



ANNUAL REPORT & ACCOUNTS

For the year ended
31 March 2014





MERCHANT NAVY OFFICERS PENSION FUND

Annual Report & Accounts for the year ended 31 March 2014

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Pension Scheme Registry Number: 10005645

Trustee: MNOF Trustees Limited

Registered Office: Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7ET

Company number: 00333017





MNOF TRUSTEES LIMITED

Board of Directors

P G McEwen MBE MNM

Chairman – Officer Director

W D Everard CBE

Vice-Chairman – Employer Director

E J N Brookes TD

Employer Director (resigned 31 March 2014)

R Cunningham

Officer Director

A M Dickinson

Officer Director

G Elliott

Officer Director

A Graveson

Officer Director

M Jess

Officer Director

D E Jones

Employer Director

P Keenan

Officer Director (resigned 25 February 2014)

M MacDonald

Employer Director (appointed 1 April 2014)

J McGurk

Employer Director

R Murphy

Employer Director

L D Stracey

Employer Director

O Tunde

Officer Director (appointed 24 March 2014)

P Walker

Employer Director (appointed 14 October 2013)

MNOF Executive

A G Waring

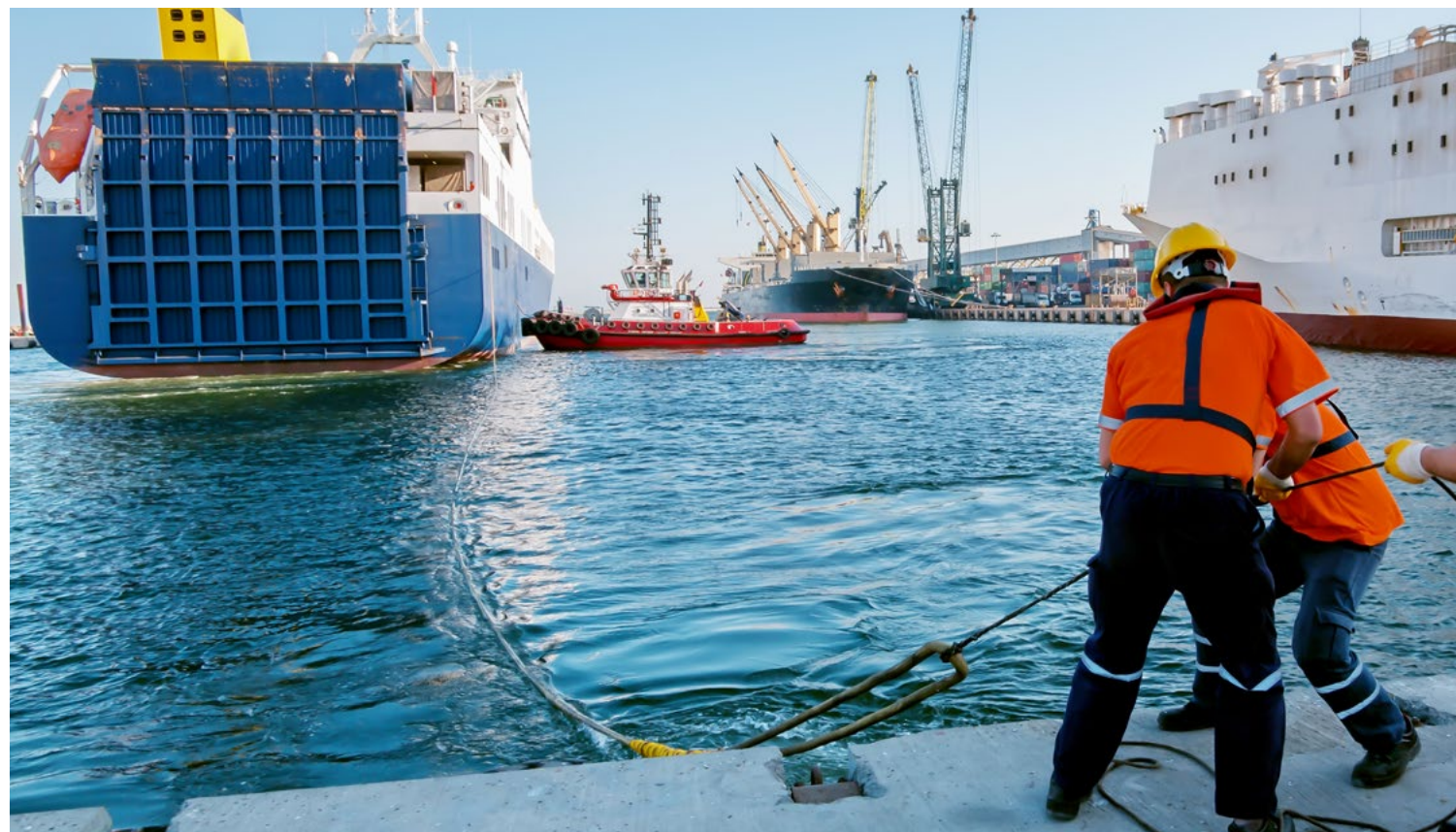
Chief Executive

K L Foster

Scheme Secretary

R J Hymas

Chief Financial Officer (appointed 1 January 2014)





MNOF TRUSTEES LIMITED

Advisers and Managers

Scheme Actuary

C P Burbidge
Towers Watson Limited

Legal Adviser

Baker & McKenzie LLP

Independent Auditor

Grant Thornton UK LLP

Pensions Administrator

JLT Pensions Administration Limited

Additional Voluntary Contributions Provider

The Equitable Life Assurance Society

Delegated Chief Investment Officer

Towers Watson Limited

Independent Investment Adviser

Hymans Robertson LLP

Bankers and Custodians

National Westminster Bank Plc
The Bank of New York Mellon SA/V

Investment Managers (Securities)

Towers Watson Limited
(as manager of managers)

BlackRock Advisers (UK) Limited

Edinburgh Partners Limited

Loomis, Sayles & Company LP

Southeastern Asset Management
Incorporated

State Street Global Advisers Limited

Veritas Asset Management (UK) Limited

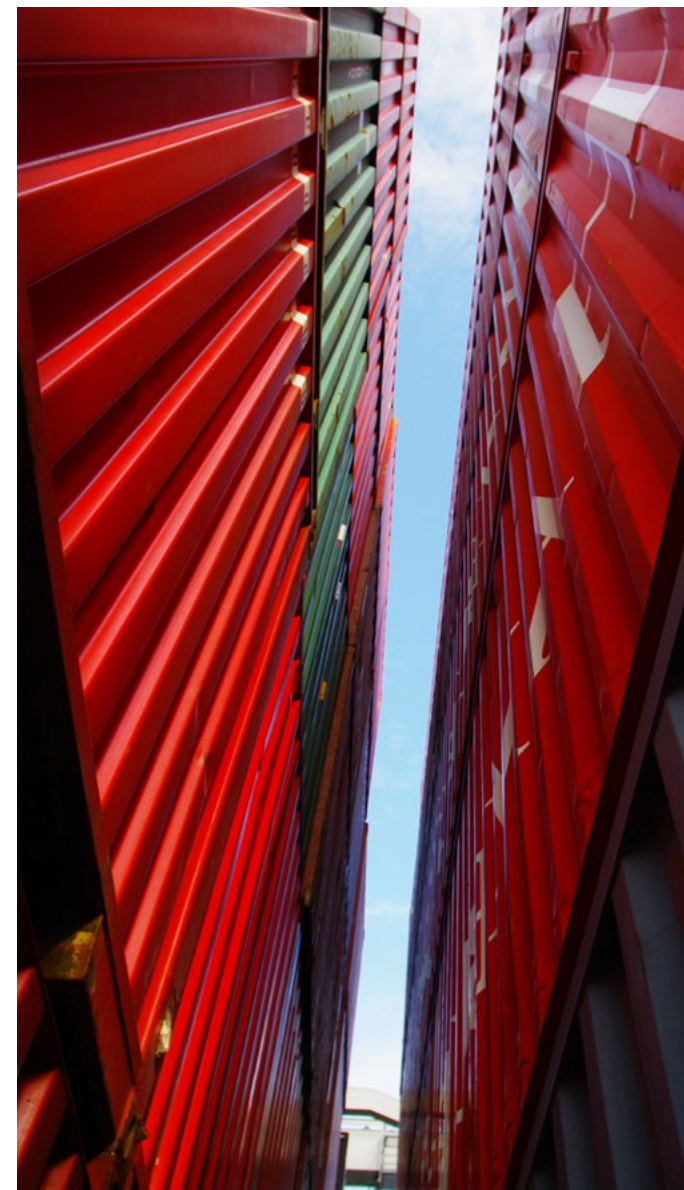
Buy-In Insurance Providers

Legal & General Assurance Society Limited
(formerly Lucida Limited)

Rothesay Life Limited

Investment Manager (Property)

CB Richard Ellis Global Investors Limited





TRUSTEE REPORT

For the year ended 31 March 2014

The Board of MNOPF Trustees Limited (referred to hereafter as 'the Trustee') is pleased to present the 76th Annual Report of the Merchant Navy Officers Pension Fund (referred to hereafter as the 'Fund' or 'MNOPF'), for the year ended 31 March 2014. The Annual Report includes the Financial Statements and Notes, the Independent Auditor's Report, the Independent Auditor's Statement about Contributions, the Actuarial Statements and Certificates and a Compliance Statement.

Constitution

The Fund was established by a Trust Deed dated 29 October 1937, and is currently regulated by the Trust Deed and Rules dated 25 June 1999, as amended by subsequent supplemental deeds. The Fund is managed by a corporate Trustee, MNOPF Trustees Limited, and provides defined benefits for nearly 48,000 Merchant Navy Officers and their dependants.

The Fund is a Registered Pension Scheme under the Finance Act 2004. It is exempt from UK income and capital gains taxes, but cannot recover the tax credit on UK dividends.

The Fund consists of two Sections: the Pre-1978 Section, referred to as the 'Old Section' and the Post-1978 Section referred to as the 'New Section'. The New Section is contracted-out of the State Second Pension under the provisions of the Occupational Pension Schemes (Contracting-Out) Regulations 1996.

The Annual Report and Financial Statements are available to members through the website:



www.mnopf.co.uk/annual-reports





TRUSTEE REPORT

For the year ended 31 March 2014

Governance

The Trustee is responsible for the strategy, management and decisions relating to financial, legal and administrative issues. There is provision on the Board of the Trustee for 14 Directors, split equally between Employer Directors and Officer Directors. Employers and Members are represented by Employer Directors and Officer Directors respectively.

A list of Board Directors is shown on page 3.

The appointment, re-appointment and removal of Directors is the responsibility of the Joint Officers Pension Committee, formed by the Employers' and Officers' organisations. The Employer Directors of the Trustee Board are considered for appointment by the Employers' representatives on this Committee and the Officer Directors are considered by the Officers' representatives. A Director may appoint an Alternate Director to attend meetings in his place. During the year there were two Director resignations and three Director appointments, as indicated on page 3.

