continued*

**Summary of Options**



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<sup>8</sup> For further information on the following subjects see:  
Refund of Contributions      Page 12  
Deferred Pension              Page 14  
Early Retirement               Page 21  
Transfer Value                  Page 43

## 7 Voluntary Contributions

### 1. Temporary Absence

If you stop contributing to the MNOPF, membership would normally cease 12 months after your last contribution. However, if you have a reasonable expectation of starting again (ie you are temporarily absent) you may pay Voluntary Contributions but only with the Trustees' agreement. Temporary absence includes:

- unemployment
- secondment by your employer
- extended leave periods
- temporary shore employment
- service in the armed forces or a national emergency

### 2. Voluntary Contributions

You may contribute any amount up to the combined employer's and member's contribution that was payable on your last full-time earnings.

The minimum amount you may contribute is currently £5 per month.

You can normally only contribute:

- a) whilst you are unemployed but actively seeking further employment with the Merchant Navy:  
or
- b) Whilst undertaking temporary shore based employment but remain actively seeking further permanent employment with the Merchant Navy:  
or

c) while you are sick and unable to work.

Voluntary Contributions may continue to be paid for a period of up to three years from the date of your last ordinary contribution (including in that three year period any periods of ordinary contributions of less than 12 months). If the reason for absence is due to ill health, then this period maybe extended.

Contributions are split when received by the MNOPF into your share and the employer's share. The split is on the ratio of the current normal rates of contribution payable ie Member's 4.7%, employer's 6.9%.

If you die whilst contributing during temporary absence the benefits are as in Section 8 on page 18 but the lump sum death benefit is only payable if the Trustees so decide in exercising the discretion.

The payment of Voluntary Contributions maintains eligibility to certain benefits such as ill-health pension and the Optional Early Retirement Scheme. Members should pay such Voluntary Contributions where possible.



## 8 Death in Service

If you die before Normal Pension Age whilst a contributing Member of the MNOFP the following benefits are payable from the New Section:

<b>A LUMP SUM</b>	OF	<b>2</b>	X	<b>SALARY</b>
Plus				
<b>WIDOWS/WIDOWER'S PENSION</b>	OF	<b>50%</b>	X	<b>THE NEW SECTION PENSION EARNED TO THE DATE OF DEATH</b>
plus a) One child				
<b>CHILD'S PENSION</b>	OF	<b>25%</b>	OF	<b>THE NEW SECTION PENSION EARNED TO THE DATE OF DEATH</b>
Or b) More than one child				
<b>TOTAL CHILDREN'S PENSION SHARED BETWEEN THE CHILDREN</b>	OF	<b>50%</b>	OF	<b>THE NEW SECTION PENSION EARNED TO THE DATE OF DEATH</b>

To calculate the lump sum, four different definitions of salary are used and the most favourable taken:

- a) Salary in the last complete Fund Year
- b) Salary in the Fund Year prior to that
- c) salary in the 12 months up to the date of death
- d) salary in the 12 months prior to that

In each case the salary on which the lump sum is based is revalued in line with National Average Earnings up to the date of death

- There is a minimum amount of lump sum death benefit which is increased each year in line with National Average Earnings. For the 1997/98 Fund Year the minimum is £31,474.

- The pension earned to the date of death is calculated in the same manner as the deferred pension at the date of leaving in Section 6(b) on page 14.
- A full definition of a qualifying child is given in Note 15 on page 44.
- If the child/children are orphaned then the child's/childrens' pension is doubled.
- Once a pension commences, increases are as described in Section 13 on page 32.

### Old Section

- If you have any Old Section benefits these are payable in addition (see Section 16 on page 36).

## 8 Example

Assume that a Member, with an Average Revalued Pensionable Salary matching the example in Section 2 on page 5, died on 31 December 1996 leaving a widow and three qualifying children. The figures for the different definitions of salary are as follows:

	Actual Salary	Revalued to Date of Death
a) Last complete Fund Year (95/96)	£26,500	£27,242
b) Previous Fund Year (94/95)	£25,500	£27,387
c) Last 12months (01.01.96-31.12.96)	£26,800	£26,875
d) Previous 12months (01.01.95-31.12.95)	£26,250	£27,312

### Lump sum

$$2 \times £27,387 = £54,774$$

### Widow's Pension

Pension earned to date of death is £7,647 p.a as calculated in the example in Section 6(b) on page 15.

$$50\% \text{ of } £7,647 = £3,824 \text{ p.a.}$$

### Children's Pension (in total)

$$50\% \text{ of } £7,647 = £3,824 \text{ p.a.}$$

(ie about £1,275 p.a. per child)

This pension is divided amongst all the children as follows as the number of qualifying children reduces

- Three qualifying children £1,275 p.a. each
- Two qualifying children £1,912 p.a. each
- One qualifying child £1,912 p.a.

<sup>9</sup> For further information on the following subjects see:

Pension Increases after Retirement Page 32    Old Section Benefits Page 36  
Widow's/Widower's Pension Page 41    Guaranteed Minimum Pensions Page 43

Lump Sum on Death Page 40  
Children's Pensions Page 44



## 9 Pension at Normal Pension Age

If you retire at Normal Pension Age your annual pension from the New Section will be calculated as follows:

	<b>1/60</b>	X	<b>SERVICE FROM 1 APRIL 1997</b>	x	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>
<b>Plus</b>					
	<b>1/40</b>	X	<b>SERVICE BEFORE 1 APRIL 1997</b>	x	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>

- You may be allowed, at the time of retirement, to exchange part of your pension for a cash sum - tax free under current legislation (see Section 11 on page 28).
  - If you qualify for the Additional One Year's Credit (see Section 14 on page 33) an additional year is added to your Service increasing your pension by
- 1/40 of your Average Revalued Pensionable Salary
  - Once your pension commences increases are as described in Section 13 on page 32.
  - If you have any Old Section benefits these are paid in addition (see Section 16 on page 36)

### Example

#### Pension at Normal Pension Age

Service from April 1997 is 10 years  
 Service to April 1997 is 9 years

	<b>1/60</b>	X	<b>10</b>	X	<b>£23,992</b>	=	<b>£3,999 p.a.</b>
<b>Plus</b>							
	<b>1/40</b>	X	<b>9</b>	X	<b>£23,992</b>	=	<b>£5,398 p.a.</b>
					<b>Total</b>	=	<b>£9,397 p.a.</b>

## 10 Early Retirement

(a) In good health

If you retire before your Normal Pension Age, you may, with the consent of the Trustees, take your pension immediately if you are over age 50.

