

MERCHANT NAVY OFFICERS PENSION FUND ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2025

MERCHANT NAVY OFFICERS PENSION FUND
YEAR ENDED 31 MARCH 2025

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MERCHANT NAVY OFFICERS PENSION FUND

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TRUSTEE AND ADVISERS

Trustee

MNOPF Trustees Limited

Trustee Directors*Employer Directors*

R Murphy (Chair, resigned 11 September 2024)
M J MacDonald (resigned 31 December 2024)
M McNeill
J M McGurk (Vice-Chair, appointed 24 September 2024)
L D Stracey (appointed 6 January 2025)

Officer Directors

M J Jess (Chair, from 25 September 2024)
A M Dickinson
O S Tunde

Registered office of the Trustee

C/O Sacker & Partners LLP
20 Gresham Street
London
EC2V 7JE

Executive support and contact for employer enquiries

Rock Pensions
employer.enquiries@mnopf.co.uk

Legal Advisers

Baker & McKenzie LLP
Sacker & Partners LLP (appointed 9 September 2024)

Independent External Auditor

Grant Thornton UK LLP

Independent Internal Auditor

Crowe U.K. LLP

Custodian

The Bank of New York Mellon SA/NV

Bankers

National Westminster Bank Plc

Employer Covenant Adviser

PricewaterhouseCoopers LLP

Scheme Actuary

K Farnum, Willis Towers Watson Limited

Address for member enquiries

myMNOPFpension
PHT
Maclaren House
Talbot Road
Stretford
Manchester. M32 0FP.
enquiries@myMNOPFpension.co.uk

Fund Administrators

Aptia UK Limited

Delegated Chief Investment Officer

Willis Towers Watson Limited

Independent Investment Oversight Services

Rock Pensions

Investment Managers

Advent International
American Securities LLC
AXA Investment Managers
Atlas Infrastructure
Avitah Capital LLP
Bridgewater Associates
Campbell & Company LP
Clean Energy Transition LLP
Colchester Global Investors
Crabel Capital Management LLC
Energy Capital Partners
First Property Asset Management (FProp)
Hayfin Capital Management LLP
Insight Investment
Leadenhall Capital Partners LLP
Man Group Plc.
Oaktree Capital Management
Resolution Capital
SC Capital Partners Pte. Ltd
Sands Capital Management
Towers Watson Limited (trading as Willis Towers Watson)

AVC Providers

Utmost Life and Pensions Ltd
Standard Life

Bulk Annuity Providers

Legal & General Assurance Society Limited ('L&G')
Pension Insurance Corporation plc ('PIC')

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CHAIR'S INTRODUCTION

Welcome to the Annual Report and Financial Statements for the Merchant Navy Officers Pension Fund (referred to hereafter as the "Fund" or "MNOF") for the year ended 31 March 2025.

Actuarial Valuation and Fund performance

The results of the full actuarial valuation of the MNOF as at 31 March 2024 are now available and these show the funding level to be 99%. The funding level has decreased from 102% at the last full actuarial valuation as at 31 March 2021 due mainly to the impact on the Fund's assets and liabilities of the significant changes in market conditions following the government's mini-budget in 2022. At nearly 100%, the funding level is at a position where member benefits remain secure.

The Journey Plan has been updated with the new aim of achieving a funding level of 104%-106% of member benefits by June 2030. The Trustee will constantly monitor progress against this and update it when appropriate

Deficit collection

Whilst the actuarial valuation calculated a small funding deficit of £11 million on a Technical Provisions basis, the Trustee decided not to announce a new deficit amount to be collected from employers as returns on the Fund's assets are expected to meet this shortfall over the five years to 31 March 2029.

Trustee Director changes

Murdo MacDonald and Rory Murphy resigned as Employer Directors in 2024. I would like to thank them both for their service. Les Stracey and John McGurk joined the Board as Employer Directors with John also being appointed as Vice-Chair. Both John and Les have previously served as Trustee Directors of the MNOF, so the Board was pleased to welcome them back with their experience.

Climate change reporting

Each year, the Trustee must disclose the actual and potential impacts of climate risks on the Fund's investment and funding strategy. Using the recommendations set out by the Taskforce on Climate-related Financial Disclosures ("TCFD") framework, and the statutory requirements prescribed by the Department of Work and Pensions, the Trustee has published Climate Change Reports for 2023 and 2024. The next report as at 31 March 2025 is expected to be published in October. These reports are available to view on the MNOF website at www.mnopf.co.uk.

Scams pledge

Pension scammers can ruin lives. The MNOF, along with more than 700 other organisations, has taken The Pension Scams Pledge and follows the principles of the Pension Scams Industry Group Code of Good Practice. The Fund continues to do all it can to help prevent pension fraud; reminding members on a regular basis on how to stay vigilant and providing information on where to get help, if needed.

Finally, I will be retiring on 30 September 2025 when I will be passing the baton to the MNOF's new Chair, Mark Dickinson. Having been appointed to the Board in 2011 and Vice-Chair since 2014, I have been involved closely with the very significant changes that the MNOF has been through during this period. I wish Mark and the Trustee Board my very best wishes for the next chapter in the MNOF's rich history.

Mike Jess

Chair, MNOF Trustees Limited

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TRUSTEE'S REPORT

The Board of MNOPF Trustees Limited (referred to hereafter as "the Trustee") is pleased to present the 87th Annual Report of MNOPF for the year ended 31 March 2025. The Annual Report includes the Chair's Statement, Trustee's Report, Investment Report, Statement of Trustee's Responsibilities, Financial Statements and Notes, the Independent Auditor's Report, the Annual Implementation Statement, the Report on Actuarial Liabilities and the Actuarial Certificates and the Member's Information.

The Annual Report sets out how the Fund is run, how the assets are invested, and the financial activity of the Fund in the year to 31 March 2025.

The Annual Report also contains the Annual Implementation Statement. For Funds such as the MNOPF which provide defined benefits, the purpose of this statement is to set out how, and the extent to which, in the opinion of the Trustee, the Fund's engagement policy has been followed during the year and to describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the year, stating any use of the services of a proxy voter during that year.

Constitution and changes to the Fund.

On 17 June 2019, a new set of Trust Deed and Rules were executed, by which the Fund is now governed together with subsequent deeds of amendment ("the Rules"). The Trustee, which is a corporate trustee, manages the Fund with the aim of providing pension benefits for Officers, and their dependants, in the British Merchant Navy.

The MNOPF was contracted-out of the State Second Pension under the provisions of the Occupational Pension Schemes (Contracting-Out) Regulations 1996 until 31 March 2016 when the Fund closed to future defined benefit accrual. The Fund currently provides defined benefits for over 20,000 members and their dependants. On 1 August 2015, the Fund introduced money purchase benefits and, on 1 April 2016, opened a Money Purchase Section. From 31 March 2018, the Money Purchase Section was closed to new contributions and, on 11 May 2018, all benefits in the Money Purchase Section designated to members were transferred, by bulk transfer without member consent, to the Trustee of the Ensign Retirement Plan. The Money Purchase Section was wound up through the signing of a deed of termination on 10 October 2018. All members and their benefits in the Ensign Retirement Plan were subsequently transferred to Smart Pensions on 7 June 2023 and the Ensign Retirement Plan was wound up on 26 September 2023. Members who had benefits transferred to Smart Pensions have the option to transfer benefits back to MNOPF to be taken as part of their defined benefit PCLS.

The Annual Report and Financial Statements are available to members through the website www.mnopf.co.uk.

Management of the Fund

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 between four and fourteen 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 2.

Trustee Directors are appointed and re-appointed in accordance with the Trustee's Articles of Association, the MNOPF's Trust Deed and Rules and an approved policy. In accordance with this policy, Officer Directors are nominated by the officers' representatives on the Joint Officers' Pension Committee, and Employer Directors are nominated by the employers' representatives on the Joint Officers' Pension Committee. Trustee Directors are subsequently appointed in accordance with the Articles of Association. A Director may appoint an Alternate Director to attend meetings in his place. Trustee Directors are removed in accordance with the Trustee's Articles of Association.

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TRUSTEE’S REPORT (CONTINUED)

Attendance at Board meetings

A summary of meetings held and Trustee Directors’ attendance during the year ended 31 March 2025 is as follows:

	Board	
	Eligible to attend	Attended
M J Jess (Chair)	6	6
J M McGurk (Vice-Chair)	3	3
A M Dickinson	6	4
M J MacDonald	5	5
O S Tunde	6	6
M McNeill	6	6
L D Stracey	1	1
R Murphy	1	1

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 at regular intervals.

Risk Management

The Trustee has overall responsibility for risk management and internal controls. It is committed to identifying, evaluating and managing risk through the implementation and maintenance of control procedures to mitigate significant risks. A risk register, which takes into account the strategic objectives identified by the Trustee, 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.

Any potential risks associated with key Participating Employers are picked up through the MNOPF’s ongoing covenant monitoring processes.

As required under The Pension Regulator’s General Code of Practice, the Trustee has an Effective System of Governance (“ESOG”) which is a suite of policies and procedures that help to ensure that the Fund is operating effectively. The Trustee has completed its first Own Risk Assessment (“ORA”), covering the period 1 April 2024 to 31 March 2025, which was signed by the Chair of the Trustees on 26 June 2025. The purpose of the ORA is to review how well the ESOG is working and how any potential risks are being mitigated. No significant findings were identified in the ORA.

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TRUSTEE’S REPORT (CONTINUED)

Bulk Annuity Policies

In December 2017, the Trustee agreed an annuity buy-in policy with Legal & General and, in February 2020 and November 2021, annuity buy-in policies were agreed with Pension Insurance Corporation (‘PIC’). All policies are held in the name of the Trustee and members’ pension benefits continue to be paid by the Trustee.

Settlement of the final premium adjustment due to PIC for the PIC buy-in 1 policy (£7.2 million) and the repayment of past net payroll funding overpayments due to PIC (£1.8 million) took place in April and May 2024 respectively.

As at 31 March 2025, a repayment of £871,767 was due under the PIC buy-in 2 policy in respect of past net payroll funding under/ overpayments following the completion of some data cleansing. The payment due was received on 24 April 2025. There is still a small amount of data cleansing to complete which may lead to a further payment but the impact of this is expected to be small.

Following the completion of the project that is currently in progress to equalise member benefits between men and women in respect of Guaranteed Minimum Pensions for contracted out service after 17 May 1990, the Trustee may agree with the insurers to adjust the benefits insured under the three policies to reflect any benefit amendments arising from the project.

Advisers and Service Providers

Rock Pensions

Rock Strategic Consulting Ltd (trading as Rock Pensions) provides executive services and Independent Investment Oversight services to the Trustee. Rock Pensions is an independent company that provides these services to employers and trustees. Rock Pensions works with the Trustee on developing the Fund’s strategy, implementing the Trustee’s decisions and supervising the day-to-day running of the Fund.

Ensign Pensions Limited

Ensign Pensions Limited is a company wholly owned by the Trustee. Ensign Pensions provided a limited range of services to the Trustee during the year to 31 March 2025, including certain IT and information storage services.