The Trustee met on seven occasions during the year.

Details of the Directors who attended meetings are set out in the Compliance Statement on page 35.

The Trustee has appointed a number of committees and sub-committees to undertake various tasks relating to the Fund's management. All these committees consist of

an equal number of Employer Directors and Officer Directors and operate under terms of reference agreed by the Trustee Board.

Conflicts of Interest

All the Directors have signed a Conflicts of Interest Protocol which, in summary, provides for the notification of potential conflicts of interest and the approach to the management of such conflicts. The Protocol also sets out the Directors' responsibilities in relation to confidentiality. This document is reviewed annually.

MNOF Group Companies

During the year, MNOF Holdings Limited (referred to hereafter as 'Holdings') was a 100% owned subsidiary of the Trustee. Holdings had two 100% owned subsidiaries: Ensign Pensions Administration Limited and Ensign Trustee Executive Services Limited. The subsidiaries traded as the Ensign Pensions Group ('Ensign').

Ensign Pensions Administration Limited provided administration services to MNOF as well as third party pension schemes.

Ensign Trustee Executive Services Limited provided executive services to pension schemes, and the MNOF Executive staff are employed by Ensign Trustee Executive Services Limited. On 9 June 2014 the company changed its name to Ensign Pensions Limited.

Holdings reviewed the strategic objectives for Ensign from a shareholder's perspective on a regular basis and monitored progress against business plans.

In March 2014 an agreement was entered into whereby MNOF Holdings Limited and Ensign Pensions Administration Limited were acquired by JLT Employee Benefits Limited. Further details regarding this transaction are included in Note 11 of the Financial Statements.

Committees

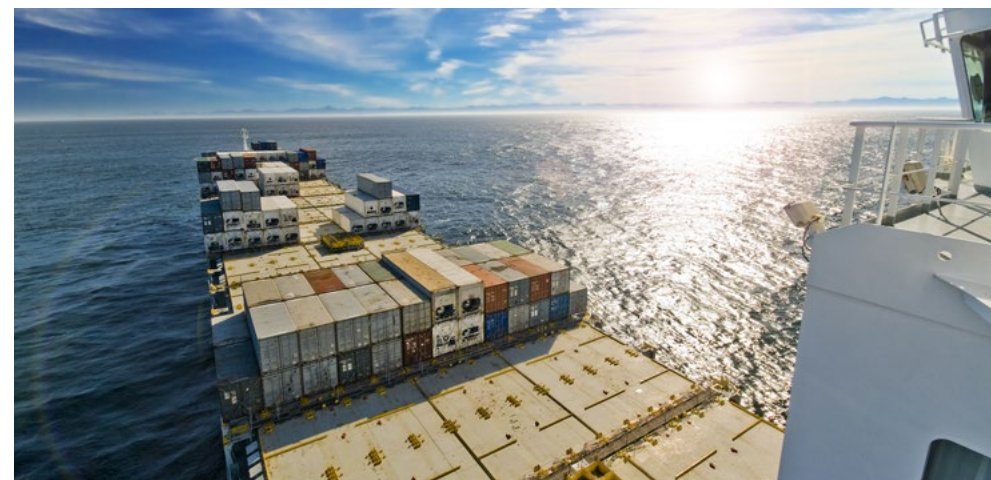
The Trustee is supported by a number of committees, each having their own terms of reference. Membership of committees is split equally between Employer directors and Officer directors. Each of these committees is supported by the MNOF Executive and professional advisers, as required.

The Management Committee

The Management Committee consists of six members and is responsible for considering strategy relating to the management and future structure of the Fund, considering preliminary actuarial reports, monitoring legal and administration issues and making recommendations to the Trustee as appropriate.

Following a review of the role of the Investment Committee during the year, the Trustee Board agreed in March 2014 that the Management Committee would assume the future responsibilities and duties of the Investment Committee.

During the year, the Management Committee met on five occasions.





TRUSTEE REPORT

For the year ended 31 March 2014

The Deficit Contribution Sub-Committee

The Deficit Contribution Sub-Committee reports to the Management Committee and is responsible for all matters connected with the collection of deficit contributions, statutory employer debts and debts arising under Rule 5.2A of the Rules.

During the year, the Deficit Contribution Sub-Committee met on four occasions.

Chairman's Sub-Committee

The Chairman's Sub-Committee consists of the Chairman and Vice-Chairman who, acting jointly, have been delegated certain authorities to progress any suitable de-risking opportunities and to make recommendations to the Trustee.

During the year, the Chairman's Sub-Committee met on 12 occasions.

Investment Committee

The Investment Committee consisted of four members, and was responsible for the oversight of the implementation of the Trustee's investment strategy. The Investment Committee also considered the investment strategy and made recommendations to the Trustee on overall investment policy in light of changing circumstances.

As noted on page 6, following a review of the role of the Investment Committee during the year, the Trustee Board agreed in March 2014 that the Management Committee would assume the future responsibilities and duties of the Investment Committee.

During the year, the Investment Committee met on five occasions.

Group Audit Committee

The Group Audit Committee consists of four members and is responsible for meeting with the external auditors, overseeing internal audits, reviewing the Financial Statements and appropriateness of the accounting policies adopted and reviewing the Fund's risk management processes.

During the year, the Group Audit Committee met on three occasions.

Membership of Committees

The Trustee Directors were members of committees during the year as shown below:

E J N Brookes TD

Management Committee

Group Audit Committee

A M Dickinson

Management Committee

W D Everard CBE

Management Committee

Investment Committee (Chairman)

Chairman's Sub-Committee

A Graveson

Investment Committee

Group Audit Committee

M Jess

Management Committee

D E Jones

Management Committee

P Keenan

Group Audit Committee

P G McEwen MBE MNM

Management Committee (Chairman)

Investment Committee

Chairman's Sub-Committee

J McGurk

Investment Committee

L D Stracey

Group Audit Committee (Chairman)

The MNOPF Executive

The Trustee has established an Executive team (referred to as 'the MNOPF Executive') to work with the Trustee on developing the Fund's strategy, to implement the Trustee's decisions and to supervise the day-to-day running of the Fund. The Trustee has delegated certain authorities to the MNOPF Executive.



TRUSTEE REPORT

For the year ended 31 March 2014

Risk Management

The Trustee has overall responsibility for risk management and internal controls. It is committed to identifying, evaluating and managing risk. The Trustee, supported by the MNOF Executive, implements and maintains control procedures to mitigate significant risks. A risk register is maintained to:

- highlight the risks to which the Fund is exposed;
- assess those risks in terms of likelihood and impact; and
- identify actions that are either currently being taken, or that the Trustee considers should be taken, in order to mitigate the identified risks.

The MNOF risk register takes into account the objectives identified in the Trustee's Strategic Plan, together with certain other matters, and seeks to address or mitigate the impact of such issues to the fullest extent possible.

Strategic Planning

In 2010, the Trustee completed a major review of its Strategic Plan (referred to hereafter as 'the Plan').

The Trustee's long-term funding objective and improvements in governance are important parts of the Plan, the overall aim of which is protecting and paying members their benefits when they fall due. This aim is the basis of a structured approach to the achievement of the specified funding targets. Following detailed modelling, these targets are documented in each Section's journey plan.

During the year, the Trustee has focussed on completing the de-risking programme for the Old Section, providing certainty and security for all the members of this Section. In addition, following the 2012 actuarial valuation, the Trustee has also agreed the New Section journey plan, and a new three-year Strategic Plan is currently being developed.

Old Section Buy-in to Buy-out

Following the buy-in transaction with Rothesay Life in December 2012, the benefits of the Old Section were fully insured. In the period to January 2014, a substantial amount of work was undertaken to prepare for individual policies to be issued to members and on 2 January 2014, the Trustee formally agreed that the work was sufficiently advanced to permit the wind-up of the Old Section to commence.

On 20 January 2014, Legal & General (formerly Lucida Limited, with whom the Old Section has had a buy-in insurance policy since 2009) and Rothesay Life were instructed to issue individual policies within six months of that date. Old Section members will receive their policies in July 2014. This action is the buy-out of the Old Section and further detail is included in notes 5 and 8 to the financial statements.

In view of the progress made at 31 March 2014, the Trustee considers that the liability of the Old Section has effectively been discharged and, therefore, as permitted by Regulations, has decided to value the policies at nil in the financial statements.

It had always been planned for the buy-out process to provide an opportunity to increase Old Section benefits. The Trustee is delighted to have been able to secure a one-off uplift

in benefits payable to Old Section members of 2.2%. The financial statements for the Old Section on pages 19 to 20 show the transaction relating to the buy-out and the uplift to the benefit.

The Trustee, supported by Rothesay Life and Legal & General, has established **myMNOFPension**, which is operated by Ensign Pensions Administration. **myMNOFPension** consolidates the potential multiple sources of MNOF benefits post the buy-out of the Old Section into a single payment to the member. This is a unique development and has been designed to minimise the effect of the buy-out on Old Section members. **myMNOFPension** also provides a single point of contact for all members. Full details can be found on the MNOF website www.mnopf.co.uk/mymnopfpension.

myMNOFPension can also be contacted as follows:

myMNOFPension
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

Telephone: 01372 200200

Email: enquiries@mymnopfpension.co.uk



TRUSTEE REPORT

For the year ended 31 March 2014

Contributions

Normal Contributions

Members' and employers' normal contributions are received in respect of active members in accordance with the Schedule of Contributions of the New Section of the Fund. Following the actuarial valuation of the New Section as at 31 March 2012, and having referred to the advice of the Scheme Actuary, the Trustee decided there was a requirement to increase the future service contribution rates with effect from 1 October 2013. Prior to 1 October 2013, the contribution rate for employers in the New Section was 15.5% of Pensionable Salaries and 9.5% for active members. From 1 October 2013 the contribution rate in the New Section rose to 20% for employers and 12.2% for active members. The Trustee also agreed that employers should pay backdated additional contributions (including those of members) for the period from 1 April 2012 to 30 September 2013.

Additional contributions

The additional employer contributions were payable under the Schedule of Contributions and were due to be paid by 30 September 2013. The formal request for them to be paid was not issued until the calculation of the amount due was finalised in September 2013 and, due to the proximity to the due date, many of the contributions were paid late. All amounts due were subsequently received.