The pension will be calculated as follows:

### DEFERRED PENSION

X

### REDUCTION FACTORS

- If you are a current contributing Member, your deferred pension would be the pension accrued to the date of retirement.
- The deferred pension is increased as under (i) and (ii) in Section 6 on page 14.
- The reduction factors are applied because the pension will be in payment for longer
- The pension payable from State Pension Age will not be less than the GMP increased to State Pension Age.
- Factors advised by the actuary can vary from time to time to reflect the experience of the MNOPF
- If you have any Old Section pension this also will be subject to reduction and is payable in addition (see Section 16 on page 36).
- It is impractical to provide the means for members to individually calculate for themselves the amount of early retirement pension because the deferred pension is comprised of a number of different elements each of which is subject to a different reduction factor.

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<sup>10</sup> For further information on the following subjects see:

Cash Sum at Retirement Page 28      Death after Retirement Page 30      Pension Increases after Retirement Page 32  
Additional One Year's Credit Page 33      Old Section Benefits Page 36      State Pension Schemes Page 38  
Payment of Pensions Page 42      Guaranteed Minimum Pensions Page 43



## 10 Early Retirement

### (b) In ill-health

If you are formally declared to be permanently medically unfit for further sea service you can retire immediately (even if below age 50) provided you have at least 2 years' Service (including Service in the Old Section). You must at that time be contributing to the MNOPF, or covered by the other circumstances set out on page 23. The amount of your pension depends upon how many years Service you have completed in the MNOPF

#### 1. You have between 2 and 10 years' Service

Your accrued pension calculated as in Section 6 on page 14, plus your Old Section pension is payable without any reduction for early retirement.

#### 2. You have 10 or more years' Service – (also see 3 below)

A pension calculated as in 1 above

**Plus** a cash sum of:

$$\frac{1}{75} \times \text{PAST SERVICE} \times \text{AVERAGE REVALUED PENSIONABLE SALARY}$$

(Past Service is contributory service in the New Section and the Old Section)

**Plus** a further cash sum of:

$$\frac{1}{75} \times \text{POTENTIAL SERVICE} \times \text{AVERAGE REVALUED PENSIONABLE SALARY}$$

(Potential Service is service you would otherwise have completed between your date of retirement and Normal Pension Age).

- If you qualify for the Additional One Year's Credit, (see Section 14 on page 33) your pension will be increased by  $\frac{1}{40}$ <sup>th</sup> of your Average Revalued Pensionable Salary

#### 3. You have 10 or more years' Service, were born before 1 April 1947, contributed to the MNOPF in the Fund Year ended 31 March 1989 and have not rejoined since 1 April 1988.

The amount of the benefit is not less than shown in 2 above and may be greater. Details are on a separate leaflet available from MNPA.

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<sup>11</sup> For further information on the following subjects see:

Cash Sum at Retirement Page 28	Death after Retirement Page 30	Pension Increases after Retirement Page 32
Additional One Year's Credit Page 33	Old Section Benefits Page 36	State Pension Schemes Page 38
Payment of Pensions Page 42	Guaranteed Minimum Pensions Page 43	

- Once a pension commences increases are as described in Section 13 on page 32.
- You may be allowed, at the time of retirement, to exchange part of your Pension for a cash sum – tax free undercurrent legislation (see Section 11 on page 28).

### **III Health Pension Eligibility-Active Member**

To qualify for an ill-health pension all of the following must apply:

- |   |  |
|---|--|
| <p>1) You have been issued with an appropriate medical certificate - normally a form ENG3 from a Marine Safety Agency approved doctor certifying you are permanently unfit for further sea service, and</p>   | <p>b) Your last contribution to the MNOFP was within 12 months of the date you were declared permanently unfit for further sea service and you had not been employed since your last contribution except in sea-going employment with an employer that does not participate in the MNOFP, or</p> |
| <p>2) You have at least 2 years "Service" in the MNOFP, and</p>   | <p>c) You had ceased contributing to the MNOFP but had joined a Private Scheme prior to 1 April 1988(as defined in the Rules) or had joined the Merchant Navy Ratings Pension Fund, and in either case were still accruing benefits in respect of service up to date of medical severance.</p>   |
| <p>3) You were an Active Member at the date you were declared permanently unfit for further sea service.</p> <p>"Active Member" for this purpose means:</p> <p>a) You were contributing to the MNOFP at the date you were declared permanently unfit for further sea service or</p> |  |

### **III Health Pension - Deferred Member**

If you are a deferred member the Trustees have the power to grant you an ill health pension. An immediate unreduced pension may be granted at any age at the discretion of the Trustees if a medical consultant certifies to the satisfaction of the Trustees that you are permanently unfit because of ill health or incapacity for any form of remunerative employment or self employment. (see page 14)



## Early Retirement

(b) In ill-health  
continued

### A Review of ill-health pensions

Where ill-health pensioners have a significant income from earnings their pension may be reduced or suspended.

Ill health pensions are reviewed in accordance with procedures determined by the Trustees. The basis of the review is subject to change but the current position is set out below:

1. If **Pension** at date of retirement is equal to or greater than 2/3rds of Average Revalued Pensionable Salary:

a) where **Pension** plus **Earnings** do not exceed **Last Seagoing Earnings**, the ill health pension is not affected;

b) where **Pension** plus **Earnings** exceeds **Last Seagoing Earnings**, the ill health pension will be reduced £ for £ for all other **Earnings** that brings the total over that of the Last Seagoing Earnings.

2. If **Pension** at date of retirement is less than 2/3rds of Average Revalued Pensionable Salary:

a) **Earnings** up to 50% of **Pension** will not affect the ill health pension;

b) where **Pension** plus **Earnings** exceed 1.5 times **Pension**,

i) the ill health pension will be reduced by 50p for each £1 of **Earnings** and **Pension** combined above 1.5 times **Pension** but below **Last Seagoing Earnings**.

ii) for each £1 of **Earnings** and **Pension** combined above **Last Seagoing Earnings** the ill health pension will be reduced £ for £.