Administration

Since 1 January 2024 the Fund has been administered by Aptia UK Limited. Enquiries about the Fund generally or about an individual’s entitlement to benefits should be sent to the address shown at the beginning of this report.

Scheme Actuary

K Farnum is the appointed Scheme Actuary.

Contributions

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 2025
	£m
Employers’ defined benefit deficit contributions	0.0
Total recognised in the Financial Statements	0.0

Other employer contributions totalling £0.8m were paid into the Fund during the year to 31 March 2025 and recognised in the Financial Statements.

Normal contributions

In previous years, members’ and employers’ normal contributions have been received in respect of active members in accordance with the Schedule of Contributions of the Fund and the Trust Deed and Rules. The Fund closed to future defined benefit accrual on 31 March 2016. No normal contributions were therefore due or received into the Fund during the year to 31 March 2025 or in the previous year.

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TRUSTEE'S REPORT (CONTINUED)

Additional Voluntary Contributions ("AVCs")

The Trustee has AVC arrangements with Utmost Life and Pensions (that were previously invested with Equitable Life Assurance Society) and Standard Life (part of the Phoenix Group). Members accruing benefits on a defined benefit basis were able to contribute AVCs until the Fund closed to future defined benefit accrual on 31 March 2016. The last member with Standard Life claimed their benefits in May 2024, so after that the remaining AVC benefits are those with Utmost Life and Pensions which have not yet been paid to members on retirement, death or transfer.

No AVCs were paid to the Fund during the year to 31 March 2025.

Deficit contributions

Following the 2009 and 2012 valuations, the Scheme Actuary certified Schedules of Contributions which established recovery periods ending in September 2020 and September 2023 respectively. The Schedule of Contributions certified by the Scheme Actuary following the 2021 valuation states that the last payment under these schedules was due to be made by 30 September 2023. This was paid and as at 31 March 2025, a zero capital balance was outstanding under that Schedule of Contributions.

The Schedule of Contributions certified by the Scheme Actuary following the 2024 valuation states that no deficit contributions are due from employers.

Covenant Monitoring

The Trustee continues to monitor the employer covenant strength of employers. The Trustee adopted a new Covenant Monitoring Policy in October 2019, setting out the monitoring process, key metrics and reporting framework for ongoing covenant monitoring. This policy primarily focused on covenant monitoring activities on those employers who provided the strongest covenant to the Fund.

The Covenant Monitoring Policy was reviewed as part of the actuarial valuation, as at 31 March 2024. The review recommended a minor change to covenant monitoring which has been implemented. The approach to covenant monitoring reflects the current level of risk in the funding position of the MNOPF following the successful collection of the remaining deficit contributions due under the Schedule of Contributions from the 2021 valuation and there being no requirement for deficit contributions to be collected from employers under the Schedule of Contributions from the 2024 valuation.

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TRUSTEE’S REPORT (CONTINUED)

Membership

Details of the membership of the Fund as at 31 March 2025 are given below:

	2025	2024
PENSIONERS		
Opening balance	17,429	17,572
Adjustments to pensioners*	(31)	(19)
New pensioners/dependants	532	567
Pension ceases	(642)	(691)
PENSIONERS AT THE END OF THE YEAR^	17,288	17,429
MEMBERS WITH DEFERRED BENEFITS		
Opening balance	3,852	4,364
Adjustments to members with deferred benefits*	(88)	(82)
MEMBERS CEASING TO BE DEFERRED		
Transfers out	(18)	(24)
Death	(19)	(31)
Retirement	(325)	(330)
Leavers with trivial commutation	(32)	(47)
New pension credit members	1	2
MEMBERS WITH DEFERRED BENEFITS AT THE END OF THE YEAR	3,371	3,852
TOTAL MEMBERSHIP AT THE END OF THE YEAR~	20,659	21,281

*Adjustments are members whose status has been changed where the change relates to a previous year.

^Included within pensioners are 2,126 (2024: 2,204) pensioners whose pensions are paid from the Legal & General annuity buy-in policy; 11,194 (2024: 11,689) pensioners whose pensions are paid from the Pension Insurance Corporation annuity buy-in 1 policy and 1,768 (2024: 1,789) pensioners whose pensions are paid from the Pension Insurance Corporation annuity buy-in 2 policy, all of which are held in the name of the Trustee.

~The total number of members are split into Pensioners: 13,126 (2024: 13,200), Dependants: 4,162 (2024: 4,229) and Members with deferred benefits: 3,371 (2024: 3,852).

Pension Benefits

Overpaid Pensions

The Trustee must ensure that pensions are paid to the correct recipient. Pensions payable from the MNOPF 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 of the Trust Deed and Rules, 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.

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TRUSTEE'S REPORT (CONTINUED)

Transfer Values

The transfer payments paid during the year were calculated in accordance with the regulations under the Pensions Schemes Act 1993 and the Pensions Act 1995 as appropriate. There is no allowance for discretionary pension in payment increases. Transfer payments represented the full "cash equivalent" value of the accrued benefits.

The Rules of the Fund allow transfers to 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 also accepts transfers in from other registered occupational pension schemes on a discretionary basis.

Discretionary Pension Increases

The Trustee is required to consider, at least annually, whether it can grant discretionary increases to pensions under Rule 9.2.2 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 31 March 2024, the Trustee did not consider it appropriate to grant a discretionary increase to pensions in April 2025 whilst maintaining a sufficient level of security for all members' benefits.

Statutory Pension Increases

Certain increases to pensions are required by legislation.

- Guaranteed Minimum Pensions in payment earned from 6 April 1988 to 5 April 1997 were increased in April 2025, as required, by 1.7% and pensions in payment relating to service from 1 April 1997 were increased in April 2025, as required, by 2.7%.
- Increases to deferred pensions are made in accordance with the Trust Deed and Rules and depend on the date of leaving pensionable service. During the year, there was no increase to deferred pensions for members who left service prior to 1 January 1986 as required by the Rules and, for those leaving after that date, increases were made by application of the statutory revaluation percentage to the whole of the deferred pension.

Full details of the pension increases that applied at April 2025 can be found on the website www.mnopf.co.uk

Data Review

The Trustee is continually reviewing member data. The approach to this work is consistent with the record-keeping guidance issued by The Pensions Regulator.

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, in exceptional circumstances, to reinstate forfeited benefits if the member's whereabouts becomes known at a later stage.

Investment Management

The Trustee has overall responsibility for the investment of the Fund's assets in accordance with the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee has agreed a Statement of Investment Principles ("SIP"), in accordance with section 35 of the Pensions Act 1995, which sets out the investment strategy and policies for the MNOPF. Certain powers and responsibilities for the implementation of the Trustee's investment strategy have been delegated to the Delegated CIO. The SIP was reviewed during the 2024/25 Fund year and minor amendments were made in 2025. A copy of the latest SIP is available on the website www.mnopf.co.uk

The SIP sets out the Trustee's approach to socially responsible investment and corporate governance. In the context of socially responsible investment, the Trustee has considered how environmental, social and governance factors, including climate change, should be taken into account in the investment process, and seeks to understand the extent to which steps are taken by the investment managers to incorporate these factors into their investment process.

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TRUSTEE'S REPORT (CONTINUED)

The Trustee's focus is explicitly on financially material considerations in the selection, retention and realisation of investments, and the Trustee's policy at this time is not to take into account non-financial matters explicitly. However, the Trustee supports and actively encourages investments with a positive social and environmental impact.

In the context of corporate governance, the Trustee delegates responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers, although believes voting power should be exercised with the objective of preserving and enhancing long-term shareholder value. The Trustee requires its investment managers to report on corporate governance, and particularly on their voting and engagement records.

The Trustee regularly assesses the performance of the Fund's investments against its investment objectives. Day-to-day monitoring of the investment manager performance is delegated to the Delegated CIO, and the Trustee receives reports on a quarterly basis on progress against the Fund's journey plan. Performance of the Fund's investments over the year are detailed in the Investment Report (see page 12). The holdings at the year-end were in accordance with the SIP.

The Trustee is satisfied, on advice from its investment advisers, that the nature, disposition, marketability, security and valuation of the Fund's assets are in line with the investment objectives and strategy, risk controls and return expectations. There are no restrictions on the marketability of any holdings.

During the year, the Fund divested its holdings in the following asset managers funds: Alliance Bernstein (China A-Shares Value), BlackRock (Renewable Income Platform), GSAM (Vintage III and Private Equity Partners 2004), Graticule Asset Management Asia (GAMA Core Strategies Fund) and Maniyar Capital (Maniyar Macro Fund). Additionally, the Fund invested in the following asset managers funds: Bridgewater Associates (Pure Alpha Major Markets Strategy) and AXA Investment Managers (AMX AXA Long-term Credit Fund).

Custodian

All the Fund's segregated investments are held under custodial arrangements with Bank of New York Mellon, with the exception of pooled investments and the bulk annuity buy-in policies with Legal & General and Pension Insurance Corporation. The pooled investment vehicle investment managers are responsible for putting in place their own custody arrangements.

Actuarial Review

The Financial Statements set out on pages 19 to 39 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Fund, these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Fund and the level of contributions payable. The most recent triennial valuation was carried out at 31 March 2024 and the next valuation will be as at 31 March 2027 and which will be communicated to members and employers early in 2028.

The Scheme Actuary has prepared a report on the actuarial liabilities. This is included on pages 40 and 41 of this report. The formal actuarial certificate from the Scheme Actuary required by statute is also included in this Annual Report and appears on page 43. These form part of the Trustee's report.

Guaranteed Minimum Pensions ("GMP")

On 26 October 2018, the High Court handed down a judgment that concluded that benefits between men and women must be equalised in respect of GMP for contracted out service after 17 May 1990. Furthermore, on 20 November 2020, the High Court handed down a further judgement that ruled that pension schemes would need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. Whilst the judgements related to the Lloyds Banking Group scheme, they are expected to create a precedent for other UK DB pension schemes.

The Trustee has a project in progress to equalise members' GMP benefits for the relevant period of service which includes historic transfer payments made since 17 May 1990. The Scheme Actuary and the Trustee agreed it prudent to include a

MERCHANT NAVY OFFICERS PENSION FUND

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TRUSTEE’S REPORT (CONTINUED)

provision in the actuarial valuation as at 31 March 2024 for the equalisation of GMP benefits in the Fund of 0.6% of total liabilities reduced to reflect payments already made or anticipated in the value of assets at the valuation date.

The implementation of the project is progressing with the amendments to benefits in respect of a number of the impacted members being paid in March 2024, June 2024, February 2025 and March 2025. Further amendments to some members benefits are still in progress in order to complete the implementation of the main GMP equalisation project. A provision has been included within the financial statements of £0.1 million in respect of historic transfer payments where payments have yet to be made.

Financial development of the Fund

The Financial Statements of the Fund for the year ended 31 March 2025, as set out on pages 19 to 39 have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995. A Summary of the Fund’s Financial Statements is set out on the table below.

