

THE BEACON

MEMBER NEWSLETTER AUTUMN 2019



NAVIGATING CHOPPY WATERS

WELCOME FROM THE CHAIR

In this edition of The Beacon, there are two important things I would like to tell you about. The first is that the Trustee Board needs your help to make sure its member records are up-to-date and secondly, to share with you the financial highlights from the MNOFF's Annual Report and Financial Statements for 2019.

Reducing the Fund's impact on the planet

As we all try to do our bit to reduce waste and save trees, please help us by completing the enclosed 'Updating our records' form and returning it to us. There's more information on why we are asking you to do this on page 4.

Holding a steady course

In the spring edition of The Beacon I was delighted to report an increase in the funding level over the three-year period between 2015 and 2018.

This good position has been maintained into 2019 and, as at 31 March 2019, the funding level remained unchanged at 98%. There's more on the annual funding update on page 3.

Progress has also been made over the last year towards achieving our goals: to secure all member benefits in the MNOFF and ensure the long-term future of Ensign.

People first, maritime pensions

In April 2018 the Money Purchase Section of the MNOFF – the Ensign Retirement Plan (for the MNOFF) – was successfully consolidated with the maritime industry's defined contribution pension plan – the Ensign Retirement Plan ("Ensign"). Since then Ensign has gone from strength to strength and now offers members lower charges and new product features and services. The MNOFF remains committed to ensuring the long-term sustainability of Ensign, not only for the benefit of the MNOFF members who transferred to Ensign last year, but also to secure defined contribution pension provision for future generations of seafarers.

Delivering our pension promises

The last quarter of 2018 was a particularly turbulent time for equity markets, with the FTSE 100 falling by over 11%. Despite this, your pension fund remains on course to achieve its funding objective by 2025 through a winning combination of good governance and a shrewd investment approach.

This outcome has been helped by the fantastic progress made to collect the deficit amounts owed by your employers – not only through the regular payments according to the agreed instalment plans, but through the success of our efforts to encourage employers to settle their outstanding amounts in full.

I hope you enjoy this 'new look' edition of The Beacon – please do get in touch with myself, or the MNOFF team, if you wish to comment or suggest topics to cover in the future – the details are on the back page.

Rory Murphy

Chair of MNOFF Trustees Limited



Financial highlights | Annual funding update | Fund performance
Equalising benefits | Reducing our global impact

MNOPF HIGHLIGHTS

1 APRIL 2018 TO 31 MARCH 2019

**£3,225
million**

of assets



**£25.6
million**

**Received in deficit
contributions
from employers**



**£137
million**

**Paid in benefits to
our members and
their beneficiaries**



24,101

**Members
in the
MNOPF**



FUND FINANCES IN FOCUS

AS AT 31 MARCH 2019

You will see in the table below that the total size of assets in the MNOPF has fallen by £52.9m since 2018. This is the second year in succession that the Fund size has fallen slightly. This is to be expected given the MNOPF has been closed to new members since 1996, with no new contributions from members since 2016.

We expect this trend to continue as the last few contributions from employers are collected, the Fund continues to reduce overall investment risk and benefit payments to members increase as more pensions are put into payment when members retire.

FUND FINANCES to 31 March 2019	Total £m
Opening balance as at 31 March 2018	3,277.9
Plus Income during the year	29.2
Less Expenditure and member benefit payments	(177.2)
Plus Net return on investment	95.1
Equals Closing balance as at 31 March 2019	3,225.0
MNOPF assets	£3,225.0

You can view the full Annual Report and Financial Statements at www.mnopf.co.uk

ANNUAL FUNDING UPDATE

A full actuarial valuation of the Fund is carried out every three years, and the encouraging results of the 2018 valuation were explained to you in the spring edition of The Beacon. In between full valuations, we ask the Scheme Actuary to carry out an annual check of the value of assets within the Fund and see how this compares to the amount needed to pay benefits to members now and in the future (the Fund's liabilities). This is known as the funding level on a 'technical provisions' basis.

What do the 2019 results show?

The Fund continues to perform well. The funding level has stayed stable over the year to 31 March 2019 despite generally turbulent equity markets (especially during the last quarter of 2018). A large part of the stability was due to the ongoing collection of employer contributions and the protection built into the Fund's investment strategy.

MNOPF Funding level progress

31 March	2018	2019
Estimated amount needed to provide benefits, including reserve for expenses	£3,351m	£3,298m
Assets	£3,278m	£3,225m
(Shortfall)	(£73m)	(£73m)
Funding level	98%	98%

Other important information

The MNOPF is run on behalf of its members and does not make any payments to participating employers. Neither has the Fund received any financial support directions or contribution notices relating to the Fund from the Pensions Regulator.

Thinking of leaving the Fund?