3. No pension will be reduced to a level below the equivalent of a pension that is the actuarial equivalent value of the Member's deferred pension (reduced to take account of any cash sum taken by the Member at time of retirement). This "minimum pension" will be increased as described in Section 13 on page 32.

4. At State Pension Age, no pension will be less than the Member's Guaranteed Minimum Pension as required by Contracting-Out Regulations.

5. Where a pensioner has had his pension reduced as a result of the review procedure and dies within 5 years of commencement of pension, then a lump sum will be payable representing the balance of the pension over the 5 year period but based on the pension which would have been in force if the reduction had not been in effect.

6. The pension rights of spouses and dependants remain unaltered.

***Meaning of words in bold lettering:***

**“Pension”**

Pension is the level of pension at retirement increased in line with any increases as may have been granted to pensions in payment since date of retirement. The pension at retirement is the pension before any reduction because cash has been taken or dependants’ pension has been increased.

**“Earnings”**

Earnings is the direct annual gross income (ie before income tax, national insurance, pension contributions etc) from any form of employment or self-employment. It does not include income from State benefits or investment income.

**“Last Seagoing Earnings”**

Last Seagoing Earnings is the best one year’s Salary (as defined in the Trust Deed and Rules) out of the last two, prior to the issue of ENG3 or Average Revalued Pensionable Salary whichever shall be the greater, revalued in line with Section 148 Orders since date of retirement. (Note: Section 148 Orders reflects the Government’s index of National Average Earnings).



## **Early Retirement**

(b) In ill-health  
*continued*

### **B Procedure for Review**

The review procedure provides that MNPA will write to the Member approximately one year after the Member's retirement and on an annual basis thereafter until the Member reaches Normal Pension Age to seek information from the Member in respect of earnings since retirement.

The review will not take place in respect of Members retiring on ill-health grounds but who were, at that time, eligible for an Optional Early Retirement Scheme.

In order that the information referred to above can be provided it is essential that Members retain recent pay advice slips as evidence of earnings.

If the Member is unemployed, evidence of this will be required by way of confirmation from the DSS that the Member is registered as unemployed, or if not so registered, then the Member must provide a sworn affidavit (this can be done before a Commissioner for Oaths or a Magistrate for a small fee). A sample affidavit will be supplied by MNPA.

Should the Member be self-employed then the evidence required will be the latest set of audited accounts

Any expenses incurred by the Member in obtaining evidence of earnings or unemployment or self-employment will not be reimbursed by the MNOPF

If a Member fails to provide the information requested within six weeks, the Member's pension will be reduced to the "minimum pension" immediately. Reinstatement of pension will be effected from the date of receipt of such evidence. Pension will not be reinstated retrospectively in such circumstances other than at the discretion of the Trustees in wholly exceptional cases where there is clear evidence that the delay was due to factors entirely outside the control of the Member.

Members should note that where a review results in a reduction to a Member's pension, this reduction will remain in place until the next annual review when it will be reassessed. In other words, earnings in the 12 months prior to each review may affect the pension for the following 12 months irrespective of the current employment position.





## 11 Cash Sum at Retirement

You may be allowed to exchange part of your pension for a cash sum at retirement (tax free under current legislation) of the amount detailed below:

A Cash Sum of:

$$\mathbf{3/80} \times \mathbf{TOTAL\ SERVICE} \times \mathbf{GROSS\ EARNINGS}$$

up to such amount as may be permitted by the Pension Schemes Office of the Inland Revenue.

- The total service is counted from the date you joined the MNOPF to the date you ceased contributing, including membership of the Old Section but excluding gaps in membership of more than one year
- Complete months will count Proportionately
- Gross Earnings for cash sum purposes is the highest consecutive three year average of gross earnings (including fluctuating earnings) in the thirteen years prior to retirement.
- The amount of cash may need to be limited to ensure that the pension remaining is sufficient to satisfy the minimum requirements for contracting-out.
- For Members who joined after 31 May 1989 there is an overriding maximum payment permitted by the Inland Revenue of £150,000.
- For Members who joined MNOPF after 31 May 1989 the maximum lump sum allowed by the Pension Schemes Office is 2¼ times the commencing pension. Members who joined MNOPF before that date may elect to be treated in the same way. When you retire, MNPA will provide you with an election form if necessary.
- The exchange of pension for cash is available only at the time pension is due to commence. It is not permitted by the Inland Revenue once payment of pension has started.
- The amount of pension given up will depend on the Member's age and whether the pension given up is Old Section or New Section (pre or post April 1997).
- Widow's/widower's and child's/children's pensions are based on the Member's full pension before any part of it has been exchanged for cash together with any increases.

## 11 Example

Calculation of Tax Free  
Cash sum at Retirement

The Member in the example in Section 9 on page 20 who retired at Normal Pension Age of 61 with a New Section pension of £9,397 per annum wishes to exchange part of his pension for a tax free cash sum.

He also has an Old Section pension of £9,000 per annum in respect of 10 years' pre 1978 Service.

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**Gross Earnings are assumed to be £28,500 per annum**

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**His total service in the Old & New Sections is 29 years**

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**Tax free cash sum**

$$3/80 \times 29 \times £28,500 = £30,994$$

**Plus**

**A reduced combined Old & New Section pension of £15,281 per annum.**

**This is made up of**

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<b>New Section pension</b>	<b>£9,397 p.a.</b>
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<b>Old Section pension</b>	<b>£5.884 p.a.</b>
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<b>Total</b>	<b>£15,281 p.a.</b>
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Pension increases are as described in Section 13 on page 32.

Factors used for conversion of pension to cash are as recommended by the Actuary and are adjusted from time to time to reflect the experience of the MNOFP.

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<sup>12</sup> For further information on the following subjects see:

Death after Retirement Page 30  
State Pension Schemes Page 38

Pension Increases after Retirement Page 32  
Guaranteed Minimum Pensions Page 43

Old Section Benefits Page 36



## 12 Death after Retirement

On death after your pension starts the following benefits will be payable.