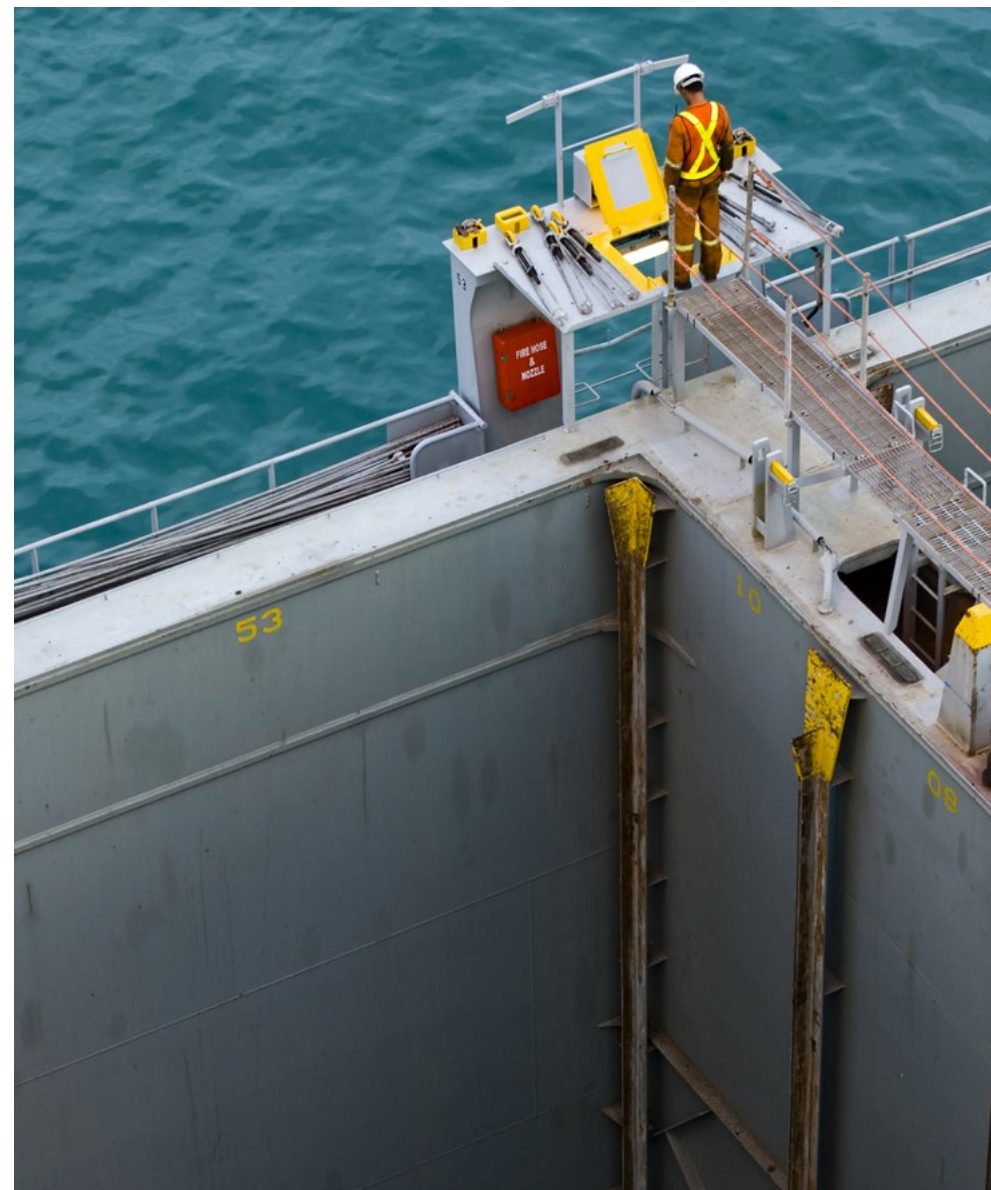
The external auditor has referred to this matter in the Statement about Contributions. As this was a one-off situation, the Trustee does not need to take any remedial action in this respect.

Active members also have the opportunity to pay Additional Voluntary Contributions in addition to normal contributions. No contributions were payable in the Old Section.

Summary of Contributions

The amounts due under the Schedule of Contributions as recognised in the Financial Statements are:

Due under the Schedule of Contributions	31 March 2014 £m
Employers' normal contributions	9.0
Members' normal contributions	5.5
Members' Additional Voluntary Contributions	0.1
Employers' deficit contributions	116.2
Additional contributions	5.1
Total recognised in the Financial Statements and reported on by the Independent Auditor	135.9





TRUSTEE REPORT

For the year ended 31 March 2014

Deficit Contributions

The MNOF's Deficit Contributions Collection Policy sets out the process of how employers are expected to pay their share of the deficits identified in the 2003, 2006, 2009 and 2012 valuations.

The MNOF has a robust process to ensure the efficient collection of the deficit contributions from more than 200 participating employers. This includes providing them with a series of payment options and the Trustee and its advisers have worked with participating employers to implement appropriate credit support arrangements. These arrangements include corporate guarantees and other forms of contingent assets (including bank guarantees and charges over tangible fixed assets), and have helped to secure the collection of deficit contributions from employers and enhance the protection of members' benefits.

Included within deficit contributions are amounts that are due and expected to be received from employers where statutory debts have arisen following an employment cessation event.

Covenant Monitoring

Ongoing employer covenant and risk monitoring processes have been developed to provide the Trustee with regular information with regard to the employer covenant and any actual or potential material change to the creditworthiness of participating employers. This is consistent with the Pensions Regulator's guidelines regarding covenant monitoring.

Late Normal Contributions

In addition to the late payment of additional contributions referred to on page 9, other normal contributions to the New Section totalling £115,868 were not received by the due dates set out in the Schedule of Contributions. These amounts are not material; hence the Independent Auditor's Statement about contributions is not qualified in this respect. Employers have been made fully aware of the legal time limits for paying contributions.

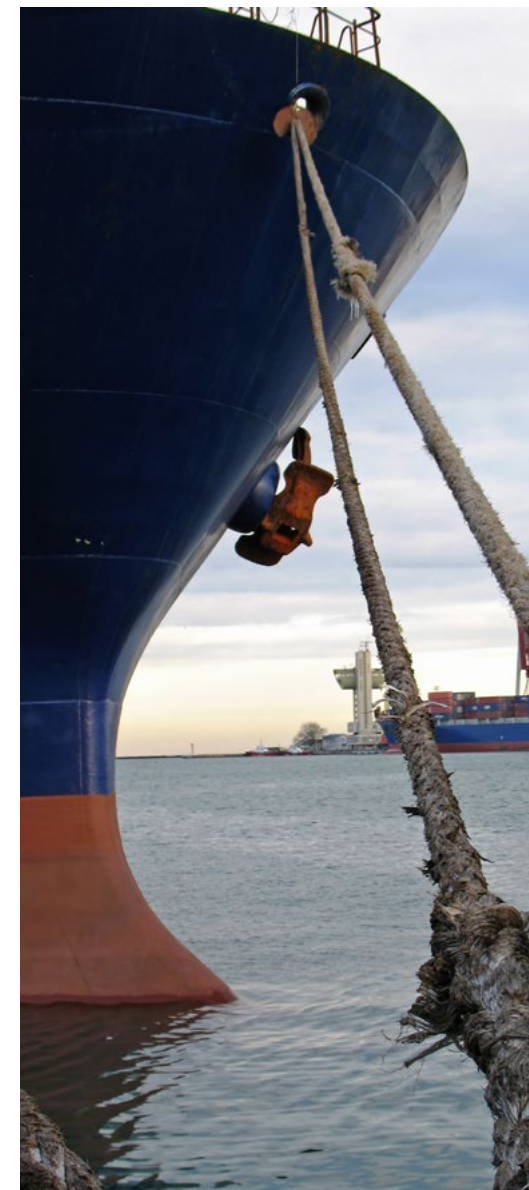
Condor Marine Services Limited and Northern Marine Management Limited paid late on more than one occasion.

Additional Voluntary Contributions ('AVC')

Since 6 April 2006, there has been no requirement for occupational pension schemes to offer members an AVC arrangement. The tax regime in force at that date allows members to invest in personal pension arrangements at the same time as being a member of an occupation scheme like the MNOF.

Given the flexibility now available, AVCs are only accepted from current contributing members who were either paying AVCs at 6 April 2006 or had previously paid AVCs.

On retirement, members have the right to use their AVC fund to buy an additional pension in the Fund; however, if members elect to commute part of their pension for a Pension Commencement Lump Sum, the AVC fund value would be used to fund part of the cash lump sum. Alternatively, a member can choose to buy their benefits with a provider of their choice (this is known as the 'open market option').





TRUSTEE REPORT

For the year ended 31 March 2014

Actuarial Valuation at 31 March 2012

Separate valuations were completed for the Old Section and the New Section in accordance with the statutory funding requirements of the Pensions Act 2004 and guidance from the Pensions Regulator. The assumptions used are different for the Old Section and the New Section, reflecting the different nature and investment policies of the two Sections.

The formal statements and certificates issued by the Scheme Actuary following completion of the Actuarial Valuation as at 31 March 2012 (the Valuation Date) are set out on pages 38 and 39.

Old Section

The results of the Old Section Actuarial Valuation as at 31 March 2012 showed a surplus of £3 million.

Subsequent to the completion of the valuation, the Trustee undertook a transaction with Rothesay Life Limited to secure, through an insurance policy, 100% of the Old Section liabilities that were not already covered by the insurance policy with Legal & General.

As explained earlier in this report, the buy-out and subsequent wind-up of the Old Section are well advanced, and individual policies will be issued to members in July 2014.



A copy of the Old Section Actuarial Valuation report can be found here.

[Click here](#)

New Section

The 31 March 2012 New Section valuation results produced a gross deficit of £492 million, which was then reduced to £152 million after allowing for the present value of the outstanding deficit contributions in respect of the 2003, 2006 and 2009 valuations of £340 million. In addition, the Trustee considered it appropriate to make some allowance for additional investment returns (compared to those assumed when calculating the Technical Provisions) over the Recovery Period. In this respect, the Trustee decided to make an allowance of £32 million for such additional returns, resulting in the amount of deficit contributions to be collected as at 31 March 2012 reducing to £120 million, increased with interest at the rate of 6.3% per annum from 31 March 2012.



A copy of the New Section Actuarial Valuation report can be found here

[Click here](#)

Recovery Plan

Given that the New Section is maturing rapidly, the Trustee decided to collect deficit contributions over a maximum of ten years to 30 September 2023. In exceptional circumstances, the Trustee may be prepared to allow an employer to pay instalments over a period not exceeding twelve years to September 2025. The position in respect of each employer will be determined by the Trustee in accordance with the Deficit Contributions Collection Policy.

Funding Update

The actuary's last review of the funding position of the New Section was as at 31 March 2014. At that date, the position had improved since the full Actuarial Valuation in 2012 and the 2013 funding update with a lower level of deficit being reported.

Over the period from 31 March 2012 to 31 March 2014, the New Section funding position improved from a gross deficit of £492 million to £363 million. This was mainly due to the payment of deficit contributions over the two years. At 31 March 2014, the future deficit contributions were expected to eliminate the shortfall by 30 September 2025, allowing for the expected asset outperformance.

The funding position at 31 March 2014 is summarised below:

	New Section £m
Value of past service liabilities	2,774
Market value of assets	2,411
Gross Surplus/(Deficit)	(363)
Cover of assets over liabilities	87%

The assumptions used to estimate the value of the past service liabilities for the 2014 update were chosen by the actuary following the method agreed by the Trustee for the 2012 Actuarial Valuation.