	2025 £m
Net withdrawals from dealings with members	(156.5)
Net returns on investments	(63.4)
Net decrease in the Fund during the year	(219.9)
Net assets of the Fund at 1 April 2024	1,956.5
Net assets of the Fund at 31 March 2025	1,736.6

Further information

Any queries about the Fund, including requests from individuals for information about their benefits, should be addressed to:

Member Enquiries

myMNOPFpension
PHT
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP
Email: enquiries@myMNOPFpension.co.uk
Telephone: 01372 200200

Employer Enquiries

Rock Pensions

Email: employer.enquiries@mnopf.co.uk

This report, including the Investment Report, Statement of Trustee’s Responsibilities, the Annual Implementation Statement, the Report on Actuarial Liabilities and the Member’s Information, was approved by the Trustee on 24 September 2025 and signed on its behalf by:

Mike Jess
Chair, MNOPF Trustees Limited

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INVESTMENT REPORT

Investment returns

Investment return relative to liabilities leads to funding level progress.

The Fund's primary investment objective is to outperform its liabilities. Over the 12 months to 31 March 2025, the Fund generated a return of -8.4%, this was in comparison to the liability benchmark which saw negative performance of -6.1%. As a result, the Fund underperformed its benchmark by 2.3% over the year, with the overall MNOF funding level falling over the year from 100.2% to 99.4%. As a reminder, only 26% of the Fund is actively invested, with the remaining 74% being held in insurance policies. This underperformance was driven primarily by poor performance from the Fund's equity investments and private market holdings in the portfolio.

Over the longer term, the actively invested assets underperformed the liabilities by 2.5% p.a. over the three-year period and underperformed by 0.3% p.a. over the five-year period. This underperformance over the three-year and five-year period was predominately driven by the negative performance over 2022 and the period of unprecedented volatility within the UK gilt market.

The table below shows the Fund's investment performance as measured by the independent performance measurer over one year and longer periods against the gilts-based liabilities.

To 31 March 2025	One Year (%)	Three Year (% pa)	Five Year (%pa)
Fund Return	-8.4	-14.8	-9.7
Gilts-based liabilities	-6.1	-12.3	-9.4
Relative	-2.3	-2.5	-0.3
Volatility (tracking error)	2.8	3.6	3.2

Fund performance is shown net of underlying manager fees but before Delegated CIO fees.

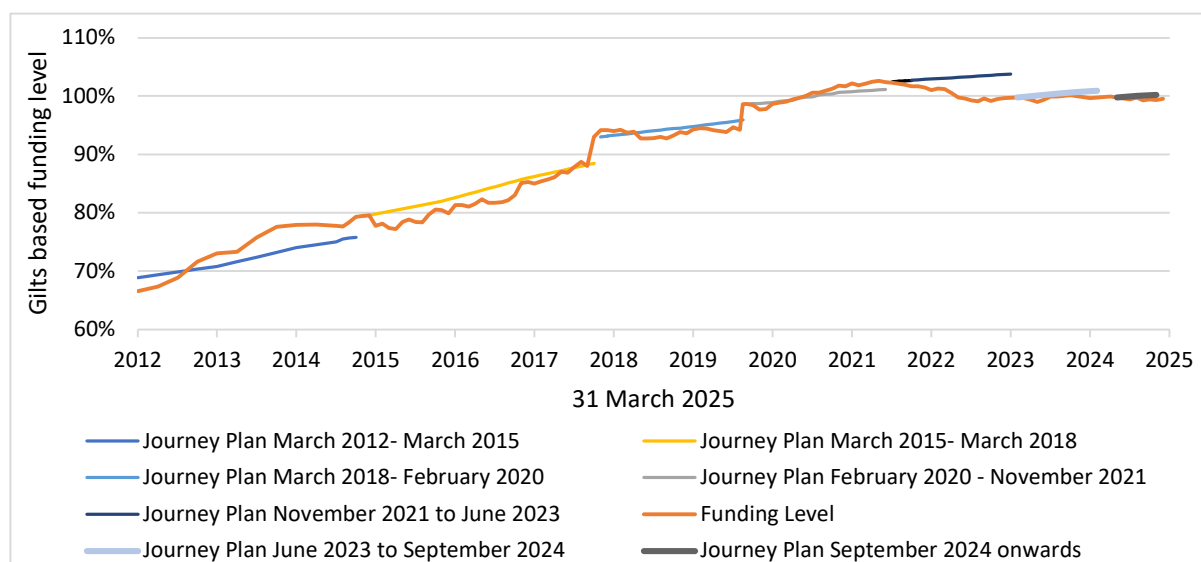
The chart below shows the Journey Plan progression from 31 March 2012. The Journey Plan was restated on:

- 31 March 2015 to reflect the Fund's strong performance over the previous three-year period,
- 31 March 2018 to reflect the increase in funding level as a result of the Actuarial Valuation, and
- 14 February 2020 to reflect the material change in investment strategy following the first Buy In with PIC.
- 19 November 2021 to reflect the material change in investment strategy following the second Buy In with PIC.
- 30 June 2023 to reflect the decrease in funding level arising from investment performance in 2022 (in particular the gilts crisis) and the impact of the consequent rebalancing of the investment portfolio.
- 30 September 2024 to reflect the target of achieving a funding level of 104%-106% by 30 June 2030.

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INVESTMENT REPORT (CONTINUED)



Market review – 12 months ending 31 March 2025

Summary

Over the 12-month period to 31 March 2025, the global economy has seen significant volatility, which has largely been caused by US economic and political factors. In Q2 and Q3 of 2024, the magnificent 7 (a group of 7 tech stocks) saw unprecedented returns, however concerns about the US economy and inflation emerged in Q3 in the run up to the US election. The re-election of Donald Trump initially sparked optimism in US markets, leading to a surge in equity prices and a stronger US dollar. However, the new year has introduced volatility and uncertainty, particularly due to Trump's trade policies. The threat of tariffs on its key trading partners, including China, Canada and Mexico dampened market sentiment, with the expectation of inevitable retaliation from the impacted governments. Whilst a delay was ultimately agreed with Mexico and Canada, China responded immediately with tariffs on the US and investigation into Google. Overall, these measures are expected to lead to an increase in inflationary pressures and reduced potential growth implications for the US, in addition to increasing the already elevated level of geopolitical tension.

In the UK, we have seen an increase in inflation, CPI rose by 2.6% over the period and a reduction in short-term interest rates. Over the period to 31 March, UK gilt bond yields have risen, leading to a decrease in both the Fund's liabilities and LDI asset values.

Over the longer term, we have seen persistent market volatility, shifting macroeconomic conditions, and maturing private market exposure. Over the past three years, the Fund has navigated the challenging investment environment marked by rising interest rates, weak performance from almost all asset classes (with the exception of equities), and heightened geopolitical uncertainty.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

INVESTMENT REPORT (CONTINUED)

Short term Interest rates, inflation and currency

In the UK, the inflation rate, as measured by the CPI, rose by 2.6% in the 12 months to March 2025, down from 3.2% in December 2024 and the lowest since mid-2021. The Bank of England (BoE) implemented multiple base rate adjustments throughout the 12 months to March 2025. In August 2024, the BoE cut its base rate by 0.25%, reducing it from a 16-year high of 5.25% to 5.00%. A further decrease of 0.25% in November brought the base rate down to 4.75%. An additional 0.25% reduction has been implemented in February 2025 due to concerns over weaker economic growth, setting the base rate at 4.50%.

In the US, the 12-month period to the 31 March 2025 was characterized by concerns around inflation and reductions in interest rates. The U.S. inflation rate, as measured by the Consumer Price Index (CPI), rose by 2.4% in the 12 months to March 2025, down from 3.5% in March 2024 and marking the lowest annual increase since September 2021. Over the first quarter of 2025, the Federal Reserve maintained the federal fund rates steady at 4.25 - 4.50%, in line with market expectations, citing concerns on the increased uncertainty around the economic outlook. Over the 12 months to 31 March 2025, sterling has appreciated against the US dollar, the euro and the yen by 2.2%, 2.2% and 1.0%, respectively.

Equity markets

Over the 12 months to 31 March 2025, equity markets returned negative performance across Developed Asia Pacific and Japan but was positive in other regions. The Financial Times Stock Exchange (FTSE) All World Index returned 5.5% whilst the FTSE Emerging Index returned 10.1% (both in sterling terms). FTSE All-Share Index returned 10.5% whilst China was the best performing region with 37.5% (both in sterling terms).

Bond markets

UK government bond yields (which move inversely to bond price) increased over 12 months to 31 March 2025. Long maturity UK gilts have returned -8.2% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and UK gilts all stocks returned -1.2%.

Similarly, inflation-linked gilt yields increased over the 12-month period. Long maturity UK index-linked gilts returned -15.3% (as measured by FTSE-A Index-Linked Gilts Over 15 Years Index) and UK index-linked gilts all-stocks returned -8.0%.

Over the past year, local currency emerging market debt underperformed hard currency emerging market debt returning 1.8% and 6.4% respectively.

Alternative investment markets

Oil prices decreased throughout the second quarter of 2024, reaching a low of US\$73.25 at the start of June largely influenced by the strengthening of US dollar and concerns over Chinese demand. This downward trend continued into the third quarter of 2024, with oil prices reaching a low of US\$65.75 at the start of September driven by weakening global demand and anticipated increases in oil supply from major producers, including Organization of the Petroleum Exporting Countries (OPEC+). In contrast, oil prices increased throughout the fourth quarter, reaching a high of US\$77.14 at the start of October. However, this upward trend was brief as prices decreased again throughout the first quarter of 2025 reaching a high of US\$80.00 at the middle of January.

Commercial UK property (as measured by the IPD Monthly Index) has returned 8.1% over the 12 months to 31 March 2025.

Willis Towers Watson

30 June 2025

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- 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 Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund in the form of an annual report.