**WIDOW'S/WIDOWER'S PENSION**      **OF**      **50%**      **OF**      **NEW SECTION PENSION**

Plus a) one child

**CHILD'S PENSION**      **OF**      **25%**      **OF**      **NEW SECTION PENSION**

Or b) More than one child

**TOTAL CHILDREN'S PENSION SHARED BETWEEN THE CHILDREN**      **OF**      **50%**      **OF**      **NEW SECTION PENSION**

Plus

On death within 5 years of retirement a lump sum of:

**THE BALANCE OF THE 5 YEAR PERIOD**      X      **NEW SECTION PENSION**

- The widow's/widower's and child's/children's pensions are calculated on your New Section pension including any increases already paid (see also Note 3 on page 41).
- Once pension commences increases are as described in Section 13 on page 32.
- If your own pension has been reduced because you have exchanged part of it for a tax free cash sum or have retired early, these reductions will be ignored in calculating the widow's/widower's pension and the child's/children's pension.
- A full definition of a qualifying child is given in Note 15 on page 44.
- If you have any Old Section pension, the benefits payable on death after retirement are set out in Section 16 on page 36 and are in addition to the above New Section benefits.

## 12 Example

### Calculation of benefits on Death after Retirement

Using the example in Section 9 on page 20, the Member's pension was £9,397 per annum at retirement age of 61. If the Member dies exactly 3 years after retirement leaving a widow and one child the benefits would be as follows:

#### Widow's Pension

$$50\% \quad \text{of} \quad £9,397^* \quad = \quad £4,698 \text{ p.a.}$$

Once the pension commences, increases are as described in Section 13 on page 32.

#### Child's Pension

$$25\% \quad \text{of} \quad £9,397^* \quad = \quad £2,349 \text{ p.a.}$$

Once the pension commences, increases are as described in Section 13 on page 32. It would cease once the child no longer meets the qualifying conditions (details are given in Note 15 on page 44).

#### Lump sum

Balance of 5 year period is 5 years guaranteed less 3 years received leaves 2 years.

$$2 \quad \times \quad £9,397^* \quad = \quad £18,794$$

\* This figure would be increased to take account of any increases already given under Section 13 on page 32.

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<sup>13</sup> For further information on the following subjects see:

Pension Increases after Retirement Page 32  
41 Payment of Pensions Page 42  
Page 44

Lump Sum on Death Page 40  
Guaranteed Minimum Pensions Page 43

Widow's/Widower's Pension Page  
Children's Pensions



## 13 Pension Increases after Retirement

Pension which has built up from 1 April 1997 after deducting the pension equivalent to the cash taken at retirement will increase each year in payment by the rise in the Retail Prices Index (RPI), up to a maximum of 5% p.a. Discretionary increases may be granted by the Trustees subject to there being sufficient funds available for this purpose.

For pension built up before 1 April 1997, there are no guaranteed increases, except for GMPs as described below. Discretionary increases may be granted by the Trustees subject to there being sufficient funds available for this purpose.

For male Members retiring at Normal Pension Age the GMP element of the pension for service completed up to and including 5 April 1997 is increased at State Pension Age by a fixed rate (currently 6.258%) for each full tax year between retirement and State Pension Age. However, this increase is adjusted for any discretionary increases granted on this element of pension since leaving service.

From State Pension Age, the GMP will be increased in line with statutory requirements. That part of the GMP that relates to service after 5 April 1988 will be increased by the MNOFP in line with increases in the RPI up to a maximum of 3% in any year. The State will provide further increases on the GMP to ensure that you receive at least the same amount as you would have received from SERPS (see page 38) if you had not been a member of MNOFP. The increases provided by the State will be added to your State Basic Pension.

- **Revenue Limits**

Where the Member's pension has reached the Inland Revenue limit at the date of retirement any subsequent increase granted will be the lower of the "RPI" increase or the discretionary increase granted by the Trustees.

- **Widow's or Widower's pension**

Increases will apply in the same way as for Members that is GMPs will be increased by the State and MNOFP. Any discretionary increases will normally apply to the pension in excess of the GMP

- **Children's Pensions**

Any discretionary increase will apply to the whole pension.

- **Old Section**

If you have any Old Section pension, this is increased as set out in Section 16 on page 36.

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<sup>14</sup> For further information on the following subjects see:  
State Pension Schemes Page 38      Payment of Pensions Page 42

Guaranteed Minimum Pensions Page 43

## 14 Additional One Year's Credit

There is an Additional One Year's Credit available to all male Members who Satisfy both the following conditions:

- contributed at some time during the calendar year 1987 and
- reach age 61 between 1 January 1991 and 31 December 2000

The purpose of this credit is to make pensionable the year between the Normal Pension Age of 61 and the old Normal Pension Age of 62.

The credit is a pension calculated as:

$$\frac{1}{40} \times \text{AVERAGE REVALUED PENSIONABLE SALARY}$$

The credit is payable from age 61 and is not dependent upon your contributing at retirement, i.e. if you qualify as above but leave before age 61 the credit will be allocated in full.

Widow's/widower's and child's/children's pensions would be payable on the Additional One Year's Credit.

Any male Member who also qualifies for the Optional Early Retirement Scheme (see Section 15 on page 34) will receive either the extra benefits under the Optional Early Retirement Scheme or this Additional One Year's Credit, which ever is the higher.

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<sup>15</sup> For further information on the following subjects see:



## 15 Optional Early Retirement Scheme

Two Optional Early Retirement Schemes are available to Members who satisfy the following conditions:

- a) Retirement prior to 1 January 1998
- contribute to the MNOFP at any time between 1 January 1995 and 31 December 1997, and
  - take an early retirement pension between 1 January 1995 and 31 December 1997, and
  - are aged between 57 and 61 at the time of retirement

The pension payable from the date of early retirement is equal to:

<b>1/40</b>	X	<b>SERVICE BEFORE APRIL 1997</b>	X	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>
<b>Plus</b>				
<b>1/60</b>	X	<b>SERVICE FROM APRIL 1997</b>	X	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>
<b>Plus</b>				
<b>1/40</b>	X	<b>NORMAL PENSION AGE MINUS AGE AT RETIREMENT</b>	X	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>

- b) Retirement between 1 January 1998 and 31 December 2000

- contribute to the MNOFP at any time between 1 January 1998 and 31 December 2000, and
- take an early retirement pension between 1 January 1998 and 31 December 2000, and
- are aged between 57 and 61 at the time of retirement

The pension payable from the date of early retirement is equal to:

<b>1/40</b>	X	<b>SERVICE BEFORE APRIL 1997</b>	X	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>
<b>Plus</b>				
<b>1/60</b>	X	<b>SERVICE FROM APRIL 1997</b>	X	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>
<b>Plus</b>				
<b>1/60</b>	X	<b>NORMAL PENSION AGE MINUS AGE AT RETIREMENT</b>	X	<b>AVERAGE REVALUED PENSIONABLE SALARY</b>

A Member taking advantage of either Optional Early Retirement Scheme

should be aware that Service in the MNOFF continues to the end of any leave period for which payment may have been included in final pay from his last employer.