The next Actuarial Valuation of the Fund is as at 31 March 2015, and should be finalised by 30 June 2016.



TRUSTEE REPORT

For the year ended 31 March 2014

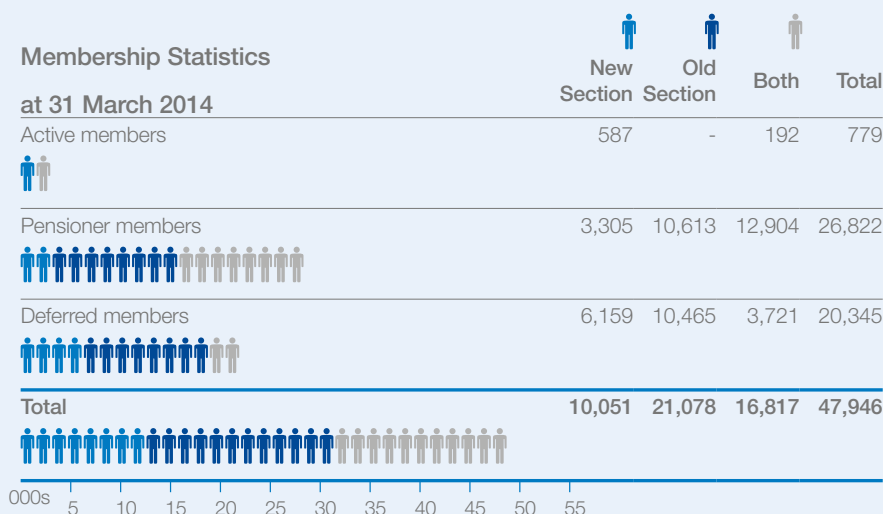
Membership

The changes in the Fund membership during the year were as follows:

	2014	2013
Active members		
As previously stated	905	1,032
Adjustment for the previous year	(16)	(38)
Restated	889	994
Pension Credit members	-	2
Members retiring	(73)	(65)
Deaths in service	-	-
Other leavers	(37)	(26)
At the year-end	779	905
Pensioner members		
As previously stated	26,567	26,266
Adjustment for the previous year	(5)	85
Restated	26,562	26,351
New pensioners (includes new dependant pensioners)	1,163	1,240
Pensions ceased	(903)	(1,024)
At the year-end	26,822	26,567
Deferred members		
As previously stated	21,537	22,804
Adjustment for the previous year	(355)	(394)
Restated	21,182	22,410
New leavers before pensionable age	39	30
Members ceasing to be deferred (transfers out, deaths, retirement, rejoiners)	(839)	(903)
Benefits forfeited	(37)	-
At the year-end	20,345	21,537
TOTAL MEMBERSHIP at the year-end	47,946	49,009

Adjustments for the previous year are in respect of late notification of events resulting in a membership status change.

In respect of each Section, the membership as at 31 March 2014 was as follows:





TRUSTEE REPORT

For the year ended 31 March 2014

Review of the financial development of the Fund

The total value of the Fund at 31 March 2014 was £2,411 million. In view of the impending buy-out of the Old Section, all of this value is attributable to the New Section.

In the Old Section, benefits paid out, plus management and administration expenses, amounted to £1,449 million; this includes the buy-out of the Old Section.

In the New Section, benefits paid out, plus management and administration expenses, amounted to £122 million. Normal contributions received in the New Section (calculated as a percentage of pensionable salary from active members and employers) amounted to £15 million. Deficit contributions received in the year amounted to £116 million.

Full details of the financial development of the Fund can be found in the audited Financial Statements on pages 19 to 20, which have been prepared and audited in accordance with the regulations made under Section 41(1) and (6) of the Pensions Act 1995.

Further information

Copies of the Actuarial Valuation Reports, Statement of Investment Principles and the Deficit Contributions Collection Policy are available on the website or in printed form on request.

General Enquiries

Scheme Secretary
MNOPF Trustees Limited
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

Member Enquiries

myMNOPFpension
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

Email: enquiries@mymnopfpension.co.uk

Telephone: 01372 200200



www.mnopf.co.uk

Changes to the Trustee

William Everard and I are standing down at the end of August 2014 after each serving as a Trustee Director for over 30 years, fourteen of which for me were as Chairman and for William, 21 years as Vice-Chairman. This has been a period of many challenges and together I think many positive outcomes have been achieved for the Fund and its members. I would like to take this opportunity to express my gratitude for the support of all my fellow Trustee Directors, William in particular, the staff, ably led by Chief Executive Andrew Waring, and our advisors.

My very best wishes to all members and their dependants for a long, happy and healthy retirement.

This report, together with the Investment Report, Statement of Trustee Responsibilities and Compliance Statement were approved by the Trustee Board on 4 July 2014.

P G McEwen MBE MNM

Chairman of MNOPF Trustees Limited





INVESTMENT REPORT

For the year ended 31 March 2014

Investment strategy

The Investment Committee and from 1 April 2014 the Management Committee, supported by the Delegated Chief Investment Officer and other professional advisers, monitor and develop investment policy to target the Fund's main investment objectives, which are:

- the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from members and employers, the cost of current and future benefits which the Fund provides; and
- to limit the risk of assets failing to meet the liabilities over the long term.

Statement of Investment Principles

The Trustee is required to establish and maintain a Statement of Investment Principles ('SIP'). This must set out the basis on which the Trustee plans to invest the scheme assets. The SIP was reviewed during the year to 31 March 2014 and no changes were made. The approved SIP has been published on the Fund's website.

During the year the Investment Committee approved a statement setting out the Fund's commitment to the Stewardship Code.

The Stewardship Code aims to enhance the quality of engagement between institutional investors and UK companies in order to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The statement has been posted on the MNOPF website.

Delegated Chief Investment Officer

The MNOPF's Delegated Chief Investment Officer model enables integrated and effective implementation alongside timely responses to investment opportunities.

The Delegated Chief Investment Officer of the Fund advises on investment strategy and benchmarks and implements the agreed strategy within parameters set by the Investment Committee. The Delegated Chief Investment Officer implements the strategy by appointing investment managers to manage assigned portions of the Fund's portfolio or by buying units in collective investment schemes. The Delegated Chief Investment Officer also assesses the nature, disposition, marketability and security of the Fund's assets.

Independent Investment Adviser

The Independent Investment Adviser provides expert monitoring and oversight of the Delegated Chief Investment Officer. The Trustee believes this approach is an effective and appropriate approach to investment strategy, decision making and oversight.

Investment beliefs

The Trustee believes that clearly defined objectives and a journey plan are essential for achieving investment targets. These targets are incorporated in the Delegated Chief Investment Officer's mandate. The investment beliefs of the Trustee and Delegated Chief Investment Officer are also aligned. The main investment beliefs are:

- Investment risks need to be considered in a consistent framework and unrewarded risks should be hedged if it is cost effective to do so.
- Portfolios should be structured across diversifying asset classes and return drivers which help build a robust portfolio.
- Skilful managers can add value over the long term; however, where low cost passive or semi-passive investment approaches are available, these are considered in the first instance.

Journey plans

The Trustee puts in place clearly defined journey plans to achieve agreed funding levels on a gilts basis over an agreed period of time. The Delegated Chief Investment Officer provides on-going monitoring against these journey plans and recommends appropriate actions required throughout the journey.

Investment Performance

The Delegated Chief Investment Officer and all underlying investment managers are assigned clear mandates in relation to their investment portfolios. Most investment managers have discretion over individual security selection, holding investments in specific asset classes. Investment manager remuneration structures and levels are contractually agreed and largely relate to the market value of their investment portfolios.

The assets of the New Section have been managed in accordance with the benchmark set by the Investment Committee. A key change in the final quarter of the financial year was to adjust the New Section portfolio benchmark to align with the required return under the journey plan.

Other than the private equity commitments, the investments held by the Fund are predominantly either quoted or held in pooled arrangements. For the majority of these investments, fair value prices are readily available which represent transactions that have taken place on an arm's length basis. The investments are generally regarded as readily realised as fair value, although on occasions markets may experience reduced liquidity, in which case it may not always be possible to realise such assets at short notice at prices equal to fair value.



INVESTMENT REPORT

For the year ended 31 March 2014

The portfolio of New Section as at 31 March 2014 is summarised as:

	Total £m	Pooled investment funds £m	Equity £m	Fixed interest securities £m	Property £m	Cash deposits and other investment balances £m
Equities	349.8	207.9	131.6	–	–	10.3
Hedge funds	163.0	163.0	–	–	–	–
Commodities	33.2	33.2	–	–	–	–
Non-investment grade credit	124.5	124.5	–	–	–	–
Infrastructure	38.9	38.9	–	–	–	–
Private equity and infrastructure	93.2	85.8	7.4	–	–	–
Property	59.5	56.6	–	–	2.9	–
Reinsurance	42.9	42.9	–	–	–	–
IG Credit	452.7	355.0	0.4	94.0	–	3.3
Matching assets	977.0	126.9	–	1,252.5	–	(402.4)
Other	50.6	45.5	–	–	–	5.1
Included in the notes to the accounts (excluding AVCs)	2,385.3	1,280.2	139.4	1,346.5	2.9	(383.7)

The Fund's primary objective is defined by the journey plan for each of the Old and New Sections.

Old Section

The Old Section achieved its journey plan objectives at the end of 2012 and for the entire financial year held only two bulk insurance buy-in policies and a residual cash balance for run-off expenses. The Old Section has, therefore, achieved a fully secured position and has been bought out.

The rest of this report addresses the performance of the New Section.

New Section

The New Section journey plan targets 105% funding on a gilts basis by 2025, allowing for employer deficit contributions and investment returns. Progress against the New Section's objective is measured by the progress in funding level at specified points along the journey plan.

The Investment Committee monitored the performance of the New Section's investments on a regular basis over the financial year with reference to multiple comparators and appropriate time frames.



INVESTMENT REPORT

For the year ended 31 March 2014

The key measures of performance considered were:

Investment return relative to liabilities

This is the primary measure which, in conjunction with deficit contributions, leads to journey plan progress. The New Section outperformed its gilts based liabilities by 3.4% over the year to 31 March 2014 leading to an increase in funding level and progress against the journey plan. The New Section is, therefore, presently on course to achieve its journey plan objective within a ten year timeframe.

Investment return relative to benchmark

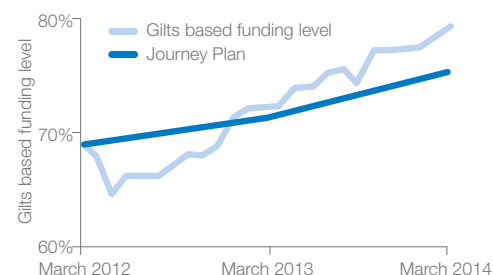
The benchmark is a measure based on the strategic asset allocation against which investment implementation decisions are taken. The New Section's returns were ahead of this measure by 1.4% over the financial year.