Transferring your benefits out of the MNOPF is a significant financial decision and if your transfer value is more than £30,000 then you are required by law to take independent financial advice prior to doing so. You can find IFAs local to you at www.unbiased.co.uk

FUND PERFORMANCE



The year to 31 March 2019 saw positive returns across markets. Overall, the Fund's investments returned 4.2% in the 12 months to 31 March 2019. The Fund remains well-positioned to navigate the Brexit uncertainties and remains on course to meet its funding level target through a combination of the remaining deficit contributions from employers and investment returns.

What is the solvency position of the Fund?

We are required by law to tell you how well the MNOPF is funded, as at the most recent valuation, if it were to wind up. At the last full actuarial valuation, in 2018, the Scheme Actuary estimated that if the MNOPF were to be closed, and no further financial support was available from employers, the assets of the Fund would have been sufficient to cover about 92% of the liabilities.



Upcoming Member Forum

A reminder that the next Member Forum is to be held at Poole Yacht Club on 19 November. Full details and joining instructions are available via www.mnopf.co.uk

CHANGES TO GUARANTEED MINIMUM PENSIONS

What is a Guaranteed Minimum Pension?

If you were an active member and your employer was contracted-out of the State Pension between 6 April 1978 and 5 April 1997, the MNOFP must provide a benefit that is broadly equivalent to the pension that would have been earned under the State Earnings Related Pension Scheme (SERPS). This is known as a Guaranteed Minimum Pension (GMP). The GMP forms part of your MNOFP pension and is not payable in addition. If you have not been contracted-out of SERPS whilst a member of the MNOFP, you will not have any GMP.

What has changed?

A landmark High Court judgment in the case of *Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank plc* was handed down on 26 October 2018. The judgment confirmed that pension benefits between men and women must be equalised in respect of GMPs for those members who had contracted-out of the State Pension after 17 May 1990. Whilst the judgement related to the Lloyds Banking Group scheme, it is expected to create a precedent for other UK defined benefit pension schemes, including the MNOFP.

How does this impact my pension?

There are several options potentially open to pension schemes such as the MNOFP to equalise GMP benefits between men and women. One of these options is to convert the GMP into a different type of Fund benefit. The Government has published guidance on this option, but clarification on many issues, including the tax implications, is needed before the MNOFP can consider whether this

is the best option for its members. In the light of this, interim measures have been put in place for those MNOFP members whose GMP benefits may be affected.

If you have asked myMNOFPpension for a transfer value, a quotation regarding a retirement, death or pension-sharing order, or want to initiate a new retirement, death benefit or a pension-sharing order, these will continue to be calculated as currently. However, myMNOFPpension will review the calculations as part of the GMP equalisation process, and your benefits or transfer value may be adjusted at a later date using an approach recommended by the Scheme Actuary.

For small lump sum payments members can either put the payment on hold until final adjusted benefits can be calculated, or select an unadjusted pension and cash sum initially and then convert the pension into a further lump sum at a later date once any adjustment has been agreed (if this is still within HMRC limits).

Kim Farnum, the Scheme Actuary, commented:

"Since the High Court judgement, the Trustee has been considering how GMP equalisation should be dealt with in the Fund. Whilst we await clarity on certain aspects of the judgement, the interim measures that have been agreed should allow 'business-as-usual' administration of member benefits".

Contact us

Please contact myMNOFPpension in the following ways:

Call: 01372 200200
(9am to 5pm, Monday to Friday, excluding bank holidays)

Email: enquiries@myMNOFPpension.co.uk

Write to: myMNOFPpension
JLT Employee Benefits Post Handling
Centre U, St James's Tower,
7 Charlotte Street, Manchester, M1 4DZ.



Reducing our impact on the planet

Each year the Fund writes to over 23,000 members. We print on recycled paper, however, with such large numbers involved, we wish to reduce our impact on climate change and support waste reduction initiatives. To do this the MNOFP, with your help, wishes to maximise the use of electronic communications.

Please may I ask you to complete the enclosed 'Updating our records' form and return it to us ideally by Friday 29 November.

If you provide an email address we will, in the future, send your Spring and Autumn editions of The Beacon electronically, with paper versions being available on request only. The newsletters will, of course, continue to be available to view on the website at www.mnopf.co.uk.

In addition, we are asking you to provide up-to-date information about your spouse or civil partner, so that when the time comes, the Trustee can ensure your benefits are paid quickly and without placing an additional burden on your loved ones.

Thank you in advance for your co-operation in this important work.

EMPLOYER CONTRIBUTIONS

The work to collect all monies owed to the Fund by employers (from past shortfalls, or deficits) has continued this year with excellent results. The figures below show the amount collected from employers, according to their agreed instalment plans, over the scheme year to 31 March 2019:

Total collected

£25.6m

Amount still to be collected, inclusive of instalment interest

£42.7m