As an example, a Member may “retire from his employer” on 30 November but be due to receive payment for 61 days leave. “Service” in the MNOFF would not terminate until 31 January Therefore a Member wishing to take advantage of an Optional Early Retirement Scheme must ensure that Service in the MNOFF; including earned leave, terminates before 31 December 1997 or 31 December 2000 as appropriate.

Widow/widower’s, or child’s/children’s pensions, as well as any increases to pensions in payment, will be based on the pension available under the Optional Early Retirement Scheme.

If you have a gap in your contributory membership of more than 12 months, the Optional Early Retirement Scheme enhancement will only apply to your most recent period of service. The pension from any earlier period of service will be reduced for early payment.

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<sup>16</sup> For further information on the following subjects see:

Early Retirement  
Old Section Benefits

Page 21  
Page 36



## **16 Old Section Benefits**

The Old Section of the MNOPF was closed to new Members on 5 April 1978. Benefits already earned in the Old Section are preserved and payable in addition to benefits earned since 6 April 1978 in the New Section.

No contributions are currently being paid by Members or employers to the Old Section.

Old Section pensions are not based on a formula, as for the New Section (see Section 9 on page 20), but depend on the investment return of the funds invested. The Trustees, acting on the advice of the Actuary, will decide each year whether any increase will apply and if so, you will be advised of the revised pension.

### **Member's Pension**

The pension you have earned by contributions paid to the Old Section is adjusted by any increase declared. The amount of your pension including any increases is advised to you each year on your annual benefit statement. It is payable from Normal Pension Age (NPA).

A Member whose pension has reached the Inland Revenue limit may find it beneficial to take the pension prior to reaching NPA. Details can be obtained from MNPA.

### **Early Retirement**

If you retire early, in good health, as set out in Section 10 on page 21, your Old Section pension will be reduced accordingly. However, the "reduction factor" will not be the same as for the New Section benefit. If you qualify for a New Section ill health retirement pension then the Old Section pension is payable at the unreduced rate.

### **Tax Free Cash Sum at Retirement**

All or part of your Old Section pension can be exchanged for a cash sum (tax free under current legislation) at retirement subject to the total amount of cash from the New and Old Sections not exceeding Inland Revenue limits as described in Section 11 on page 28.

### **Death after Retirement**

The Old Section widow's/widower's pension and lump sum benefit are calculated in the same manner as described in Section 12 on page 30.

Children's pensions will be paid equal to 25% of the Member's Old Section pension (before any reduction on account of early retirement or exchange for cash) for each of up to 2 eligible children. If there are more than 2 eligible children, 50% of the Member's pension will be shared between them.

**Death in Service, or after leaving Service but before pension is taken**

A widow's/widower's pension of 50% of your Old Section pension earned up to the date of death is payable, together with a lump sum equivalent in value to your own contributions plus interest.

Children's pensions will be paid equal to 25% of the Member's Old Section pension for each of up to 2 eligible children. If there are more than 2 eligible children, 50% of the Member's pension will be shared between them.

**Ceasing to Contribute to the MNOFF**

Your Old Section pension continues to attract any declared increases after you cease to contribute to the MNOFF. If you take a transfer of your MNOFF benefits to another pension scheme, the value of the Old Section pension including increases declared up to date of transfer will be included.

**Pension Increases after Retirement**

Old Section pensions in payment may be increased to the extent of increases, if any, declared by the Trustees.

**Additional One Year's Credit**

The Additional One Year's Credit applies only to the New Section. There is no equivalent payment in the Old Section.

**Optional Early Retirement Scheme**

If you qualify for an Optional Early Retirement Scheme your Old Section pension will be payable at the unreduced rate. However if there is a break in contributions in either the Old or New Sections of more than 12 months, the pension for Service prior to any break will be reduced.



## 17 State Pension Schemes

State retirement pensions are payable from the State Pension Age which is 65 for men and for women born after 1955. For women born before April 1950 the State Pension Age is currently 60. For women born between 1950 and 1955 an intermediate age applies. State pensions are paid for by National Insurance contributions. There are two State Pension Schemes as set out below.

### State Basic Pension Scheme

The State Basic Pension is paid in addition to any pension from the MNOPF. The amount is reviewed by the Government periodically and as at April 1997 is:

SINGLE PERSON	<b>£3,247p.a.</b>	<b>£62.45 p.w.</b>
MARRIED COUPLE	<b>£5,190 p.a.</b>	<b>£99.80 p.w.</b>

To achieve the full amount of State Basic Pension it is necessary to have paid a minimum level of National Insurance contributions in each year over the great majority of a person's working life. If this criteria is not met then a reduction will apply. It is important therefore that those Officers who do not have employee National Insurance contributions deducted from their earnings should seek advice from the Department of Social Security and possibly pay contributions on a voluntary basis.

### State Earnings Related Pension Scheme (SERPS)

This was introduced on 6 April 1978. It provides an earnings related pension based on earnings between the Lower Earnings Limit (LEL see Section 2 on page 4) and the Upper Earnings Limit (UEL) about 7 times LEL. The maximum pension available is 25% of earnings between LEL and UEL for those reaching State Pension Age between 6 April 1998 and 5 April 2001. Thereafter the maximum will gradually reduce to a figure of 20%.

### Contracting Out

Where a pension scheme, such as the MNOPF, provides a sufficiently good level of benefits, members in that scheme are allowed to opt out of SERPS and have the equivalent benefits provided within that scheme. This is called contracting-out. Members are contracted-out by reference to their employer and most employers participating in the MNOPF contract-out their employees. A list of employers showing whether or not they are contracted-out is available from MNPA. MNOPF is contracted-out on a salary related basis.