The table below shows New Section's investment performance as measured by the independent performance measurer over one year and longer periods against the key measures.

To 31 March 2014	1 Year (%)	3 Year (% pa)
New Section	-0.6	6.5
Gilts based liabilities	-4.0	8.0
Benchmark	-2.0	5.9

New Section performance is shown net of underlying manager fees, gross of Delegated Chief Investment Officer fees.

The chart below shows the journey plan progression from 31 March 2012, the date of the last actuarial valuation, when the journey plan was updated.



Market Review

Summary

The positive economic environment in 2013 continued into the first part of 2014 as global markets generally shrugged off ongoing geopolitical concerns. This resulted in strong performance for developed market equities and for a number of other return-seeking asset classes such as property over the year to 31 March 2014.

UK and US interest rates have remained consistently low over the year, and there was a surprise move by the European Central Banks in November 2013 to cut interest rates to a record low of 0.25%, reflecting concerns around deflation in some countries. Future expectations of interest rates, however, reflected increased confidence around future market expectations. This resulted in negative bond returns, particularly in the US and UK.

The monetary, fiscal and economic growth policies put in place by the Japanese government has resulted in the depreciation of the yen by 20.3% versus sterling. Sterling has also appreciated against the US dollar by 9.8% and the euro by 2.3% over the financial year.

The combined impact of these market changes resulted in an improvement in the funding position over the year.

Equity markets

Over the course of the 12 months to 31 March 2014, developed market equity performance has been strong, with the FTSE World returning 7.6% (in sterling terms). Volatility in equity markets continued at low levels compared to those experienced in recent years. Emerging market equities have continued to perform poorly compared to their developed counterparts, returning -10.7% over the year (in sterling terms, as measured by FTSE).

Bond markets

2013 will be remembered as one of the worst years on record for developed market bond returns. Across Germany, US and UK, bonds at all maturities suffered negative returns. This has been somewhat reversed in the first part of 2014 as declines in developed market yield curves led to strong performance in government bond markets.

Credit spreads have decreased over the year. The credit spread on the iBoxx £ Non-Gilts Index decreased from 161.7 bps at the end of March 2013 to 124.8 bps at the end of March 2014.

The spread on BBB-rated Non-Gilts decreased from 274.5 bps to 190.8 bps over the same period.

Emerging market sovereign bonds had a disappointing second half of 2013, but have recovered during the first part of 2014. This was driven by a combination of reasonable risk premiums, dissipating macro tensions and a declining US government yield curve. Over the 12 months to 31 March 2014, hard currency emerging market debt returned 0.6% (sterling hedged, as measured by JPMorgan) whilst local currency emerging market debt returned -15.4% (sterling unhedged, as measured by JPMorgan).

Alternative investment markets

UK commercial property has returned 14.0% over the 12 month period to 31 March 2014. Yields have been stable over the majority of the past 12 months.

Over the period, hedge funds on average returned 6.7% in sterling terms (hedged). Of the main hedge fund strategies, only the macro strategy has returned negative performance over the 12 months (-2.1% in US dollar terms), with distressed, event driven and long/short equity strategies being the best performers.

Commodity futures have returned 1.1% over the year (in US dollar terms – as measured by GSCI). The price of crude oil (measured by WTI Crude Oil futures) also rose by 4.5% over the period (in US dollar terms).

Towers Watson

13 May 2014



STATEMENT OF TRUSTEE'S RESPONSIBILITIES

For the year ended 31 March 2014

The financial statements, which are prepared in accordance with United Kingdom generally accepted practice, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited Financial Statements for each Fund year which:

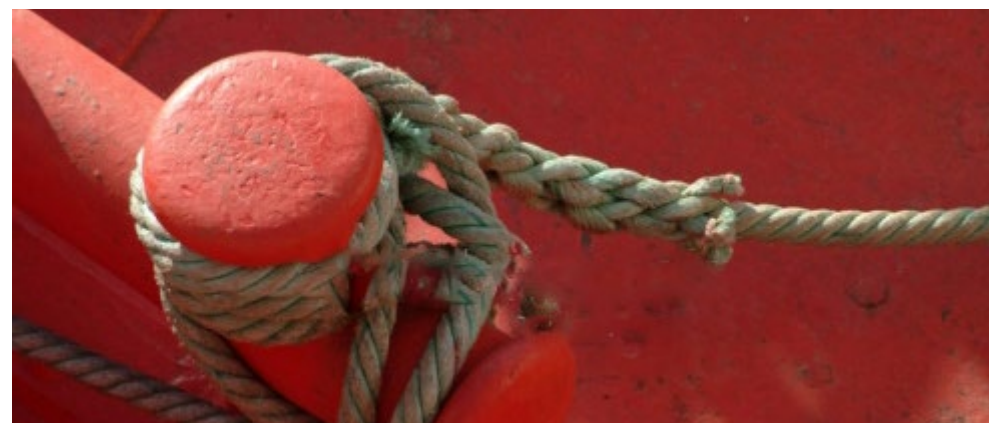
- Show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year.
- Contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the Financial Statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the Financial Statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Trustee is also responsible for making available certain other information about the Fund in the form of an Annual Report. The Trustee is responsible, under pensions legislation, for ensuring that there is prepared, maintained and, from time to time, revised a Schedule of Contributions for each Section showing the rates of contributions payable towards the Fund by or on behalf of the employers and the active members of the Fund, and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for monitoring whether contributions are made to the Fund by employers in accordance with the Schedule of Contributions. Where breaches of Schedules occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustee is responsible for the maintenance and integrity of the financial information of the Fund included on the Fund's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to the Trustee to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.





INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

For the year ended 31 March 2014

We have audited the financial statements of the Merchant Navy Officers Pension Fund for the year ended 31 March 2014 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities on page 17, the Fund's Trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the rest of the annual report which comprises the Trustee's Report, the Investment Report, the Statement of Trustee's Responsibilities, the Compliance Statement and the Actuarial Certificates to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2014, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
London
4 July 2014



THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

FUND ACCOUNT

For the year ended 31 March 2014

	Note	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Contributions and benefits					
Contributions	3	–	135.9	135.9	90.6
Individual transfers-in		–	0.3	0.3	–
		–	136.2	136.2	90.6
Benefits	4	(80.8)	(115.8)	(196.6)	(194.0)
Payments to and on account of leavers	5	(1,360.2)	(2.4)	(1,362.6)	(4.4)
Administrative and other expenses	6	(8.2)	(4.2)	(12.4)	(7.0)
		(1,449.2)	(122.4)	(1,571.6)	(205.4)
Net (withdrawals)/additions from dealings with members		(1,449.2)	13.8	(1,435.4)	(114.8)
Returns on investments					
Investment income	7	83.2	40.4	123.6	125.1
Change in market value of investments	8	–	(35.8)	(35.8)	279.7
Investment management expenses		–	(13.6)	(13.6)	(16.6)
Net returns on investments		83.2	(9.0)	74.2	388.2
Net (decrease)/increase in the Fund during the year		(1,366.0)	4.8	(1,361.2)	273.4
Net assets of the Fund at the beginning of the year		1,366.0	2,406.5	3,772.5	3,499.1
Net assets of the Fund at the end of the year		–	2,411.3	2,411.3	3,772.5

The notes on pages 21 to 32 form an integral part of these financial statements.



THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

NET ASSETS STATEMENT

As at 31 March 2014

	Note	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Investment assets		–	2,884.9	2,884.9	3,749.7
Investment liabilities		–	(496.8)	(496.8)	(9.0)
	8	–	2,388.1	2,388.1	3,740.7
Current assets	9	4.8	38.6	43.4	48.5
Current liabilities	10	(4.8)	(15.4)	(20.2)	(16.7)
Net assets of the Fund at the end of year		–	2,411.3	2,411.3	3,772.5

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Schedules of Contributions and Actuarial Certificates on pages 38 to 39 of the Annual Report, and these Financial Statements should be read in conjunction with them.

Approved by the Trustee on 4 July 2014.

Signed on behalf of the Trustee:

P G McEwen MBE MNM

Chairman of MNOF Trustees Limited

W D Everard CBE

Vice-Chairman of MNOF Trustees Limited

The notes on pages 21 to 32 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, 'Financial Reports of Pension Schemes' (revised May 2007).

All transactions are recognised on an accruals basis except as disclosed in the accounting policies.

1.1 Sections of the Fund

The Fund is made up of two sections; The Pre-1978 Section or "Old Section" covers periods of service up to 5 April 1978. The Post-1978 Section or "New Section" commenced on 6 April 1978 for periods of service from that date.

Transactions and balances are accounted for and disclosed separately between the Old and New Sections in the financial statements. Costs that are shared by the Old and New Sections are allocated using a basis agreed by the Trustee.

1.2 Consolidation

Subsidiaries are all entities over which the Fund has the power to govern the financial and operational policies. The Fund has taken advantage of the exception within Financial Reporting Standard 2 from preparing consolidated accounts on the grounds of immateriality and has accounted for subsidiaries using the equity method of accounting based on values derived from audited Financial Statements prepared as at 31 March 2014, which represent the Trustee's estimate of fair value.

Investments in subsidiaries are recognised as equity holdings. Details of subsidiaries are included in Note 11.

2. Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and prior year, are as follows:

2.1 Contributions

Members' normal and Additional Voluntary Contributions are recognised on an accruals basis when deducted from pay. Employers' normal contributions are accounted for at the same time as members' contributions.

Additional contributions, which are further amounts paid by employers following the revision of the Schedule of Contributions and which are due under the revised Schedule, are recognised when due under the Schedule.

Payment profiles for deficit contributions are established with employers in line with the requirements of the Schedule of Contributions for the New Section. Accordingly, employers' deficit contributions are recognised at the earlier of the date on which cash is received and the date the invoice is raised. Specific provision is made for amounts falling due but unpaid, if amounts are assessed as irrecoverable. The provision is recognised in Administration Expenses.

Contributions arising from statutory employer debt and which are due under section 75 of the Pensions Act 1995 are recognised when invoiced. The value recognised is the amount the Trustee assesses as being likely to be recovered when the invoice is raised.

2.2 Benefits payable

Benefits payable and payments to leavers, with the exception of transfers to other schemes, are taken into account in respect of valid claims notified before the year end. Transfers to other schemes are accounted for on a cash basis.

2.3 Investment income

Investment income is recognised on an accruals basis.

In respect of dividend income from equity shares, this is when the Fund becomes entitled to the dividend. In the case of UK quoted shares this will be from the ex-dividend date.

Net rents receivable are shown net of property outgoings, other than management fees, which are shown separately as an expense.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2.4 Investments

Investments are all recognised at fair value, as detailed further below.

Quoted equity and fixed income securities and certificates of deposit, for which there are active secondary markets, are recorded at bid market prices or last traded prices (depending upon market convention) at the year end date as sourced from pricing vendors who are independent of the appointed fund managers.