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 it 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.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time revising a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer 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 adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the schedule of contributions. Where breaches of the schedule 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 the financial statements may differ from legislation in other jurisdictions.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND

Opinion

We have audited the financial statements of the Merchant Navy Officers Pension Fund (the 'Fund') for the year ended 31 March 2025, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2025, 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 year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Fund's operating model including effects arising from macro-economic uncertainties such as changing interest and inflation rates, geo-political events and the volatility of global markets we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are approved by the Trustee.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the statement of Trustee's responsibilities set out on page 15, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Fund, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Pensions Act 1995 and 2004 and those that relate to the reporting frameworks (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP")).
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations such as, the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation) under which the Fund operates.
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management, the Trustee, and from inspection of Trustee board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Trustee.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MERCHANT NAVY OFFICERS PENSION FUND (CONTINUED)

- We assessed the susceptibility of the Fund's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to:
 - The risk of management override of controls through posting inappropriate journal entries to manipulate net assets for the year;
 - The valuation of hard-to-value assets using a method not permitted under the SORP.
- Our audit procedures involved:
 - Journal entry testing, with a focus on large, manual journals, those journals with unusual account combinations or entries posted to suspense accounts;
 - Obtaining independent confirmations of material investment valuations and cash balances at the year end; and
 - Including internal valuation specialists within the audit team to challenge the valuation of the annuity policies and derivative contracts.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - Understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation; and
 - Knowledge of the industry in which the Fund operates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's 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's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff
Date 25/9/2025

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2025

	Note	2025 £m	2024 £m
CONTRIBUTIONS AND BENEFITS			
Contributions receivable			
- Employer		0.8	0.5
Total Contributions	4	0.8	0.5
Transfers in and other income	5	0.9	0.6
		1.7	1.1
Benefits paid or payable	6	(149.2)	(147.5)
Payments to and on account of leavers	7	(3.2)	(2.7)
Administrative expenses	8	(5.8)	(5.9)
		(158.2)	(156.1)
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		(156.5)	(155.0)
RETURNS ON INVESTMENTS			
Investment income	9	133.0	128.4
Investment management expenses	10	(1.0)	(0.9)
Change in market value of investments	11.1	(195.4)	(122.3)
NET RETURNS ON INVESTMENTS		(63.4)	5.2
NET DECREASE IN THE FUND DURING THE YEAR		(219.9)	(149.8)
NET ASSETS OF THE FUND AVAILABLE FOR BENEFITS AT 1 APRIL		1,956.5	2,106.3
NET ASSETS OF THE FUND AVAILABLE FOR BENEFITS AT 31 MARCH		1,736.6	1,956.5

The notes on pages 21 to 39 form an integral part of these financial statements.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AT 31 MARCH 2025

	Note	2025 £m	2024 £m
INVESTMENT ASSETS			
Bonds		376.3	414.0
Pooled investment vehicles	11.3	270.0	300.9
Derivatives	11.4	35.3	33.6
Insurance policies	11.6	1,279.3	1,428.1
AVCs	11.7	0.3	0.5
Cash and other investment assets	11.8	3.2	1.2
		<u>1,964.4</u>	<u>2,178.3</u>
INVESTMENT LIABILITIES			
Derivatives	11.4	(27.8)	(17.8)
Other Investment Liabilities	11.8	<u>(201.4)</u>	<u>(191.7)</u>
TOTAL INVESTMENTS	11	1,735.2	1,968.8
CURRENT ASSETS	13	10.4	10.1
CURRENT LIABILITIES	14	<u>(9.0)</u>	<u>(22.4)</u>
TOTAL NET ASSETS AT 31 MARCH		<u><u>1,736.6</u></u>	<u><u>1,956.5</u></u>

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 Report on Actuarial Liabilities included on pages 40 and 41 and these Financial Statements should be read in conjunction with that Report. The notes on pages 21 to 39 form an integral part of these financial statements.

These financial statements were approved by the Trustee on 24 September 2025 and were signed on its behalf by:

M J Jess

Chair, MNOPF Trustees Limited

J M McGurk

Vice-Chair, MNOPF Trustees Limited

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS

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, Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The Trustee has performed a Going Concern assessment. Amongst other things, its assessment took into account the funding position, availability of liquid cashflows, the employers' ability to continue to fund Contributions and the strength of the insurers to continue to fund insured benefits. It also noted that there has been no decision made to wind up the Fund. On this basis the Trustee considers the Going Concern basis appropriate.

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Fund is established as a trust under English law. Any queries about the Fund, including requests from individuals for information about their benefits, should be addressed to:

Member Enquiries

myMNOPFpension
PHT
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP
Email: enquiries@myMNOPFpension.co.uk
Telephone: 01372 200200

General Enquiries

Rock Pensions
employer.enquiries@mnopf.co.uk

3 ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Contributions

Payment profiles for deficit funding contributions are established with employers in line with the requirements of the Schedule of Contributions. Accordingly, employers' deficit funding contributions are recognised at the earlier of the date on which cash is received and the date the invoice is raised. An accounting adjustment is made for amounts falling due, but unpaid, if amounts are assessed as irrecoverable from a specific employer following all reasonable attempts to recover the amount due.

The accounting adjustment is recognised in administrative expenses. The subsequent treatment of the accounting adjustment for deficit funding collection purposes is considered by the Trustee in the context of the Deficit Collection Policy and the Guidelines for Defaulting Employers.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.3 Benefits

Benefits are accounted for in the period in which they fall due.

Where a member has a choice about the form of their benefit, the benefit is accounted for when the member notifies the Trustee of what form of benefit they will take or date of leaving or retirement if later. Where a member has no choice about the form of benefit, the benefit is accounted for in the period in which entitlement to the benefit arises.

Benefits covered under the buy-in policies are recognised in the same way as other benefits with the income from the buy-in policies to reimburse the Fund recognised under investment income.

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Fund, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits.

3.4 Transfers to and from other schemes

Individual transfers to and from other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid or received.

3.5 Valuation of investments

Investments are valued at fair value.

Fixed interest securities and index-linked securities are stated at their clean price, where applicable including the indexation element which is payable on maturity. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

Unquoted securities are included at prices provided by third party pricing vendors where there is a traded market and at the Trustee's estimate of fair value where there is not a traded market. The Trustee's estimate is based on the valuation provided by the fund managers.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Derivatives are stated at fair value:

- Exchange traded derivatives are stated at fair value determined by using market quoted prices.
- Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market date at the reporting date.
- Over the counter ("OTC") derivatives are stated at fair value using pricing models and relevant market date at the year-end.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the year-end by entering into an equal and opposite contract at that date.
- All gains and losses arising on derivative contracts are reported within change in market value.
- Receipts and payments arising from derivative instruments are reported as sale proceeds or investment purchases.

Repurchase agreements ("repo") - the Fund continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

The Fund's buy-in policies, shown under insurance policies have been valued on an insurance buy-out basis, as provided by the Insurer as at 31 March 2025. The Fund has three buy-in policies, one with L&G and two with PIC. The combined value of the buy-ins has been calculated as £1,279.3m as at 31 March 2025.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.6 Additional voluntary contribution investments (AVCs)

The AVC investments are stated at their policy value based on the valuation confirmed by the AVC providers.

3.7 Investment income

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

Interest income from bonds is taken into account on an accruals basis and includes interest bought and sold on investment purchases and sales.

Where investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles, it is reflected in the unit price and reported within change in market value of investments. On other pooled investment vehicles, income is recognised when notified by the manager of the pooled investment.

Investment income is reported net of attributable tax credits, but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

Receipts from annuity policies held by the Trustee are accounted for as investment income on an accruals basis.

3.8 Currency

The Fund's functional currency and presentational currency is pounds sterling (GBP).

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 held and liabilities 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.

3.9 Accounting estimates and judgements

No significant judgements have been made by the Trustee in the application of the principal accounting policies. Significant assumptions and estimates have been made in the valuation of the Fund's financial assets and liabilities classified as Level 3 under the fair value hierarchy and the accounting adjustment for contributions. Details of these financial assets and liabilities, the valuation techniques applied, and the significant valuation assumptions, are provided in Notes 3.2 and 11.9 of these financial statements.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 CONTRIBUTIONS

	2025	2024
	£m	£m
Employers' Contributions		
Deficit funding contributions	-	0.5
Buy-out debt and Section 75 contributions	0.8	-
	<u>0.8</u>	<u>0.5</u>

Employer deficit funding contributions of £528 million were due under the Recovery Plans agreed following the 2009 and 2012 valuations. At 31 March 2025, a capital balance of £0 million is outstanding (2024: £0 million). No deficit funding contributions are due to the Fund.

5 TRANSFERS IN AND OTHER INCOME

	2025	2024
	£m	£m
Individual transfers in	0.9	0.6
	<u>0.9</u>	<u>0.6</u>

Individual transfers in represents money purchase benefits for certain Ensign Retirement Plan members (all of whom transferred to Smart Pensions in 2023) who originally had benefits in the MNOF DC and DB sections which are taken as part of their PCLS.

6 BENEFITS PAID OR PAYABLE

	2025	2024
	£m	£m
Pension payments	139.0	139.2
Commutations and lump sum retirement benefits	10.0	8.0
Lump sums on death	0.2	0.3
	<u>149.2</u>	<u>147.5</u>

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2025	2024
	£m	£m
Individual transfers out to other schemes	3.2	2.7

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 ADMINISTRATIVE EXPENSES

	2025 £m	2024 £m
Administration, processing and data management	3.9	3.7
Actuarial fees	0.3	0.3
Legal, other professional fees and deficit collection fees	1.1	1.7
External audit fees	0.1	0.1
Loan written off (see note 15.2)	0.4	-
Accounting adjustment to employer deficit contributions receivable	-	0.1
	<u>5.8</u>	<u>5.9</u>

9 INVESTMENT INCOME

	2025 £m	2024 £m
Income from bonds	13.8	12.0
Income from pooled investment vehicles	3.2	3.5
Income allocated to Old Section Reserve	0.1	-
Interest on repurchase agreements – net	(10.2)	(8.0)
Net receipts/(payments) from swaps	(0.5)	(0.6)
Annuity income	125.4	121.7
Other investment income	1.2	(0.2)
	<u>133.0</u>	<u>128.4</u>

10 INVESTMENT MANAGEMENT EXPENSES

	2025 £m	2024 £m
Administration, management & custody	<u>1.0</u>	<u>0.9</u>

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 INVESTMENTS

11.1 Reconciliation of investments

Reconciliation of investments held at beginning and end of year:

	Note	Value at 1 April 2024	Purchases at Cost and Derivative payments	Sales Proceeds and Derivative receipts	Change in market value	Value at 31 March 2025
		£m	£m	£m	£m	£m
Bonds		414.0	36.6	(30.3)	(44.0)	376.3
Pooled investment vehicles	11.3	300.9	161.2	(192.0)	(0.1)	270.0
Derivatives	11.4	15.8	3.6	(8.2)	(3.7)	7.5
Insurance policies	11.6	1,428.1	-	(1.2)	(147.6)	1,279.3
AVCs	11.7	0.5	-	(0.2)	-	0.3
		2,159.3	201.4	(231.9)	(195.4)	1,933.4
Cash deposits and other investment assets	11.8	1.2				3.2
Other investment liabilities	11.8	(191.7)				(201.4)
		1,968.8				1,735.2

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 profits and losses realised on sales of investments during the year.

11.2 Transaction costs

Included within the purchases and sales figures are direct transaction costs of £0.4m (2024: £1.6m). Direct transaction costs incurred are analysed below:

	2025	2024
	£m	£m
Return-seeking	0.4	1.4
LDI	-	0.2
	0.4	1.6

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs due to the information not being available from the Fund managers.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.3 Pooled investment vehicles

	2025	2024
	£m	£m
Equities	93.0	91.7
Bonds	15.2	5.8
Hedge	49.5	35.6
Private equity	17.5	23.1
Property	4.8	4.6
Absolute return	73.1	100.2
Cash	16.9	39.9
	<u>270.0</u>	<u>300.9</u>

11.4 Derivatives

The Trustee has authorised the use of derivatives as part of their investment strategy for the Fund as follows:

The derivatives held were all OTC and made of:

	2025	2025	2024	2024
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Swaps	34.0	(27.8)	33.6	(17.6)
Forward foreign exchange	1.3	-	-	(0.2)
	<u>35.3</u>	<u>(27.8)</u>	<u>33.6</u>	<u>(17.8)</u>

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.5 Derivative contracts outstanding

Swaps

The Fund enters into swap contracts to hedge interest rate and inflation rate movements.