Contracting out affects you as shown in the table below:

YOU PAY	YOU RECEIVE
Contracted Out	
<b>REDUCED NATIONAL INSURANCE CONTRIBUTIONS</b>	<b>THE MNOFP PENSION (THE SERPS PENSION IS INCLUDED WITHIN THE MNOFP PENSION)</b>
Not Contracted Out	
<b>FULL NATIONAL INSURANCE CONTRIBUTIONS</b>	<b>SERPS PENSION IN ADDITION TO THE MNOFP PENSION</b>
<ul style="list-style-type: none"><li>• The reduction in National assurance contributions is 1.6% of earnings between LEL and UEL (see example in Section 5 on page 11). This percentage is reviewed periodically by the government.</li><li>• The SERPS pension provided within the MNOFP only covers your period of contracted-out membership. If You move to a participating employer who is not contracted-out of it or if you cease to contribute to the MNOFP and do not join another contracted-out scheme, you become a full member of SERPS for that future period.</li><li>• If you are not within the UK Social Security system you do not belong to SERPS and contracting-out does not affect you.</li></ul>	<b>Guaranteed Minimum Pension</b>  For membership up to 5 April 1997, the MNOFP must provide a Guaranteed Minimum Pension (GMP) which is broadly equivalent to the SERPS pension.  For service from 6 April 1997, GMPs no longer apply. Instead the Actuary has to certify that the level of benefits provided under MNOFP is adequate to meet minimum contracting-out requirements. <small>17</small>

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<sup>17</sup> For further information on the following subjects see:



## 18 Notes

### 1. Inland Revenue Approval

#### A) Approved Part of the MNOFF

The MNOFF is approved by the Inland Revenue under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. This gives considerable tax advantages including tax relief on Members' contributions, tax free cash sums from the scheme, and investments which are mostly exempt from tax. The Inland Revenue impose general limits on the amounts of benefit provided by approved pension schemes. The MNOFF is designed so that normally these limits are not exceeded.

The general limits imposed by the Inland Revenue are extremely complex and depend on the date a Member joined or re-joined the MNOFF. Generally, the maximum pension can never be greater than 2/3rds of your Final Remuneration, provided you have at least 20 years service. This figure must include the value of any pension rights in respect of membership of a scheme prior to the MNOFF membership or at the same time as membership of the MNOFF eg supplementary benefits from a participating employer, benefits arising from AVCs, or free standing AVCs arranged outside the MNOFF.

In any case where they would otherwise be exceeded, benefits will be restricted in order to comply with the limit.

A leaflet explaining Inland Revenue pension limits in greater detail is available from MNPA.

#### B) Unapproved part of the MNOFF

A very small part of the MNOFF does not have the approval mentioned above. The Inland Revenue cannot grant such approval where neither the Member's employer nor the Member himself are subject to UK tax.

In such cases, the tax reliefs mentioned above are not available. Members pay the same contribution of 4.7% of Pensionable Salary but do not receive tax relief on it (see example in Section 5 on page 11). The employers pay an additional 1.73% totalling 8.63% of Pensionable Salary (see Section 5 on page 10). From 1 April 2000, the employers will be paying 7.9% of pensionable Salary together with an additional amount. The Member's contribution will increase to 5.4% from 1 April 2000.

### 2. Lump Sums on Death – Expression of Wish Form

When paying out lump sums on death (see Section 8 on page 18 and Section 12 on page 30) the Trustees decide which persons should receive the money. It is done this way because it avoids any possible liability to Inheritance Tax.

To assist the Trustees in deciding who should receive the money, you are asked to complete an Expression of Wish Form. In the event of death the Trustees would take full account of your Expression of Wish Form but are not bound by it. You should ensure that you always keep it up to date. The Trustees have power to pay all the money to, or split it between, certain of your relatives or financial dependants or any other person permitted by the Rules.

### **3. Widow's/Widower's Pension**

A widow/widower is defined as the person to whom you are legally married at the time of your death.

If you were to marry after retirement and die within 6 months of marriage, the full widow's/widower's pension would only be payable at the discretion of the Trustees. However, your widow or widower would receive at least the widow's/widower's GMP as required by the State.

### **4. Assignment**

Benefits are forfeit from the MNOPF if they are assigned to any other person and cannot be used as security for a loan.

### **5. Alterations to the MNOPF**

Alterations can be made to the Trust Deed and Rules governing the MNOPF by agreement of the Trustees provided they are approved by both a majority of the employers' representatives and a majority of the employees' representatives but no alteration can amongst other things:

- change the main purpose of the MNOPF which is to provide retirement benefits;
- reduce the right to benefit already earned unless the Actuary advises that no alternative course can be taken.

### **6. Termination of the MNOPF**

It is intended that the MNOPF should continue. However, either the Old Section or the New Section or both

can be terminated if a majority (as in Note 5 above) of the Trustees resolve that it should be terminated, having ascertained that a majority of both the employers and the Members agree.

- The assets of the MNOPF would then be used to secure, as far as possible, and independently for each of the Old Section and the New Section, the benefits which Members have already earned. The manner in which this is done is fully set out in the Trust Deed and Rules (see Section 1 on page 2).
- No participating employer has entered into an obligation to pay the benefits should the resources of the MNOPF be insufficient. However in the event of the MNOPF winding up in deficit, current legislation imposes certain debts on employers although there is no guarantee that resources would then be sufficient.

### **7. Proof of eligibility for benefits**

Pension, lump sums, widow's/widower's pensions, transfers etc will not be paid until evidence of age has been received by the Trustees. At the time benefit is due to be paid you will be asked to submit original birth and where appropriate marriage certificates. Copies certified as true copies by a solicitor are acceptable. In exceptional circumstances submission of a passport will be accepted.



## Notes

continued

### 8. Payment of Pensions

Your pension will normally be paid in arrears in equal monthly amounts on the 15<sup>th</sup> of each month. However, the first payment is a partial payment made on the “15<sup>th</sup>” following your date of retirement. Your pension ceases on your death.

For example, assume you retire on 1 June and your annual rate of pension is £9,600 per annum (ie £800 per month).

	Period Covered	Date Paid	Amount
First Payment	1 June – 15 June	15 June	£400
Second Payment	16 June – 15 July	15 July	£800
Third Payment	16 July – 15 August	15 August	£800

Pensions of less than £720 p.a. are paid quarterly on the 15<sup>th</sup> of January, April, July and October. These are paid one month in arrears and two months in advance i.e. the January payment will include pension for 16 December to 15 March.