For the purpose of presentation, quoted securities include those listed or traded on a recognised investment exchange and, in respect of fixed income, also include those securities where there is a secondary over-the-counter ("OTC") market where prices are readily available from a dealer, industry group, pricing service or regulatory agency.

Unitised pooled fund investments such as unit linked insurance policies and unit trust holdings are valued at the respective managers' bid or single price.

Other unquoted securities, including other pooled investment vehicles and investments in hedge funds, are included at prices provided by the third party pricing vendors where there is a traded market, and at the Trustee's estimate of market value where there is not a traded market. The Trustee's estimate is based on the valuation provided by the fund managers.

Non-profit bulk annuity policies (often referred to as "buy-in policies") are valued by the Trustee by reference to the recapture premium provided to the Fund by the insurance provider at the reporting date. If a recapture premium is not provided, the value is calculated as the cost less cash drawdowns that have taken place prior to the year end. Any outstanding deferred premiums still payable by the Fund under the policies are included in the valuation. If, in the opinion of the Trustee, a buy-in policy or a combination of policies provides an effective discharge of all of the liability to particular members, the policy or policies are valued at nil. The reduction of any previous value recognised is included in the Fund Account as a payment to leavers.

The recapture premium is the amount that the provider would charge at the year end to provide benefits covered under the policy and is considered a measure of replacement cost.

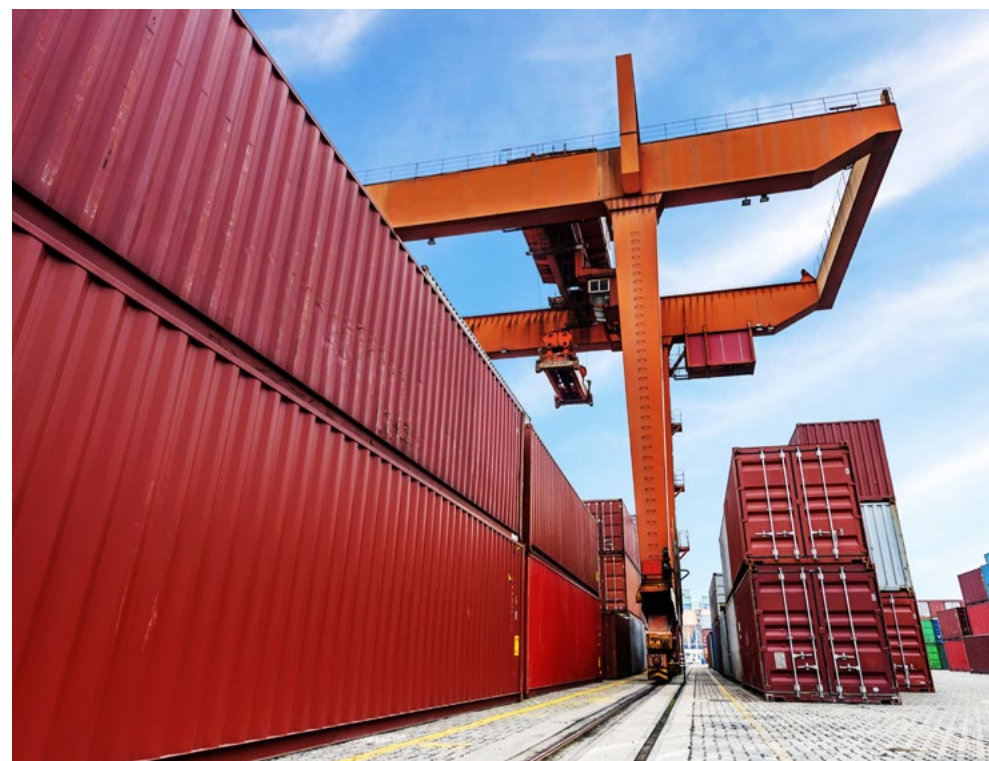
Securities sold subject to repurchase agreements are included in the financial statements within their respective investment classes at the period end fair value of the securities to be repurchased. The liability to the counterparty is included in other investment balances.

2.5 Foreign currency

Foreign currency transactions are translated into sterling at the rate prevailing on the date of the transaction. The market value of investments and other assets/liabilities held in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Differences arising on the translation of investments are included in changes in market value.

Forward currency contracts, open at the year end, are valued at that date at the relevant forward rates and any unrealised gains or losses are recognised in the financial statements.

Gains and losses on foreign currency contracts taken out specifically to hedge certain overseas investment holdings are included in 'change in market value of investments' in the Fund account.





NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Contributions

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Employers – normal	–	9.0	9.0	7.6
Employers – additional	–	5.1	5.1	–
Employers – deficit	–	116.2	116.2	78.3
Members – normal	–	5.5	5.5	4.6
Members – additional voluntary contributions	–	0.1	0.1	0.1
	–	135.9	135.9	90.6

Employer deficit contributions of £838.7 million are due under the Recovery Plans agreed following the 2003, 2006, 2009 and 2012 valuations. At 31 March 2014, 85% (2013: 69%) of these contributions had been paid and the balance is payable over the period to September 2023.

4. Benefits

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Pensions	75.1	100.3	175.4	173.3
Lump sum retirement benefits	5.4	15.0	20.4	19.8
Lump sum death benefits	0.3	0.5	0.8	0.9
	80.8	115.8	196.6	194.0

The Trustee held insurance policies that secured a proportion of the pensions payable by the Old Section. Receipts under the policy during the year and included in investment income total £82.7 million (2013: £54.2 million).

5. Payments to and on account of leavers

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Purchase of annuities (see note 8.10)	1,359.5	–	1,359.5	–
Individual transfers to other schemes	0.7	2.4	3.1	4.4
	1,360.2	2.4	1,362.6	4.4

As further explained in note 8.10, the purchase of annuities by the Old Section represents the buy-out of the Old Section liability to members, and individual policies being issued to members in July 2014. The Trustee considered that as at 31 March 2014 there had been the effective discharge of the liability.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. Administrative and other expenses

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Administration, processing and data management	6.8	3.2	10.0	5.1
Actuarial fees	0.1	0.2	0.3	0.8
Legal, other professional fees and deficit collection fees	1.3	3.1	4.4	4.6
Other expenses	–	–	–	(2.4)
	8.2	6.5	14.7	8.1
Provisions against employer deficit contributions receivable	–	(2.3)	(2.3)	(1.1)
	8.2	4.2	12.4	7.0

All administrative expenses are recognised gross of VAT.

Legal, other professional and deficit collection fees:

- are net of income received from employers in respect of credit assessment fees, and
- include fees in relation to the progression of Old Section to buy-out.

Other expenses include the reversals of PPF levies over-accrued in prior years.

7. Investment income

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Income from fixed interest securities	–	20.5	20.5	32.4
Dividends from equities	0.5	5.1	5.6	10.6
Income from pooled investment vehicles	–	14.6	14.6	23.2
Net rents from property	–	–	–	4.1
Interest on cash deposits	–	0.3	0.3	0.1
Exchange loss on foreign currency cash holdings	–	–	–	0.8
Income from insurance policies	82.7	–	82.7	54.2
	83.2	40.5	123.7	125.4
Irrecoverable taxation	–	(0.1)	(0.1)	(0.3)
	83.2	40.4	123.6	125.1



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

8. Investments

8.1 Summary of investments

Assets	Note	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Fixed interest securities	8.6	–	1,140.0	1,140.0	242.3
Index linked	8.7	–	197.9	197.9	–
Equities	8.8	–	185.0	185.0	134.7
Pooled investment vehicles	8.9	–	1,234.5	1,234.5	1,914.9
Insurance policies	8.10	–	–	–	1,329.9
Derivatives	8.11	–	2.2	2.2	(9.0)
Property	8.12	–	2.7	2.7	29.5
AVC investments	8.13	–	2.8	2.8	2.9
Cash deposits and other investment assets	8.14	–	119.8	119.8	95.5
		–	2,884.9	2,884.9	3,740.7
Liabilities					
Other investment liabilities	8.14	–	(496.8)	(496.8)	–
		–	2,388.1	2,388.1	3,740.7

8.2 Reconciliation of investments – Old Section

The Old Section had no investment assets at 31 March 2014. All investment assets brought forward were used to settle payments on behalf of leavers.

8.3 Reconciliation of investments – New Section

	Value at 31/03/13 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Value at 31/03/14 £m
Fixed interest securities	242.3	2,211.1	(1,284.1)	(29.3)	1,140.0
Index linked	–	365.3	(173.3)	5.9	197.9
Equities	134.7	91.5	(55.7)	14.5	185.0
Pooled investment vehicles	1,892.1	296.6	(883.3)	(70.9)	1,234.5
Derivatives	(9.0)	27.4	(52.8)	36.6	2.2
Property	29.5	–	(34.0)	7.2	2.7
AVC investments	2.9	0.3	(0.6)	0.2	2.8
	2,292.5	2,992.2	(2,483.8)	(35.8)	2,765.1
Cash deposits and other investment assets	82.5				119.8
Investment assets	2,375.0				2,884.9
Other investment liabilities	–				(496.8)
	2,375.0				2,388.1

8.4 Change in market value

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including gains and losses realised on sales of investments during the year.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

8.5 Transaction costs

Included within purchases and sales are transaction costs of £Nil (2013: £86,000) for the Old Section and £245,808 (2013: £1,239,576) for the New Section. Costs are also borne indirectly by the Fund in relation to transactions in pooled investment vehicles. Such indirect costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

8.6 Fixed interest securities

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
UK public sector – quoted	–	1,052.7	1,052.7	158.4
UK corporate – quoted	–	–	–	–
Overseas public sector – quoted	–	87.3	87.3	83.9
Overseas corporate – quoted	–	–	–	–
	–	1,140.0	1,140.0	242.3

8.7 Index linked securities

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
UK quoted	–	197.9	197.9	–

8.8 Equities

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
UK quoted	–	18.7	18.7	17.6
UK unquoted	–	–	–	4.3
Overseas quoted	–	166.3	166.3	112.8
	–	185.0	185.0	134.7

8.9 Pooled investment vehicles

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Managed Funds – property	–	81.5	81.5	47.1
Managed Funds – other	–	863.1	863.1	1,209.9
Unitised insurance policies	–	289.9	289.9	657.9
	–	1,234.5	1,234.5	1,914.9

Country of registration of managers operating pooled investment vehicles	Number	Number	Number	Number
UK	–	13	13	12
Overseas	–	29	29	26

Unquoted investments in private equity (which are held through pooled investment vehicles) reflect the valuations provided by the relevant fund managers at the year end date and have been reviewed by the Trustee to assess if they can be accepted as a fair estimate of market value. Managers normally carry unquoted holdings at cost initially. Subsequently, they are valued by managers based on known facts and circumstances and the application of recognised valuation methodologies. Such investments may be written down based upon evidence of impairment.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

8.10 Insurance policies

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Annuity policy	–	–	–	1,329.9

At the start of the year the Old Section had non-profit bulk annuity (buy-in) policies valued at £1,329.9 million.

