



2 February 2022

Dear Member

Merchant Navy Ratings Pension Fund (the “Fund”)

This letter provides an update for members on the Ill health early retirement (“IHER”) benefits case and other matters related to the Fund.

An update on the IHER benefits case

As you may have seen from updates on the Fund website, a High Court hearing to consider approval of the proposed settlement in the IHER case is due to take place in the week of 21 February 2022.

The hearing had been put back from November 2021, to allow the representative parties sufficient time to consider the impact on the settlement of new issues identified. These issues were expected to result overall in very material additional liabilities to the Fund. Further details about this and the case can be found on the website at: <https://www.mnrpf.co.uk/latest-news.php>

The representative parties in the case have been appointed by the Court to represent the interests of the members and the participating employers. It is these parties, who are separately and independently advised by their own legal advisers and actuaries, who have to agree what they consider are the necessary changes to the proposed settlement in light of the new issues.

The Trustee is neutral on what changes should be made to the proposed settlement. Its role is to ensure that it obtains certainty on the benefits members are entitled to from the Fund and that any settlement agreement can be administered. Like the representative parties, the Trustee is also keen that the issues are resolved as quickly as possible to give certainty to both members and employers.

We are pleased to report that the representative parties have made substantial progress towards reaching a revised settlement which takes into account the new issues. We expect that the settlement terms previously agreed will be amended to take account of the newly identified historical issues. We also expect that there will be no changes to the details previously provided about the members who may be eligible, not to the process to consider claims.

The parties are working very hard, but at this stage it is unclear whether or not the hearing can go ahead in the week of 21 February 2022. The issues are very complicated and there are a number of steps to be taken and matters still to be resolved before a revised settlement can be agreed and put before the Court for approval. Further input is needed, not only from the legal teams but also their actuarial advisers.

The parties are doing all they can to facilitate swift resolution of these matters. If it is necessary to rearrange the hearing, the Trustee will try to get the earliest revised hearing date

If any member wishes to watch the Court hearing remotely, please could they contact Mercer who will then pass on their details to the Court. Mercer’s contact details are set out at the end of this update. If you have previously notified Mercer that you wanted to watch or listen to the Court hearing, then you do not need to do anything - your details will be passed to the Court once the hearing date has been fixed.

Further updates in relation to the IHER case and the new issues

Further updates about the case may need to be given at short notice. It takes time and cost to send communications by post to members. We will be writing to you by post about the outcome of the

approval hearing after it takes place. However, other further updates about the case, including any change to the hearing date from the week of 21 February and the new issues which have been identified, will only be posted on the Fund website.

Please let us know, via Mercer, if you are not able to access the website and would instead like to receive updates by post.

You can call our trained helpline agents on the following freephone number: 0800 197 6923

Alternatively, our address for enquiries by post is:

Merchant Navy Ratings Pension Fund
c/o Mercer Employee Benefits
Post Handling Centre U
St James's Tower
7 Charlotte Street
Manchester
M1 4DZ

Our email address for enquiries is: mnrpf.mailings@mercer.com

Documents for the IHER case

As noted several times before, in relation to the IHER case, the key thing that you need to do now, if you are not in receipt of an IHER pension but think you might be affected by the IHER case, is keep safe any relevant records that you have.

In summary, the Trustee strongly recommends that, where possible, if you were in service on 8 October 1993 (even if you were in between ships on that date), you retain any medical and employment history and/or details about your past health. This is particularly around the time of leaving Merchant Navy service as a Rating. If you are incapable of doing so or are the survivor of a member who was in service on 8 October 1993, the Trustee recommends that the family / survivors / estates of the member retain any relevant details and/or records.

The Trustee would like to thank members for bearing with us during this highly complex matter.

New issues

This is about the new issues that have been identified referred to above (which are the reason why the settlement in the IHER case is being renegotiated).

As previously notified to members, a routine exercise to ensure that the benefits being paid in practice are in line with both the Fund's current and historic trust deed and rules (which are the formal documents governing the Fund and set out the benefits) is underway. This exercise is part way through and has already identified some potential areas of misalignment. Two of these new issues are expected to be significant and were explained in the previous newsletter. There is nothing further to report on these two issues as they require more in-depth investigation. There were a few other potential issues which the Trustee has been working through. At this point, some of those have proved to be resolved and a few more complex issues still require additional investigation.

There is no action for you to take on this item. The Trustee is still working through the implications for members with the ultimate objective of ensuring all members are getting the benefits to which they are entitled.

GMP Reconciliation and Equalisation

A Guaranteed Minimum Pension (GMP) is a pension element which some schemes provide as an alternative to the State Earnings Related Pension (SERPS) which formed part of State pension provision between 1978 and 1997. If applicable, an amount to cover GMP may be included in any benefits you may have under the Fund. Fund benefits are usually more generous than SERPS.

A large complex project is ongoing to check that the GMP values held on the Fund's records agree with those held by HMRC so that any necessary adjustments can be made in due course. Additionally, historically GMP benefits were different for men and women and the Trustee is considering whether adjustment to equalise Fund benefits is necessary taking into account recent court rulings and legislation. Work on this project is ongoing but will not take priority over the other projects.

Media commentary

Over the last few months the MNRPF has attracted some interest from the media and a series of questions have been asked in Parliament. The focus has been on the debt owed by one of the Participating Employers (PEs) and how this might affect other PEs and members. The particular significance is that the MNRPF is a multi employer, last man standing pension scheme.

Multi Employer

Different to many schemes, the MNRPF has the support of a large number of employers. The full list of all PEs is on the member website and from this, members will be able to see the range of companies that support us.

Last Man Standing

A generic term, in practice this simply means that if one PE fails, the debt that it owes to the MNRPF is re-distributed amongst all remaining PEs – so they then have to pay more. With that process repeating itself every time, in the event that a PE becomes insolvent.

So, members' benefits have the financial support of each and every PE, regardless of which company they worked for. This should provide members with a great deal of confidence that their pensions are secure.

But even in the hypothetical scenario that all PEs did fail (and looking at the list of organisations and companies that make up the PE listing this would be a most unlikely event), members still have the certain "fall back" protection from the Pension Protection Fund – commonly known as the pensions "lifeboat".

I do hope that this short explanation provides the re-assurance that whatever is speculated upon in the media or elsewhere, the Trustee firmly believes that members' pensions are safe, now and in the future.

The Trustee would like to thank members for bearing with us during this highly complex matter.

Yours faithfully,

The Merchant Navy Ratings Pension Fund Trustee Limited