Contract	Expiration	Notional Currency Principal	2025 Asset £m	2025 Liability £m
Interest rate swaps	0-5 years	£12.0m	3.0	(2.5)
Interest rate swaps	6-10 years	£9.0m	0.1	(6.3)
Interest rate swaps	11-20 years	£2.9m	4.9	(9.6)
Interest rate swaps	21-30 years	£3.7m	8.1	(4.7)
Interest rate swaps	31-40 years	£5.7m	10.2	(4.6)
Inflation swaps	0-5 years	£21.8m	3.8	-
Inflation swaps	6-10 years	£20.1m	2.6	-
Inflation swaps	11-20 years	£13.7m	1.3	-
Inflation swaps	21-30 years	£17.1m	-	(0.1)
Inflation swaps	31-40 years	£6.2m	-	-
Inflation swaps	41-50 years	£1.0m	-	-
			34.0	(27.8)

Contract	Expiration	Notional Currency Principal	2024 Asset £m	2024 Liability £m
Interest rate swaps	0-5 years	£17.8m	8.1	(3.9)
Interest rate swaps	6-10 years	£8.9m	0.1	(4.8)
Interest rate swaps	11-20 years	£2.9m	3.5	(8.0)
Interest rate swaps	21-30 years	£3.7m	3.9	(0.7)
Interest rate swaps	31-40 years	£5.7m	5.3	-
Inflation swaps	0-5 years	£26.2m	4.4	-
Inflation swaps	6-10 years	£39.1m	5.4	-
Inflation swaps	11-20 years	£22.3m	2.9	-
Inflation swaps	41-50 years	£2.8m	-	(0.2)
			33.6	(17.6)

At 31 March 2025, the counterparties of the interest and inflation swaps were six banks with credit ratings ranging from AA-BBB+ to A+ (2024: six banks with credit ratings ranging from AA-BBB+ to A+).

At 31 March 2025, the Fund held collateral in the form of cash and gilts at £7.5m (2024: £16.2m).

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.5 Derivative contracts outstanding (continued)

Forward Foreign Exchange Contracts

The fund enters into Forward Foreign Exchange contracts to hedge currency fluctuations as some investment holdings are denominated in foreign currencies.

Contract	Settlement Date	Currency Bought	Currency Sold	2025 Asset £m	2025 Liability £m
Forward (OTC)	1-6 months	GBP2.8m	USD3.6m	-	-
Forward (OTC)	1-6 months	USD57.3m	GBP45.7m	1.3	-
				1.3	-

Contract	Settlement Date	Currency Bought	Currency Sold	2024 Asset £m	2024 Liability £m
Forward (OTC)	1-6 months	USD51.6m	GBP40.6m	-	(0.2)
				-	(0.2)

11.6 Insurance policies

The Fund held insurance policies at the year-end as follows:

	2025 £m	2024 £m
L&G Buy in	272.2	286.5
PIC Buy in 1	797.3	907.4
PIC Buy in 2	209.8	234.2
	1,279.3	1,428.1

As at the end of the Fund year the pensioner population includes the following insured members:

- L&G Buy in – 2,126 (2024: 2,204)
- PIC Buy in 1 – 11,194 (2024: 11,689)
- PIC Buy in 2 – 1,768 (2024: 1,789)

A bulk insurance policy is valued at the fair value of the liability as calculated and provided by the insurer in accordance with the related obligation. The valuation is determined using assumptions over pension increases, inflation and interest rates and longevity.

11.7 Additional Voluntary Contribution (AVC) Investments

These are AVC investments which were transferred from the Trustee of the Ensign Retirement Plan on 16 June 2022. At the reporting date the Trustee held assets invested separately from the main fund in the form of individual insurance policies 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 confirming the amounts held to their account and the movements in the year.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.7 Additional Voluntary Contribution (AVC) Investments (continued)

The aggregate amounts of AVC investments are as follows:

	2025	2024
	£m	£m
Utmost Life and Pensions Ltd	0.3	0.5
Standard Life	-	0.0
	<u>0.3</u>	<u>0.5</u>

11.8 Cash deposits and other investment assets and liabilities

	2025	2024
	£m	£m
Assets		
Accrued income	0.9	0.6
Cash	<u>2.3</u>	<u>0.6</u>
	3.2	1.2
Liabilities		
Amount due under sale and repurchase contracts	<u>(201.4)</u>	<u>(191.7)</u>
	<u>(198.2)</u>	<u>(190.5)</u>

At the year-end £194.8m (2024: £197.2m) of bonds reported as Fund assets are held by counterparties under repurchase agreements. Collateral of £9.6m (2024: £2.6m) was received to cover the difference between the liability and the value of the bonds.

11.9 Fair value hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price for an identical asset in an active market
Level 2	Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Inputs are unobservable for the asset or liability.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.9 Fair value hierarchy (continued)

The fair value of the Fund's investment assets and liabilities has been determined using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
2025				
Bonds	-	376.3	-	376.3
Pooled investment vehicles	16.9	76.8	176.3	270.0
Derivatives	-	7.5	-	7.5
Insurance policies	-	-	1,279.3	1,279.3
AVCs	-	0.3	-	0.3
Other investment balances	3.2	(201.4)	-	(198.2)
	<u>20.1</u>	<u>259.5</u>	<u>1,455.6</u>	<u>1,735.2</u>
2024				
Bonds	-	414.0	-	414.0
Pooled investment vehicles	47.6	77.8	175.5	300.9
Derivatives	-	15.8	-	15.8
Insurance policies	-	-	1,428.1	1,428.1
AVCs	-	0.5	-	0.5
Other investment balances	1.2	(191.7)	-	(190.5)
	<u>48.8</u>	<u>316.4</u>	<u>1,603.6</u>	<u>1,968.8</u>

11.10 Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee's primary investment objectives are to acquire suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions, the cost of benefits which the MNOFF provides; and to limit the risk of the MNOFF's assets failing to meet the MNOFF's liabilities over the long term.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.10 Investment risks (continued)

The Trustee has formulated a Journey Plan which shall be taken as the agreed combination of contributions and investment return that is expected to target assets of 104%-106% of member benefits by June 2030 or such other period as may be agreed from time to time. The Trustee's Journey Plan can be achieved through an investment return target of Gilts +2.2% p.a. (across the MNOPF assets excluding insured assets, equivalent to Gilts +0.70% p.a. on all MNOPF assets) from 2025-2030.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. The Trustee's risk management policy is documented in the Statement of Investment Principles. These investment objectives are implemented through the Fiduciary Management Agreement in place with the Delegated CIO (Willis Towers Watson) and the investment management agreements in place with the investment managers. The Fund's performance versus its investment objectives is monitored by the Trustee on a regular basis.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

		Market Risk			2025	2024
	Credit Risk	Currency	Interest Rate	Other price	Value £m	Value £m
Bonds	●	○	●	●	376.3	414.0
Pooled investment vehicles	●	◐	◐	●	270.0	300.9
Derivatives	●	◐	●	●	7.5	15.8
Cash	◐	◐	○	○	3.2	1.2
Other investments	●	○	●	○	(201.4)	(191.7)
Insurance Policies	●	○	●	●	1,279.3	1,428.1
Total investments					1,734.9	1,968.3

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/ not at all.

Investment risk disclosures exclude AVCs as their value is not material.

Further information on the Trustee's approach to risk management and the Fund's exposures to credit and market risks are set out below.

(i) Credit risk

The Fund is subject to credit risk as the Fund invests in bonds, OTC derivatives, exchange traded derivatives, has cash balances, enters into repurchase agreements, has the potential to undertake stock lending activities, and has transacted two buy-ins (which are exposed to the credit risk of the insurers). The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.10 Investment risks (continued)

(i) Credit risk (continued)

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements and through diversification of counterparties. The collateral posted to the Fund is in the form of UK government bonds and cash. Credit risk also arises on forward foreign currency contracts. These contracts are collateralized which reduces the credit risk and all counterparties are required to have an investment grade credit rating at the point of trade execution.

Cash is held within financial institutions which are at least investment grade credit rated.

The Fund does not lend any of its segregated assets other than through repurchase agreements, however pooled funds held by the Fund do have the ability to lend certain fixed interest and equity securities at their discretion. At 31 March 2025 it was 0.0%.

Credit risk on repurchase agreements is mitigated through collateral arrangements and diversification of counterparties.

The Fund's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. Some of the Fund's pooled investment managers have the ability to invest in non-investment grade investments; this risk is managed through diversification. The Delegated CIO (Willis Towers Watson) carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

Credit risk arises on the buy-ins which were transacted with two separate providers. Both providers had an investment grade credit rating at the point of trade execution and credit risk is mitigated through the regulatory capital requirements placed on insurance providers.

Credit risk on equity options (which are OTC contracts) is mitigated through collateral arrangements and diversification of counterparties.

Please see below the legal nature of the Pooled Investment Funds:

	2025	2024
	£m	£m
Limited liability partnerships	32.2	46.6
Open ended investment companies	20.3	26.2
Authorised unit trusts	152.0	152.0
Unauthorised unit trusts	1.9	2.0
ICAV	63.6	74.1
	<u>270.0</u>	<u>300.9</u>

MERCHANT NAVY OFFICERS PENSION FUND
YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.10 Investment risks (continued)

(ii) Currency risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy. As at 31 March 2025 the Fund's net unhedged overseas currency exposure is 11.4% (2024: 11.1%).

(iii) Interest rate risk

The Fund is subject to interest rate risk on its liability driven investments (LDI) comprising bonds, repurchase agreements and interest rate swaps held either as segregated investments or through pooled vehicles and cash. The purpose of the Fund's LDI investments is to match the interest rate and inflation sensitivities of the Fund's liabilities. Therefore when considering the Fund's liabilities these investments are risk reducing. Similarly, the buy-ins are subject to interest rate risk but again, this investment is risk reducing.

(iv) Other price risk

Other price risk arises principally in relation to the Fund's return seeking portfolio which includes pooled investment in equities, hedge funds, private equity, and other alternative investments.

The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

The other price risk for the Fund's bonds and derivatives, reflect that some of these instruments are inflation linked in nature and therefore the price of these instruments moves in line with inflation expectations. Additionally, the price of the equity options will be influenced by moves in equity markets.