On 20 January 2014, the insurance providers, Rothesay Life and Legal & General, were instructed to commence the process of issuing individual policies to members. At 31 March 2014, the Trustee considered there to have been an effective discharge and, as permitted by statute and accounting guidance, decided to value the bulk policies at nil. Old Section members will receive their individual policies in July 2014.

During the year, additional premiums were paid. These were in connection with the buy-out and to provide an increase in the pensions payable to Old Section members. The value of the additional premiums was £29.5 million.

8.11 Derivatives

Objectives and policies

Derivatives are used by some investment managers as part of the investment strategy for the Fund. Included in the guidelines agreed with the Delegated Chief Investment Officer are restrictions on the use of derivatives. These restrictions are primarily to limit the use of such instruments to managing risk. In implementing the investment strategy, the Delegated Chief Investment Officer has invested in pooled funds which hold derivatives.

The Fund's derivative holdings are Foreign exchange forward contracts to manage currency exposure.

At the year end, the Fund's direct holdings were:

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Assets – direct holdings				
Forward foreign exchange	–	2.7	2.7	4.4
	–	2.7	2.7	4.4
Liabilities – direct holdings				
Forward foreign exchange	–	(0.5)	(0.5)	(13.4)
	–	(0.5)	(0.5)	(13.4)
Net derivative direct holdings positions	–	2.2	2.2	(9.0)

In addition to the above, the Fund had £126 million (2013: £517 million) in pooled funds, which held interest rate swaps. This is included in Pooled Investment Vehicles in note 8.9.

There were no collateral positions in relation to derivatives at 31 March 2014 (2013: £nil).



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

Forward foreign exchange

All forward foreign exchange contracts are over the counter. At 31 March 2014, the Fund's investment managers had contracts in relation to US Dollars, Canadian Dollars, Australian Dollars, Hong Kong Dollars, Euro and Japanese Yen. The contracts, which are only held in the New Section, are summarised as:

At 31 March 2014, the Fund's investment managers had:

	New Section
Number of open forward exchange contracts	49
Expiring on or before	18/06/14
Bought foreign currency with sterling equivalent value of	£29.2m
Sold foreign currency with sterling equivalent value of	£420.7m
Other currency pairings with a bought sterling equivalent of	0
The principal net exposures in these contracts were (sterling equivalent value)	Sold US\$ (£2.2m)

8.12 Property

The Fund had investments in the following types of property:

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Office	–	2.7	2.7	5.1
Retail	–	–	–	4.0
Industrial and other	–	–	–	20.4
	–	2.7	2.7	29.5

8.13 AVC investments

The aggregate amounts of AVC investments held with Equitable Life Assurance Society were as follows:

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
With profits fund	–	0.6	0.6	0.6
Unit-linked fund	–	1.9	1.9	2.1
Building society fund	–	0.3	0.3	0.2
	–	2.8	2.8	2.9

The Trustee holds assets invested separately from the main Fund in the form of individual accounts securing additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement, made up to the year end, confirming the amounts held in their account and the movements in the year.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

8.14 Cash deposits and other investment assets and liabilities

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Assets				
Cash	–	15.9	15.9	11.9
Treasury fund	–	88.5	88.5	78.4
Outstanding dividends, interest and other assets	–	15.4	15.4	5.2
	–	119.8	119.8	95.5
Liabilities				
Amount due under sale and repurchase contracts (REPOS)	–	(496.8)	(496.8)	–
	–	(377.0)	(377.0)	95.5

The movement in the Treasury fund comprised purchases of £1,410.2 million and sales of £1,400.1 million.

Included within cash deposits and other investment assets are amounts of £Nil (2013: £0.1 million) payable by the New Section in relation to unsettled investment transactions.

8.15 Commitments and redemptions

As at 31 March 2014 the Fund was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £92.1 million (2013: £46.1 million).

The Fund also held investments totalling £20 million (2013: £87 million) in certain pooled vehicles for which there are contractual restrictions on the redemption of the investment (excluding notice periods or dealing frequency) due to one to three year lock-in periods. Some of these assets can be redeemed by paying an early redemption penalty, the maximum of which is 1.75%.

8.16 Concentration of investments

No investments (2013: one) represented more than 5% of the investment value.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

9. Current assets

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Normal contributions due employers	–	0.6	0.6	0.4
Normal contributions due employees	–	0.3	0.3	0.3
Employer deficit contributions due	–	40.0	40.0	65.4
Provisions against employer deficit contributions due	–	(12.3)	(12.3)	(34.7)
Other debtors	4.0	4.1	8.1	4.7
Cash balances	0.8	5.9	6.7	12.4
	4.8	38.6	43.4	48.5

Normal contributions and deficit contributions (net of provisions) due at the year end were paid in accordance with the Schedule of Contributions.

10. Current liabilities

	2014 Old Section £m	2014 New Section £m	2014 Total £m	2013 Total £m
Unpaid benefits	(3.3)	(5.4)	(8.7)	(9.5)
Other creditors and accruals	(1.5)	(10.0)	(11.5)	(7.2)
	(4.8)	(15.4)	(20.2)	(16.7)

Included in New Section, “Other creditors and accruals” is a reserve established at 31 March 2014 with funds from the Old Section. The reserve will settle all future costs arising in relation to the Old Section following the completion of its buy-out in July 2014. These include the costs of operating myMNOFPension, which consolidates the benefits payable to Old Section members into a single payment. myMNOFPension also provides a single point of contact for all members of MNOF and the reserve will settle a proportion of the cost of this service. The costs of myMNOFPension will be settled over many years as the service is delivered.

The reserve was established on an arm’s length basis and at 31 March 2014 the balance was £2,711,230.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

11. Related party transactions

Under Financial Reporting Standard 8, Related Party Disclosures ("FRS 8"), the Trustee is deemed to be a related party of the Fund. Included in administrative expenses are payments of £126,541 (2013: £100,000) made to certain Trustee Directors for fees relating to the exercise of their duties during the year. Trustee directors are also reimbursed expenses. The Chairman is a pensioner member of the Fund on the same basis as all other pensioner members.

During the year, the Fund had interests in the following companies which are related parties:

Entity	Activity	Equity holding	Value of holding £m	Transactions in year
MNOF Holdings Limited	Holding company	100%	–	–
Ensign Pensions Administration Limited	Pension fund administration services	100% Indirectly	n/a	Purchases by the Fund £5.2m
Ensign Trustee Executive Services Limited	Pension fund executive services	100% Indirectly	n/a	Recharges to the Fund £2.2m
Pensions Limited	Dormant	100% Indirectly	–	n/a
Merchant Navy Pensions Administration Limited	In Liquidation from 29 May 2014	100%	–	n/a
MNTES Limited (incorporated 9 May 2013)	Dormant	100%	–	n/a

On 21 March 2014, the Trustee entered into a Sale and Purchase Agreement ("SPA") with JLT EB Holdings Limited. The SPA resulted in the sale of 100% of the share capital of MNOF Holdings Limited and Ensign Pensions Administration Limited. The SPA was subject to regulatory approval, which was received on 25 April 2014. The sale formally completed on 30 April 2014. The sale has been recognised as having taken place on the signature of the SPA.

As a result of the SPA, the following corporate actions were taken:

- MNOF Holdings Limited changed its name to JLT Pensions Holdings Limited on 24 April 2014.
- The ownership of Ensign Trustee Executive Services Limited was transferred from MNOF Holdings Limited to MNOF Trustees Limited on 24 April 2014.
- The ownership of Pensions Limited was transferred from Ensign Pensions Administration Limited to MNOF Trustees Limited on 20 March 2014.

On 9 June 2014 Ensign Trustee Executive Services Limited changed its name to Ensign Pensions Limited.

At the date of this report, the Fund, therefore, had interests in the following companies which are related parties:

Entity	Equity holding
Ensign Pensions Limited	100%
Pensions Limited	100%
MNPA Limited	100%
MNTES Limited	100%

In addition, on 28 March 2014, Ensign Trustee Executive Services Limited replaced Ensign Pensions Administration Limited as the principal employer of the MNPA Staff Pension Fund ("SPF") and MNOF Trustees Limited became the sole participating employer in SPF. As at 31 March 2014, SPF had a surplus calculated in accordance with Financial Reporting Standard 17 "Retirement Benefits". This has not been recognised as an asset in the Fund's financial statements. On 30 May 2014, the assets and liabilities of SPF were transferred to MNOF and the wind up of SPF was commenced shortly thereafter.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

12. Employer-related investments

At the year end the maximum market values of direct investments held by the Fund in companies known to be, or which have subsidiary interests that are known to be, participating employers was calculated as 0.9% (2013: 1.2%) of the net assets of the Fund. The investments were as follows:

	Total £m	2014 Old Section %	New Section %	2013 Total £m	Total %
Segregated Funds					
Anglo American PLC	0.3	—	*	0.7	*
BAE Systems PLC	0.3	—	*	0.2	*
BP PLC	2.2	—	0.1	3.3	0.1
Cable and Wireless Communications PLC	—	—	*	—	—
Cemex S.A.B de C.V.	1.6	—	0.1	2.6	0.1
Exxon Mobil Corp	0.8	—	*	—	—
James Fisher & Sons PLC	—	—	*	—	—
Royal Dutch Shell PLC	0.6	—	*	0.5	*
Saipem SpA	—	—	*	—	—
Smiths Group PLC	—	—	*	—	—
Technip SA	—	—	*	—	—
Thames Water Utilities Finance Ltd	—	—	*	0.3	*
Unilever NV	1.4	—	0.1	1.6	*
Unilever PLC	0.1	—	*	0.1	*
Pooled Funds	14.6	—	0.6	37.3	1.0
Total ERI exposure	21.9	—	0.9	46.6	1.2

* less than 0.05% – these amounts are included in the overall percentage calculation, but excluded from the totals in the table.

Employer-related investment did not exceed 5% at any time during the year.

For all participating employers that are listed or which have listed parent companies, there is potential that employer-related investments have been made via pooled vehicles. The total exposure to employer-related investments in pooled vehicles, which include hedge funds, is shown in the table and is determined using assumptions. The assumptions are deliberately conservative and are likely to result in an overstatement of the actual value.

In addition to the amounts shown in the table, normal contributions of £14,396 and additional contributions of £3,249,596 were received during the year after the due date set out in the Schedules of Contributions. Under applicable Regulations, these are also employer-related investments for the period for which they were late and unpaid.





COMPLIANCE STATEMENT

For the year ended 31 March 2014

Forfeited Benefits

The Rules permit the Trustee to treat benefits as forfeited in certain circumstances if a member's whereabouts is unknown, although the Rules also give the Trustee discretion to reinstate forfeited benefits if the member's whereabouts becomes known at a later stage. The Trustee has established a policy on the forfeiture of benefits and has identified 92 members in the year ended 31 March 2014 who are very unlikely to claim benefits now, as during the year they have exceeded the upper age limit set under the Forfeiture Policy.