If you die leaving a widow/widower, the pension to the widow/widower will also be paid in arrears on the 15<sup>th</sup> of each month. The pension ceases on the widow's/widower's death. Children's pensions are paid as set out in Note 15 on page 44.

Pensions are taxed under PAYE and are normally paid to a bank account or building society after deduction of any tax due.

Calculation of your pension is dependent upon your employer advising MNPA of your final pension contributions and contracted-out earnings up to the date of your actual retirement. MNPA makes every effort to pay pensions on time but awaiting this information can delay the calculation and first payment of pension, particularly for Members who retire early.

### 9. Unclaimed Benefits

The Trustees will make every effort to trace the beneficiary of any benefit or instalment of benefit under the MNOPF, but if any such benefit or instalment of benefit is unclaimed by the beneficiary after a period of six years from the date it becomes payable it shall be forfeited. The Trustees may reinstate entitlement to benefit in special circumstances.

You are, therefore, asked to make sure MNPA (see Section 1 on page 3) know of any change of address even if you have stopped paying contributions to the MNOPF.

## 10. Guaranteed Minimum Pensions (GMP)

If you were in contracted-out employment under the MNOFP before 6 April 1997, the MNOFP must pay a pension to a contracted-out Member of at least the GMP from State Pension Age or the widow's/widower's GMP on the Member's death. The GMP is roughly equivalent to the additional pension which would have been earned in SERPS during any period of contracted-out employment before 6 April 1997. From 6 April 1977 no GMP accrues but the MNOFP must provide benefits which meet a statutory prescribed minimum level of benefits. However, these restrict the benefits a Member can opt for in some circumstances:

- Cash Sum at retirement (Section 11 on page 28): the amount of cash may have to be restricted;
- Early Retirement (Section 10 on page 21): an early retirement pension might not be available at all to ensure there are sufficient funds to pay the GMP from State Pension Age. Your pension would of course be available from Normal Pension Age.

## 11. Late Retirement

if you continue working beyond Normal Pension Age you can wait until you actually retire before taking your pension. In this case the pension would be increased. Contributions cease once you reach Normal Pension Age.

## 12. Transfer Value

Legislation gives Members the right to take a transfer to the following types of pension arrangement:

- i) another employer's approved pension fund;
- ii) an insurance company policy (known as a "Section 32" policy or buyout policy);
- iii) a personal pension scheme.

A transfer value is the cash equivalent of the benefits to which you are entitled on leaving MNOFP. Broadly speaking this is the amount of money the MNOFP would need to hold at the date of transfer, so that together with future interest it should be sufficient to provide the benefits. The amount will vary from time to time to reflect market conditions at the time of transfer. It is not a transfer of Service nor does it directly relate to contributions paid (except that the amount would not be less than your own contributions plus interest).

Members have the right to ask for an estimate of the transfer value up to a year before your benefits become due or within 6 months of leaving service if later (as long as it is more than 12 months since it was last provided). Members with deferred benefits can similarly request a statement of guaranteed cash equivalent. If you require an estimate or a statement you should contact MNPA.

Transfer values paid by the MNOFP make no allowance for any discretionary increases that might

be agreed in the Old Section, or any post retirement discretionary increases agreed in the New Section.

Transfer values are calculated on a basis agreed by the Trustees on the advice of the Actuary.

You should carefully compare the benefits quoted in another arrangement with those to which you are entitled from MNOFP. If you are not sure which is better you should obtain advice from an adviser authorised under the Financial Services Act. MNPA have such an authorised person and his services are available to Members.

## 13. Back Service Credits

A Member who was in Service on 1 April 1990, who was formerly a Rating, but became an Officer and joined the MNOFP in the period 6 April 1970 to 5 April 1978, is entitled to receive a credit in respect of continuous service in the industry between 6 April 1970 and the date he joined the MNOFP if before 6 April 1978.

The credit is 10/60 of Average Revalued Pensionable Salary for each year of such service (proportion for part year).

Where a Member is entitled to benefits from another scheme during such period, credit for the same period will not apply.



## 18 NOTES

CONTINUED

### 14. Membership of other Schemes

If you have benefits under other pension schemes (for example Free Standing Additional Voluntary Contribution Schemes) these must be taken into account to ensure that your total pension does not exceed the maximum allowed by the Inland Revenue.

### 15. Children's Pensions

- The definition of a Child is as follows:

Any child dependent upon the Member, Deferred Pensioner or Pensioner for the ordinary necessities of life (including a child who is not legitimate or legally adopted provided that the child is living with the Member, Deferred Pensioner or Pensioner at the date of his death) who is also:

- i) under the age of 18, or
- ii) under the age of 25 and undergoing full time education or vocational training.

The Trustees may, in their absolute discretion, pay a pension to a child who is over the age of 18 and incapable of earning his or her own living due to permanent disability, but such discretion shall also extend to pay less than the full pension.

- Pensions will belong to the children but will usually be paid to their surviving parent or other guardian.

- The total pension will normally be shared equally between all the children who meet the above definition.
- Where a Member's widow or widower remarries the children's pensions are unaffected.
- When a child reaches the upper age limit he normally ceases to be eligible. Provided there are 2 or more eligible children remaining, the total children's pension will not reduce. If there is only one eligible child remaining, that child's pension will be unaffected.

Pension ceases when there are no eligible children remaining.

- If no widow's or widower's pension is paid, the children's pensions are doubled.
- Children's pensions are paid in arrears on the 15<sup>th</sup> day of each month.

## **16. Transfer from other Schemes**

Whilst there is no legal requirement to do so, the Trustees can agree to accept a transfer value of the benefits a member may have built up in another approved pension scheme. This may be another employer's scheme or a Personal Pension Scheme.

No transfer will be accepted where the former scheme has not equalised benefits under the requirements of the sex equality regulations, or where the transfer value is insufficient to support the liability for a Guaranteed Minimum Pension included in a transfer value.

A transfer can only be accepted during the period a Member is currently making contributions.

Where a transfer is received from the limited number of shipping company pension schemes where, prior to April 1988, membership was an alternative to MNOPF membership, then the number of years' membership of such schemes will count towards the qualifying service required for certain benefits eg ill health retirement. It is not possible, under Inland Revenue regulations, to include such service in the calculation of Inland Revenue maximum benefits.