11.11 Concentration of investments

The investments (other than UK Government Securities) at the year-end which are more than 5% of the total value of the net assets of the Fund comprise:

		2025		2024
	%	£m	%	£m
PIC buy in 1	46	797.3	46	907.4
PIC buy in 2	12	209.8	12	234.2
L&G buy in	16	272.2	15	286.5
Insight: Liability Hedging	11	182.6	12	243.7

12 TAX

The Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from income tax and capital gains tax except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 CURRENT ASSETS

	2025	2024
	£m	£m
Cash balance	9.0	9.1
Deficit contributions due	22.4	22.4
Accounting adjustment to employer deficit contributions due*	(22.4)	(22.4)
Other debtors	1.4	1.0
	<u>10.4</u>	<u>10.1</u>

Deficit contributions due represent historic balances not due under the current Schedule of Contributions.

*Accounting adjustment to employer deficit contributions due are amounts where recovery from the invoiced employer is considered, on a prudent basis, to be unlikely. The concept of adjustments was introduced into the statutory accounts in 2014/15 to reflect the Trustee's approach to the collection of deficit amounts. As such, the use of the expressions "provision" or "write-off" is avoided as these terms could be misinterpreted. It is emphasised that all amounts due are recorded gross in the detailed records.

14 CURRENT LIABILITIES

	2025	2024
	£m	£m
Unpaid benefits	5.8	9.7
Other creditors and accrued expenses	3.2	12.7
	<u>9.0</u>	<u>22.4</u>

Included in "Other creditors and accrued expenses" are the following reserve and provisions:

- Reserve established at 31 March 2014 with funds from the former Old Section. This reserve will settle all future costs arising in relation to the former Old Section following the completion of its buy-out in July 2014. These include the costs of operating myMNOPFpension, which consolidates the benefits payable to former Old Section members into a single payment. myMNOPFpension also provides a single point of contact for all members of MNOPF and the reserve will settle a proportion of the cost of this service. The costs of myMNOPFpension 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 2025 the balance was £0.6m (2024: £0.9m).

- In 2024 Bulk Annuity provisions were included for the PIC buy-in 1 policy in respect of the final premium adjustment paid, which was a payment of £7.2 million and in respect of the repayment of past overpayments due to PIC of £1.8 million. No provision is included in 2025 as the amounts were settled in the year.

MERCHANT NAVY OFFICERS PENSION FUND
YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 RELATED PARTY TRANSACTIONS

15.1 Key management personnel

The Trustee is deemed to be a related party of the Fund. Included in administrative expenses are payments of £124,286 (2024: £141,267) made to certain Trustee Directors for fees relating to the exercise of their duties during the year. Trustee directors were also reimbursed expenses totalling £14,319 (2024: £9,215). There are no Trustee Directors who are pensioner members of the Fund and one Trustee director who is a member with deferred benefits in the Fund.

15.2 Employer and other related parties

During the year, the Fund had interests but no holdings in the following companies which are related parties:

Entity	Activity	Transactions in year and balances at the year end
Ensign Pensions Limited	Pension fund executive services	During the year the fund paid £50,645 to Ensign Pension Limited for IT services. An accrual of £44,000 had been included at the end of 2024 for the IT services. No accrual for IT services has been provided for 2025. The balance in the Intercompany Account as at 31 March 2025 is a debtor balance £0 (2024: £32,031).
MNOPF Trustees Limited	Trustee Company for the Fund	Following the impairment of the investment in Ensign Pensions Limited, the loan provided to fund the investment was written off to £0 (2024: £400,000).

The fund is under the control of MNOPF Trustees Limited. Ensign Pensions Limited is a company wholly owned and under the common control of the Trustee company.

MERCHANT NAVY OFFICERS PENSION FUND
YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 COMMITMENTS

As at 31 March 2025, the Fund was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £21.4m (2024: £30.1m) of private equity, of which £12.5m is related to property funds (2024: £12.5m). Please see below:

	2025	2024
	£m	£m
Property funds:		
Fprop Office LP	8.5	8.5
RECAP	4.0	4.0
Private equity:		
Advent	0.8	0.8
American Securities	2.3	2.1
ECP	1.5	1.2
GSAM	-	9.1
Oaktree	4.3	4.4
	21.4	30.1

17 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% (2024: 0%) of the net assets of the Fund. The investments were as follows:

	2025		2024	
	Total	Total	Total	Total
	£m	%	£m	%
Pooled Funds	0.0	0.0	0.6	0.0
Total exposure	0.0	0.0	0.6	0.0

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

The total exposure to employer-related investments in pooled vehicles is determined using assumptions. The assumptions are deliberately conservative and are likely to result in an overstatement of the actual value.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CONTINGENT LIABILITIES

As at 31 March 2025, following the completion of some data cleansing, a repayment was due under the PIC buy-in 2 policy with Pension Insurance Corporation in respect of past net payroll funding under/ overpayments. The payment due was received before completion of the financial statements.

There is still a small amount of data cleansing to complete which may lead to a further payment but the impact of this is expected to be small.

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should equalise pension benefits for men and women in relation to guaranteed minimum pensions ("GMP"). Furthermore, on 20 November 2020, the High Court handed down a further judgement that ruled that pension schemes would need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. The Trustee is aware that the judgements are expected to set a precedent for other UK defined benefit pension schemes and is taking steps to consider the implications of the judgements for the Fund. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

Some amendments have been completed and payments made in the financial year. Further amendments to some members benefits are still in progress in order to complete the implementation of the main GMP equalisation project.

When the main GMP equalisation project is completed, the Trustee may agree with the insurers of the three buy-in policies to adjust the benefits insured to reflect any benefit amendments arising from the project.

Section 37 Certificate

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered in relation to "section 9(2B) rights" unless the actuary has confirmed in writing that the scheme would continue to satisfy the statutory standard. Section 9(2B) rights are rights attributable to contracted out service from 6 April 1997 and the statutory standard is a benefits test based on rights under a notional "reference scheme". The High Court found that where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment in relation to any contracted-out right automatically void. It also held that the references in the legislation to section 9(2B) rights (in relation to which actuarial confirmation had to be obtained) included both past and future service rights. The requirement for actuarial confirmation applied to all relevant amendments to the rules of a contracted-out scheme, not just those which would or might adversely affect section 9(2B) rights. The case was appealed, with the judgement from the Court of Appeal upholding the original decision issued on 25 July 2024.

The Trustee has taken advice and discussed the implications of the outcome of this case with the legal and actuarial advisers to the Fund. To date, the Trustee has not undertaken a full review in relation to whether section 37 confirmations were provided in all cases for deeds in the relevant timeframe. Given that the Trustee was and continues to be supported by reputable legal and actuarial advisers, the Trustee is comfortable that it does not need to undertake any further checking at this time.

The Trustee will continue to keep a watching brief on this issue in light of a further case concerning this matter coming to court and the Government's proposed legislation published on 1 September 2025 to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. As it is too early at present to estimate the potential impact, if any, on the Fund, no provision has been made in the financial statements.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CONTINGENT LIABILITIES (CONTINUED)

Normal Retirement Age Equalisation

The decision of the European Court of Justice in the Barber case enshrined the principle that occupational pension schemes must provide equal benefits to men and women for service from the date of the Barber Judgment (17 May 1990). Furthermore, the Court of Appeal decision in Foster Wheeler is also significant when considering how an occupational pension scheme should give effect to Barber equalisation rights.

The Trustee has become aware that the benefits calculated in respect of some male members who retired after their Normal Pension Age of 61 may not have been calculated strictly in accordance with the equalisation requirements under Barber and Foster Wheeler (owing to the historic practice of providing late retirement factors from age 61 instead of age 60). The potentially affected male members either joined the Fund prior to 1 January 1991 and have post 1 April 1990 pensionable service or joined the Fund between 1 January 1991 and 30 November 1992.

The Trustee has therefore commenced a review to determine potentially impacted members and any potential amendment to these members' pensions in payment that may be required. This will lead to additional liabilities to the Fund, however, at the current time, the amount of any additional liabilities remains uncertain, and this therefore remains a contingent liability. As a result of the above, no amount has been included in the financial statements in relation to this. This will be accounted for once the amount and timing of such payment is more certain.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

REPORT ON ACTUARIAL LIABILITIES

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions determined by the Trustee, having consulted the Participating Employers, and which are set out in the Statement of Funding Principles, a copy of which is available to Fund members on request.

The most recent triennial actuarial valuation of the Fund effective as at 31 March 2024 showed that the accumulated assets of £1,956m represented 99% of the Fund's technical provisions in respect of past service benefits; this corresponds to a deficit of £11m at the valuation date.

The value of technical provisions is based on Pensionable Service to the Fund's closure on 31 March 2016 and assumptions about various factors that will influence the Fund in the future, such as the levels of investment returns, inflation, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations as at 31 March 2024 are as follows:

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate: Equal to yields on fixed interest Government bonds at each term plus a margin of 0.25% pa.

Future Retail Price Inflation (RPI): The assumption adopted is based on expected rates of break-even inflation each year, having regard to the inflation expectations implicit in UK Government bond prices at the valuation date.

Future Consumer Price Inflation (CPI): Set based on the expected future difference between assumed RPI and CPI. CPI is assumed to be 1% pa below RPI to 2030 and then equal to RPI thereafter.

Pension increases: where the Fund's rules provide for inflation-linking, assumptions derived from the underlying inflation assumptions, allowing for the caps and floors on pension increases.

Revaluation in deferment: this assumption has been set in line with CPI where relevant.

Mortality: Normal health SAPS4 amounts Pensioners Heavy table (Dependant table for female spouses) projected with CMI 2023 core projections with a long-term rate of improvements of 1.5% pa and an initial addition of 0.25% pa. Multipliers of 86% for normal health members, ill-health pensioners and male spouses, and 108% for female spouses.

GMP equalisation: An allowance of 0.6% of liabilities, less allowance for payments already made (or anticipated in the asset value), has been made to reflect the potential cost of changes to the benefits that may be required. This leads to a remaining reserve for GMP equalisation of £7m. This reserve is to ensure that the Fund provisions in respect of Guaranteed Minimum Pensions do not unlawfully discriminate between male and female members.

MERCHANT NAVY OFFICERS PENSION FUND YEAR ENDED 31 MARCH 2025

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Recovery plan

The arrangements to eliminate the funding shortfall were formalised in a Schedule of Contributions which the Fund's Actuary certified on 27 March 2025. A copy of her certificate is included on page 43 of this report.

Next actuarial valuation

The next triennial valuation is being performed as at 31 March 2027.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

Schedule of Contributions following the 2024 valuation

This schedule of contributions has been prepared by MNOFF Trustees Limited, the Trustee of the Merchant Navy Officers Pension Fund ("the Fund"), to satisfy the requirements of Section 227 of the Pensions Act 2004, after obtaining the advice of the Scheme Actuary, Kim Farnum.

This schedule specifies rates of Employer contributions to the Fund. It covers a period of 5 years from the date of certification. It is subject to review from time to time as required by legislation and by the Fund's Trust Deed and Rules and following actuarial valuations and interim reviews.

There are no contributions due from or payable by members to the Fund.

1 Deficit contributions

No deficit contributions are due from Employers.