Overpaid Pensions

The Trustee must ensure that pensions are paid to the correct recipient.

Pensions payable from the MNOF cease on the death of the recipient or, in the case of dependent children, when they cease to meet the criteria for receiving a dependent child's pension. Under Rule 25A, the Trustee has the power to treat any instalments of pension paid after the death of a member as a pre-payment of any widow(er)'s pension.

All members and beneficiaries are asked to note that the Trustee will take action to recover benefits that have been overpaid. In cases where false representations have been made, the Trustee will usually report the incident to the police, which could lead to prosecution of the individuals involved.

Discretionary Pension Increases

The Trustee is required to consider, at least annually, whether it can grant discretionary increases to pensions under Rule 6.6 of the Trust Deed and Rules, having taken the advice of the Scheme Actuary.

After reviewing the Scheme Actuary's advice based on the funding levels at 30 September 2013, the Trustee did not consider it appropriate to grant a discretionary increase on Old Section and New Section pensions in 2013/14 whilst maintaining a sufficient level of security for all members' benefits. As part of the Old Section buy-out and purchase of insurance policies, an uplift of 2.2% in pensions payable to Old Section members was achieved.

Statutory Pension Increases

Certain increases to pensions are required by legislation; these rules only apply to New Section pensions.

Guaranteed Minimum Pensions in payment earned from 6 April 1988 and pensions in payment relating to service from 1 April 1997 were increased in April 2014, as required, by 3.0% and 3.2% respectively.

Increases to deferred pensions are made in accordance with the MNOF's Trust Deed and Rules (the 'Rules') and depend on the date of leaving. During the year, New Section deferred pensions for members who left service prior to 1 January 1986 were increased by 2.7% as required by the

Rules and, for those leaving after that date, by application of the statutory revaluation percentage to the whole of the deferred pension.

Full details of the pension increases that applied at April 2014 can be found on the website.



www.mnopf.co.uk/mymnopfpension





COMPLIANCE STATEMENT

For the year ended 31 March 2014

Transfers

The Rules of the Fund allow transfers both to and from other registered occupational pension schemes and personal pension plans. The Trustee receives a statutory discharge from any further liability once a transfer has been made to another pension arrangement.

The Trustee confirms that all transfer values are calculated and verified as required under the Pension Schemes Act 1993 (as amended by the Pensions Act 1995). There is no allowance for discretionary benefits in transfer values.

Data review

The Trustee has been carrying out a review of member data. The approach to this work is consistent with the record-keeping guidance issued by the Pensions Regulator.

Statutory employer debt

The Section 75 debt legislation was introduced to ensure that if a scheme is not sufficiently well funded, a debt is paid by the employer on the occurrence of certain events (known as an 'employment cessation event').

Cases heard by the High Court have clarified that an 'employment cessation event' occurs in relation to the MNOF when an employer who ceased to employ active members before 6 April 2008 also ceased to employ 'Officers' under age 61, either simultaneously or at a later date. Where an employer

continued to employ active members after 6 April 2008, an 'employment cessation event' occurs when the employer ceases to employ active members.

In the light of these cases, the Trustee has undertaken an exercise to obtain information for all New Section employers who have ceased to employ active members, to establish whether they continued to employ persons who would have been eligible to join the Fund and, if so, how long they continued to do so. This has enabled the Trustee to determine which New Section employers have triggered a Section 75 debt and which remain potentially liable for a Section 75 debt in the future. Letters have been sent to those employers who have triggered Section 75 debts with confirmation of the date on which the debt was triggered. The amounts payable have been clarified by the Actuary, invoices issued and payment pursued from the respective employers.





COMPLIANCE STATEMENT

For the year ended 31 March 2014

Trustee Meetings

A summary of meetings held and Board Directors' attendance during the year ended 31 March 2014 is detailed as follows:

Name	MNOF Board		The Management Committee		Group Audit Committee		Investment Committee		Chairman's Sub-Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P G McEwen MBE MNM (Chairman)	7	7	5	5			5	5	12	12
W D Everard CBE (Vice-Chairman)	7	7	5	5			5	5	12	12
E J N Brookes TD	6	6	3	3	3	3				
R Cunningham	7	7								
A M Dickinson	7	4	3	3						
G Elliott	7	5								
A Graveson	7	5			3	3	5	4		
M Jess	7	6	5	4						
D E Jones	7	4	5	5						
P Keenan	5	4			3	2				
J McGurk	6	6					5	5		
R Murphy	7	7								
L D Stracey	6	3			3	3				
P Walker	3	3								



COMPLIANCE STATEMENT

For the year ended 31 March 2014

Internal Disputes

The Trustee has an Internal Disputes Resolution Procedure ('IDRP') in place to deal with any complaints from members regarding the operation of the Fund. If the complaint cannot be resolved under the first stage of the Procedure, the Trustee will consider the complaint under stage two.

Further details of the IDRP can be found on the MNOF website.

Pension Tracing Service

The Pension Tracing Service provides a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

Pensions Tracing Service
The Pension Service
Tyneview Park
Whitely Road
Newcastle upon Tyne
NE98 1BA

Telephone: 0845 6002537



<https://www.gov.uk/find-lost-pension>

The Pensions Advisory Service (TPAS)

Any problem, issue or concern connected with the Fund should be referred to the Pensions Administrator of the Fund in the first instance, who will try to resolve the problem as quickly as possible. Members and beneficiaries of occupational pension schemes who have problems concerning their scheme that are not satisfied by the information or the explanation given by the administrators or the trustees can consult with the Pensions Advisory Service ('TPAS'). A local TPAS adviser can usually be contacted through the Citizens Advice Bureau. Alternatively TPAS can be contacted at:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

Telephone: 0300 123 1047



www.pensionsadvisoryservice.org.uk

The Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved, normally after the intervention of TPAS and completion of the Fund's formal Internal Dispute Resolution Procedure, an application can be made to the government-appointed Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

The Office of the Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

Telephone: 020 7630 2200



www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. The Pensions Act 2004 gives the Pensions Regulator a set of specific objectives to protect the benefits of members of work-based pension schemes: to promote good administration of work-based pension schemes and to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund. The Regulator can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW



www.thepensionsregulator.gov.uk

The Regulator does not deal with queries about individual benefits.



INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND

We have examined the Summary of Contributions to the Merchant Navy Officers Pension Plan in respect of the scheme year ended 31 March 2014, which is set out on page 9.

This statement is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to the Trustee in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Trustee as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities on page 17, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of the active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions and to report our opinion to you.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedules of Contributions.

Basis for Qualified Statement about Contributions

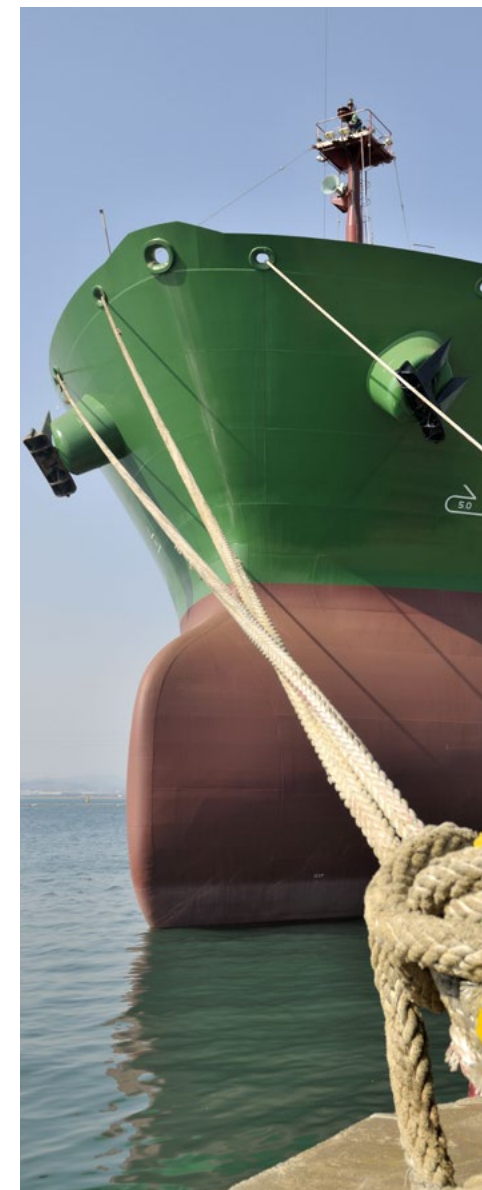
As described in the Trustee's Report on page 8, £3.3m of the £5.1m total employer additional contributions relating to the one-off payment to effectively backdate the uplift in normal contribution rates for the period 1 April 2012 to 30 September 2013 were paid to the Scheme later than the due date of 30 September 2013. All the Employer additional contributions were paid by 13 January 2014.

Qualified statement about contributions payable under the Schedules of Contributions

In our opinion, except for the late payment of the employer additional contributions, contributions for the Fund year ended 31 March 2014 as reported in the Summary of Contributions and payable under the Schedules of Contributions have, in all material respects, been paid at least in accordance:

- For the Old Section, with the Schedule of Contributions certified by the Fund Actuary on 12 November 2012
- For the New Section, with the Schedules of Contributions certified by the Fund Actuary on 26 March 2010 and 2 May 2013

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
4 July 2014





ACTUARY'S CERTIFICATIONS – OLD SECTION

Statutory Certificate

Actuarial certification for the purposes of the regulation 7(4)(a) of the Occupational Pensions Funds (Fund Funding) Regulations 2005.

Name of Fund: Merchant Navy Officers Pension Fund – Pre-1978 Section (the Old Section).

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Fund's technical provisions as at 31 March 2012 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Fund set out in the Statement of Funding Principles dated 12 November 2012.

CP Burbidge
Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited
21 Tothill Street
Westminster
London SW1H 9LL

12 November 2012

Actuary's certification of Schedule of Contributions Merchant Navy Officers Pensions Fund – Pre-1978 Section (the Old Section)

1 Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met for the period for which the Schedule is to be in force.

2 Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 12 November 2012.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

CP Burbidge
Qualification: Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited
21 Tothill Street
Westminster
London SW1H 9LL

12 November 2012



ACTUARY'S CERTIFICATIONS – NEW SECTION

Statutory Certificate

Actuarial certificate for the purposes of Regulation 7(4)(a) of the Occupational Pensions Funds (Fund Funding) Regulations 2005.

Name of the Fund: Merchant Navy Officers Pension Fund – Post-1978 Section (the New Section).

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Fund's technical provisions as at 31 March 2012 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Fund and set out in the Statement of Funding Principles dated 2 May 2013.

C P Burbidge
Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

2 May 2013

Actuary's certification of Schedule of Contributions for the Merchant Navy Officers Pension Fund – Post-1978 Section (the New Section)

1 Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected as at 31 March 2012 to be met by the end of the period for which the Schedule is to be in force.

2 Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated May 2013. The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

C P Burbidge
Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited
21 Tothill Street
London
SW1H 9LL

2 May 2013