No transfer will be accepted before the Member has been given details in writing of the additional pension credit that would be granted in respect of the transfer and the Member's written acceptance received.

The transfer accepted is not a transfer of the years of service the member has in the former scheme. The transfer value is a lump sum which is used to provide a defined amount of pension in MNOPF which will be paid at Normal Pension Age.

The amount of pension credited will be increased between the date the credit is granted and the date the pension is taken (if at or before Normal Pension Age) by the increase in National Average Earnings over that period.

Reciprocal arrangements are in place with the Merchant Navy Ratings Pension Fund ("MNRPF") whereby a member transferring between MNRPF/MNOPF is treated as remaining in service in both Schemes provided service is continuous. Transfers from MNRPF are not, therefore, accepted.

If you wish to consider a transfer from a former employer's pension scheme, please send to MNPA copies of your statement of benefit from your former scheme together with written authority for MNPA to obtain

details of the transfer value available. Please ensure you include your MNOPF membership number.

## **17. Additional Voluntary Contributions (AVCs)**

If you wish to increase your benefits under MNOPF you may pay AVCs. The contributions receive tax relief if you are a UK tax payer. However the Inland Revenue impose limits on your total benefits from approved pension schemes and a maximum on the contributions you may pay of 15% of your gross earnings in a tax year including the contributions to MNOPF. If you would like further information please contact MNPA.

## **18. Annual Report**

The annual report for the MNOPF is sent to all active Members. Further copies are available from MNPA at the address shown on page 3.



## **19** Information

### **Financial Services Act**

MNOPF Trustees Limited is an Occupational Pension Scheme member of the Investment Management Regulatory Organisation Limited as defined under Section 191 of the Financial Services Act 1986 and is regulated by that organisation in relation to the management of investment assets at any time under the direct control of the Trustees.

### **Pension Schemes Registry**

The MNOPF is registered with the Registrar of Pension Schemes, PO Box 1NN, Newcastle upon Tyne, NE99 1NN. (Registration Number 0P600 282/1B). This registry was established under the 1990 Social Security Act. Its function is to assist members of the public in tracing the trustees of schemes, where the scheme member has lost contact.

### **Statement of Investment Principles (SIP)**

The Trustees have drawn up a SIP and a copy is available from MNPA. The SIP sets out the investment policy adopted which covers amongst other things the kinds of investments held, the balance between different kinds of investments and the attitude to risk.

### **Occupational Pensions Advisory Service (OPAS)**

If at any time a Member or beneficiary of the MNOPF is unable to obtain an answer from the Trustees or is not satisfied with the answer it is possible to seek assistance in resolving any dispute by writing to OPAS whose address is 11 Belgrave Road, London SW1 IRB. OPAS is a grant aided, non-profit making company limited by guarantee. It is an independent and voluntary organisation giving free help and advice to members of the public who have a problem with an occupational or personal pension scheme. The service is available after the person has attempted to resolve the problem with a scheme by writing to them in accordance with the formal disputes procedure described on page 48 but has been unsuccessful.

## **Pensions Ombudsman**

In the event that OPAS are unable, in their view, to obtain a satisfactory conclusion, then they can, with the Member's consent, refer the matter to the Pensions Ombudsman, who is located at the same address as OPAS.

The Pensions Ombudsman was appointed under the 1990 Social Security Act to investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. There is no charge for his service. Should the Ombudsman consider, on the facts provided, that an investigation is called for, he will investigate and if he decides that the complaint is justified, he will give both parties his decision in writing. The decision is final and binding on both the Member and the pension scheme, subject only to an Appeal to the High Court or Court of Session on a point of law.

## **Occupational Pensions Regulatory Authority (OPRA)**

OPRA is a regulatory body set up under the 1995 Pensions Act to supervise occupational pension schemes. It can intervene in the running of schemes where Trustees, employers or professional advisers appear to have failed in their duties. OPRA's address is:

Invicta House,  
Trafalgar Place  
Trafalgar Street  
Brighton  
East Sussex BN14BY

## **19 Information**

continued

### **Internal Disputes Resolution Procedure**

Normally any queries you may have regarding your pension will be dealt with to your satisfaction. However if this is not the case then a formal procedure has been established as follows:

If you are a member of the Merchant Navy Officers Pension Fund (MNOFF), or any other person with potential claim on the MNOFF (or if you believe you have a claim), and you are dissatisfied with or have some other complaint in regard to the way in which your case has been handled you should in the first instance express your dissatisfaction or complaint in writing to the person at Merchant Navy Pensions Administration (MNPA) who is dealing with your case and who will respond promptly to your communication. If you remain dissatisfied, and you wish to take the matter further, you should proceed as follows:

#### **Stage 1**

Obtain a DISPUTE RESOLUTION APPLICATION FORM (STAGE 1) by writing to:-The  
Chief Executive of MNOFF  
MNPA, Ashcombe House, The Crescent, Leatherhead, Surrey KT22 8QL

You should complete the form and send it to MNPA at the above address. MNPA will acknowledge receipt of the form and, if necessary, ask for further clarification of details by you on the form. At this stage your complaint or dispute will be dealt with by the Chief Executive and you should expect to receive his response within two months from either the date of receipt of your completed form or the date that any further information requested by MNPA has been received by it. If the Chief Executive is not able to give his response within that two month period you will be notified of the reason for the delay and the date when it is expected a decision will be given.

If the Chief Executive considers that the issue you have raised is one which should be decided by the Trustees of the Fund he will notify you accordingly and tell you when the Trustees' response is likely to be received. Your case will then be dealt with under the Stage 2 procedure below.

#### **Stage 2**

If you are not satisfied with the response from the Chief Executive (and your case has not been referred to the Trustees) you can ask for your case to be referred to the Trustees. In that event you should obtain from the Chief Executive a DISPUTE RESOLUTION FORM (STAGE 2) which you should complete and return to MNPA as quickly as possible. The date when the Trustees can give their decision will be determined by the dates of their meetings, and you will be notified of the date you should expect to receive the Trustees' response.

If you are not satisfied with the Trustees' response you can if you wish refer your case to the Occupational Pensions Advisory Service ("OPAS") by writing to:-

OPAS, 11 Belgrave Road, London SW1V 1RB