2 Other Employer contributions

The Employers shall pay the following:

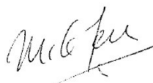
- Additional contributions as may be required under the Definitive Trust Deed and Rules in specific circumstances, for example to cover augmentations. The amounts of such contributions to be advised by the Scheme Actuary, and due dates to be agreed by the Trustee.

Such other contributions as may be agreed by the Trustee and the Employers from time to time.

Date of schedule: 27 March 2025

Agreed on behalf of the Trustee

Name: Mike Jess



Signature:

Position: Trustee Chairman

Date: 27 March 2025

MERCHANT NAVY OFFICERS PENSION FUND
YEAR ENDED 31 MARCH 2025

ACTUARY’S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

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 2024 to be met by the end of the period for which the Schedule is to be in force.

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 27 March 2025.

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.

Signature 

Name: K Farnum
Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited
Watson House
Reigate
RH2 9PQ

Date: 27 March 2025

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

MEMBERS' INFORMATION

The Trustee is required to provide certain information about the Fund to the Registrar of Pension Schemes. This has been forwarded to:

The Registrar of Pension Schemes
PO Box 1NN
Newcastle Upon Tyne
NE99 1NN

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 MNOPF website.

The Pensions Ombudsman

If a member requires assistance with dealing with a pension complaint, they can contact the dispute resolution team at the Pensions Ombudsman.

The Pensions Ombudsman may also investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme and will assist members and beneficiaries of schemes in connection with difficulties which they have failed to resolve with the Trustee or Administrators of the Fund. Enquiries should be addressed to:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator ("TPR") can intervene if it considers that a Scheme's Trustee, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Telephone: 0345 600 1011

The Pension Tracing Service

The Pension Tracing Service provides a tracing service for members (and their dependents) 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:

Pension Tracing Service
The Pension Tracing Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

MEMBERS' INFORMATION (CONTINUED)

The Pensions Compensation Scheme

The Pensions Compensation Scheme was introduced to protect members' interests in certain circumstances, i.e. to provide compensation where an employer has become insolvent and the fund assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The Compensation Scheme is funded by a retrospective levy on occupational pension schemes.

MoneyHelper

Members can obtain information and guidance through MoneyHelper. The Money and Pensions Service (MaPS) has consolidated The Pensions Advisory Service (TPAS), Money Advice Service (MAS) and Pension Wise into a single website. It offers free impartial guidance on a range of financial issues, including pensions and retirement.

Telephone: 0800 011 3797

Website: <https://www.moneyhelper.org.uk>

Further Information

The Trust Deed and rules, the fund details, and a copy of the Schedule of Contribution and Statement of Investment Principles are available for inspection free of charge by visiting the Trustee's website www.mnopf.co.uk or by contacting the Trustee at the address on page 11. In some circumstances copies of documents can be provided, but a charge may be made for copies of the trust documents (Deed and Rules) and of the Actuary's report.

Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the administrators of the fund, Aptia UK Limited, at the address on page 11.

MERCHANT NAVY OFFICERS PENSION FUND

YEAR ENDED 31 MARCH 2025

APPENDIX 1

The Merchant Navy Officers Pension Fund Implementation Statement – 31 March 2025



Why have we produced this Statement?

The Annual Implementation Statement is prepared by the Trustee of the Merchant Navy Officers Pension Fund (“the Fund”) covering the fund year (“the year”) to 31 March 2025.

The purpose of this statement is to:

1. Set out how, and the extent to which, in the opinion of the Trustee, the Fund’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year.
2. Describe the voting behaviour by, or on behalf of the Trustees, including the most significant votes cast during the year and state any use of services of a proxy voter during that year.

This statement sets out how the Trustee has complied with the voting and engagement policies detailed in the Fund’s Statement of Investment Principles (“SIP”).

A copy of this Implementation Statement has been made available on the following website:
https://www.mnopf.co.uk/publications_reports

What is the SIP?

The SIP sets out key investment policies including the Trustee’s investment objectives and investment strategy.

It also explains how and why the Trustee delegates certain responsibilities to third parties and the risks the Fund faces and the mitigated responses.

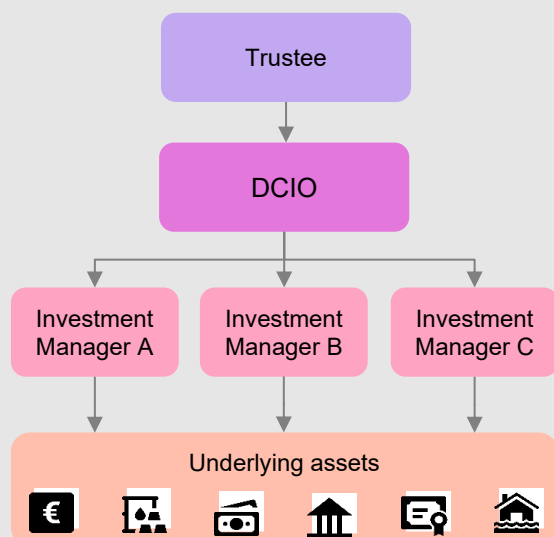
The Trustee last reviewed the SIP in January 2025 and is reviewed on an annual basis.

What changes have we made to the SIP?

The Trustee have made the following changes to the appendices in the SIP over the year:

- Updated to reflect the Trustee’s refined strategic objectives, including a target funding level of 104–106% by 2029/2030. The Trustee is also considering in due course, if it is appropriate to replace the ‘employer + insurer covenant’ with the covenant provided by the insurers and the protection provided by the Financial Services Compensation Scheme.
- Updated the DCIO’s target allocations across the full range of invested asset classes.

How are the Fund’s investments managed?



Trustee - The Trustee’s key objective is to ensure sufficient assets to pay members’ benefits as they fall due. The Trustee retains overall responsibility for the Fund’s investment strategy but delegates some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge and resources.

Delegated Chief Investment Officer (“DCIO”) – The Trustee appointed a DCIO to implement the Trustee’s investment strategy. The DCIO allocates the Fund’s assets between asset class and investment managers.

Investment managers – The DCIO appoints underlying investment managers either using a pooled vehicle or a segregated mandate where these assets are held directly in the Fund’s name. The DCIO will look for best in class specialist managers for each asset class.

Underlying assets – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.

Why does the Trustee believe voting and engagement is important?

The Trustee's view is that Environmental, Social and Governance (ESG) factors can have a potential impact on investment returns, particularly over the long-term and therefore contribute to the security of members' benefits. The Trustee further believes that voting and engagement are important tools to influence these issues.

The Trustee has appointed a DCIO who shares this view and has embedded the consideration of ESG factors, voting and engagement in its processes.

The Trustee incorporates an assessment of the DCIO's performance in this area as part of its overall assessment of the DCIO's performance.

What is the Trustee's voting and engagement policy?

When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations but has identified climate and human and labour rights as key areas of focus for the Trustee. Human capital was added as a new area of focus effective from March 2025. Reporting against this stewardship priority will be included in next year's statement.

The day-to-day integration of ESG considerations, voting and engagement are

delegated to the investment managers. The Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are considered to be particularly influential to outcomes, the Trustee expects the DCIO to engage with investment managers to improve their processes.

What has the Trustee received over the year?

To ensure the Trustee is kept up to date with best practice in ESG considerations, voting and engagement, the Trustee received the Fund's annual Sustainable Investment Review, which covers:

- The DCIO's approach to Sustainable Investment.
- Reporting on the sustainability credentials of the Scheme's investment portfolio (including climate change metrics).
- An assessment of the ESG integration and engagement of the Scheme's investment managers.

In addition, in February 2025, the Trustee received a training session from the DCIO in partnership with EOS at Federated Hermes on Sustainable Investment.

What are the DCIO's policies?

Climate change and net zero pledge

The Trustee believes Climate Change is a current priority when engaging with public policy, investment managers and corporates.

The DCIO has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. They believe the trajectory is important, so are also aiming to approximately halve emissions per amount invested by 2030.

Public policy and corporate engagement

The DCIO partners with EOS at Federated Hermes, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustee).

Some highlights from 2024 include:

1. 994 companies engaged across regions on 4,267 issues and objectives.
2. 62 companies in their core programme featured engagements with the CEO or chair.
3. Making voting recommendations on 143,075 resolutions at 14,701 meetings, including recommended votes against 25,070 resolutions.
4. Participation in a range of global stewardship initiatives.

Industry collaboration initiatives

The DCIO participated in a range of industry initiatives over the year to seek to exercise good stewardship practices. Please refer to their latest UK Stewardship Code for more information: <https://www.wtwco.com/en-gb/solutions/services/sustainable-investment>.

How does the DCIO assess the investment managers?

Investment manager appointment - The DCIO considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. Over the period, the DCIO conducted engagements with over 70 managers across asset classes. They also engaged over 100 products on sustainability and stewardship. In addition, over 150 sustainability-theme strategies were researched.

Investment manager monitoring - The DCIO produces detailed reports on the investment managers' ESG integration and stewardship

capabilities on an annual basis. These reports form part of the Trustee's portfolio monitoring. We have provided the DCIO's ratings of the equity managers' ESG integration and stewardship capabilities in the later pages where appropriate.

Investment manager termination - The DCIO engages with investment managers to improve their practices and increases the bar by which they are assessed as best practice evolves. The DCIO may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no investment managers were terminated on these grounds during the year.

Example of engagement carried out over the year

Japanese Equity Manager Environment - Climate issue

Issue: There has been good evidence of improvement from the manager over the year on key components previously engaged with. However, the focus of the engagement was on key outstanding issues, namely around impact, broader governance, and voting, where the strategy has returned neutral scores. Addressing these issues will be crucial for further progress and ensuring the effectiveness of the manager's overall strategy.

Outcome: The manager has made significant progress in several areas, including Task Force on Climate-Related Financial Disclosures (TCFD) alignment, where they now report in line with the TCFD framework and provide climate-related metrics at the fund level. They have further developed their sustainability policy, planning to track carbon reduction objectives from 2025 and improving coverage across most strategies. In terms of voting, the manager has implemented a new process to track every vote and its rationale, along with a new voting policy. Additionally, they have developed a firm-wide ESG data tool for immediate access to ESG/Sustainable Investment research for analysts. However, the manager still faces challenges in implementing a modern slavery policy and impact measurements due to difficulties in obtaining disclosures in the Japanese market. They are working to track progress in this area, and it will be closely monitored. Engagement on the Governance/Stewardship policy review process has also taken place, with a preference for annual reviews. A follow-up meeting is scheduled to review the strategy and check progress on these points.

Real Estate Debt Manager Environment - Climate issue

Issue: The engagement with the manager on climate emissions reporting revealed that, due to the nature of short-term bridge lending, borrowers generally do not provide carbon emission data. This presents a challenge in accurately assessing and reporting climate emissions for these loans. Addressing this gap will be crucial for improving transparency and aligning with broader sustainability goals.

Outcome: There has been ongoing engagement with the manager regarding carbon emission reporting for bridge lending, where over 50% of assets are in land with planning. Due to the nature of these assets, data availability on carbon emissions is very poor. Continuous engagements have taken place with the manager, including the Project Manager, Environment, Social, and Governance lead, and Chief Investment Operations, to determine the best approach for carbon emission reporting. Recent Partnership for Carbon Accounting Financials (PCAF) guidance on real estate debt has also been shared. The manager is currently in the process of estimating the emissions of the assets and will provide this information in the next quarter. This is currently an ongoing engagement with the manager and will continue to work on climate reporting.

Emerging Markets Growth Equity Manager Environment – Climate issue

Issue: Discussion on progress of climate engagements since the last discussion and to review the approach and process in this area.

Outcome: The ESG reports now feature a dedicated climate change section and a more standardized format. Each analyst is required to rank climate risks and opportunities as low, medium, or high. The current focus is on businesses that are not aligned, lack disclosure, or do not have targets. There has not been much depth in engagements with aligned and aligning companies.

The manager has a thematic focus on climate, alongside modern slavery and digital ethics. Where appropriate, they are also beginning to have conversations with companies about physical risks, such as water scarcity.

The Fiduciary Manager has engaged with the manager to encourage them to support companies where they see progress in relation to ESG. The manager expects to engage more through voting going forwards, particularly where they have less engagement impact or influence.

What are the voting statistics we provide?

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Fund's equity investment managers.

The managers' voting activity is provided in Appendix 1. The Trustee identified key ESG risks for the Fund, and therefore the following criteria have been used to determine the most significant votes, where at least one needs to apply:

- Aligned to stewardship priorities for the Fund of climate change and/or human and labour rights.
- Financial outcome for members, including size of holding.
- High profile vote, including not supporting company management.

The Trustee has decided not to publicly disclose active investment manager names as the Trustee believes this could impact the investment manager's ability to generate the best investment outcome.

The Trustee has also included the DCIO's assessment of the investment manager's ESG integration and stewardship (including voting and engagement) capabilities where appropriate. The Trustee has identified the most significant votes to provide representation of the different types of manager/mandates in place.

In conclusion...

...The Trustee is satisfied that over the year, all SIP policies and principles were adhered and in particular, those relating to voting and engagement.

Appendix 1 – Manager Voting

Global Listed Infrastructure

Voting activity over the year

Sustainability

High

Fiduciary Manager's assessment

Voting activity over the year

Number of votes eligible to cast: 314
Percentage of eligible to cast: 100%

■ For: (98%) ■ Against: (2%)

Significant vote

Company: United Utilities Group Plc
% Fund: 7.4%

Vote Topic: Authorise UK Political Donations and Expenditure

Issue: The manager has historically voted against this type of motion but has reevaluated its position. The company has confirmed it does not make nor intend to make, donations to political parties. However, the definition of political expenditures is very broad and includes expenses incurred as part of the process of having dialogue and undertaking industry group meetings. The manager was content with the undertakings the company gave and felt that it was in the best interests of shareholders for the company to participate in public debate and opinion-forming on matters which affect its business.

Voting instruction: For management
Vote outcome: Passed the resolution
Why a significant vote: Large holding in the portfolio; evolution of voting approach.
Next steps: None at this stage.

Significant vote

Company: SNAM S.P.A.
% Fund: 4.3%

Vote topic: Rewarding policy and emolument paid report 2024 – first section (binding resolution)

Issue: They vote against the remuneration-related items due to a continued lack of action or acknowledgment. Although Snam's scenarios have improved, they remain misaligned. Despite reasonable structure in the remuneration policy, especially its emphasis on climate transition and sustainability they will vote against both resolutions, consistent with last year's stance.

Voting instruction: Against management
Prior communication of against vote: No
Outcome: Passed the resolution
Why a significant vote? Voting against management, climate scenarios are still not aligned but in a better position than before.
Next steps: They have an open engagement with Snam

Voting policy: When proxy voting is to occur, the investment team sector lead provides voting recommendations which are then tabled at the ATLAS Investment Committee (IC) for review and approval. Recommendations are made having regard to the various environmental, social, and governance factors of each of the resolutions to be voted on. Voting instruction are submitted via ProxyEdge. The proxy vote recommendations submitted to IC contain a summary of all ESG risks and key issues identified for that company including, where relevant, recommendations for voting on specific issues.

Use of proxy voter: The manager does not use a proxy voting service provider.

Towers Watson Investment Management - Global Equity Focus Fund

Voting activity over the year

Voting activity over the year

Number of votes eligible to cast: 3,181
Percentage of eligible to cast: 99.3%

■ For: (87.5%) ■ Against: (12.2%) ■ Abstain: (0.3%)

Significant vote

Company: Amazon
% of Manager's Fund: 3.21%

Vote topic: Commission a Third Party Audit on Working Conditions

Issue: The Manager voted "FOR" in support of additional disclosure related to how META measures & tracks metrics impacting child safety and harm reduction on its platforms. Greater transparency would serve to help shareholders (and general society) better understand how the company is managing these risks.

Voting instruction: For shareholder proposal, against management
Prior communication of against vote: No
Outcome: Failed the resolution
Why a significant vote? Human and labour rights is one of the stewardship priorities. It is also a vote against management.
Next steps: The manager will share these best practices with other portfolio companies.

Significant vote

Company: Berkshire Hathaway
% of Manager's Fund: 0.9%

Vote topic: Report on efforts to measure, disclose and reduce greenhouse gasses emissions associated with underwriting, insuring, and investing

Issue: The manager voted in favor of climate risk disclosure, prioritizing leadership on the issue despite minor compliance costs. Given the company's 90% emissions disclosure and strong ethical reputation, the manager deemed waiting for SEC guidance an inadequate delay.

Voting instruction: For shareholder proposal, against management
Prior communication of against vote: No
Outcome: Failed the resolution
Why a significant vote? Climate change is one of the stewardship priorities.
Next steps: The manager expressed disappointment in the voting outcome and urged the CEO to prioritize climate risk transparency, advocating for proactive leadership rather than waiting for policy guidance.

Voting policy: As the manager manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The manager expects all of the Fund's underlying managers who hold equities over a reasonable timeframe to vote all shares they hold.

Use of proxy voter: The manager has appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all of their clients. In addition, EOS is expanding the remit of engagement activity they perform on the manager's behalf beyond public equity markets, which will enhance stewardship practices over time.

5

Global Property Securities Manager

Voting activity over the year


Sustainability

High

Fiduciary Manager's assessment

Voting activity over the year

Number of votes eligible to cast: 641
Percentage of eligible to cast: 100%



■ For: (96.4%) ■ Against: (3.6%)

Significant vote

Company: Ventas

% of Manager's Fund: 3.7%

Vote topic: Advisory Vote to Ratify Named Executive Officers' Compensation

Issue: The manager voted against this resolution for a number of reasons, including their view of the CFO's performance related to a poorly positioned balance sheet; limited disclosure of the performance thresholds for certain performance metrics; and unambitious targets related to relative total shareholder return (TSR) in the Long-Term Incentive.

Voting instruction: Against Management

Outcome: Passed the resolution

Prior communication of against vote: Yes

Why a significant vote? Large holding in the portfolio; vote against management

Next steps: The manager communicated its views with the company including why it voted against this compensation resolution. The manager is in regular discussions with the company's management to ensure they are aware of its views.

Significant vote

Company: Boston Properties

% of Manager's Fund: 0.7%

Vote topic: Advisory vote to ratify named executive officers' compensation

Issue: The resolution was opposed due to concerns over weak performance hurdles in both the Short-Term Incentive (STI) and Long-Term Incentive (LTI) plans, particularly the high weighting of non-financial goals and low financial performance targets. The LTI metrics, while aligned with shareholder interests, were set at levels significantly below peer medians, allowing payouts even with poor relative performance. Although the resolution passed with 60% support, the narrow margin indicates notable shareholder dissatisfaction.

Voting instruction: Against management

Outcome: Passed the resolution

Prior communication of against vote: Yes

Why a significant vote? Vote against management

Next steps: The manager has shared their views and is regularly discussing with the company the reasons behind their vote against the compensation resolution.

Voting policy: The manager will review each resolution individually to arrive at a voting recommendation. The following key principles will be adhered to in making a recommendation: resolutions should treat shareholders equally; any material conflicts of interest must be appropriately addressed; resolutions should be clearly and individually stated, as composite resolutions are not optimal. The manager will not abstain from any resolution unless it is in the client's best interest to abstain, the manager has received direct instruction from the client to abstain, regulations in the issuing company's country of domicile prevent lodging an against vote, or there is insufficient information to make an informed decision.

When voting against a resolution, the manager will endeavor to inform the company in advance. If this is not possible, the company will be advised as soon as practicable.

Use of proxy voting: The manager does not use a proxy advisory service.

Emerging Markets Growth Equity Manager

Voting activity over the year

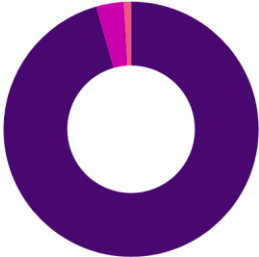
Sustainability

High

Fiduciary Manager's assessment

Voting activity over the year

Number of votes eligible to cast: 547
Percentage of eligible to cast: 100%



■ For: (95.6%) ■ Against: (3.5%) ■ Abstain: (0.9%)

Significant vote

Company: Hangzhou Tigermed Consulting Co., Ltd.

% of Manager's Fund: 0.8%

Vote topic: Amend Articles of Association

Issue: A vote against the proposed amendments to the Articles is warranted given the proposed amendments would include the removal of the class meeting requirement which would reduce the safeguards available to shareholders and would limit the ability of a particular class of shareholders to reject proposals that could result to unfavorable outcomes for minority shareholders.

Voting instruction: Against management

Outcome: Passed the resolution

Prior communication of against vote: No

Why a significant vote? A vote against management

Next steps: None to report

Significant vote

Company: Dino Polska SA

% of Manager's Fund: 1.9%

Vote topic: Approve remuneration policy

Issue: Institutional Shareholder Services recommends voting against Dino Polska SA's proposed remuneration report due to the lack of disclosed key performance indicators (KPIs) for senior managers. The company is centrally controlled by Mr. Biernacki, who owns more than 50% and serves as founder, CEO, and chairman. Increased visibility into management KPIs would be a positive governance step for minority shareholders

Voting instruction: Against management

Outcome: Passed the resolution

Prior communication of against vote: No

Why a significant vote? A vote against management

Next steps: None to report

Voting policy: Decisions are made by members of the investment research team. The process is typically directed by the lead analyst on the business, who will often consult with other members of the research team and Stewardship Committee. The manager's evaluation of each meeting agenda typically considers company proxy documents, their own research on the business, recent discussions with management, and third-party analysis. While the manager does consider independent proxy advisers' guidance, they do not delegate their voting or rely on adviser's guidance in their voting decisions.

Use of proxy voting: The manager votes proxies themselves but considers the recommendations of proxy advisors such as ISS and Glass Lewis in their voting decisions.