MERCHANT NAVY RATINGS PENSION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2025

Registrar of Occupational and Personal Pension Schemes Registration Number 10005646

TABLE OF CONTENTS

TRUSTEE, SERVICE PROVIDERS AND ADVISERS

Fund Actuary
Simon Eagle FIA

Fund Administrators
Aptia UK Limited

Independent Auditor
PricewaterhouseCoopers LLP

Investment Managers
Willis Towers Watson Limited (resigned September 2024)

Schroders Solutions (from 22nd November 2024)
AMX SSgA Infrastructure
AMX Colchester Global Sovereign Credit
Ancala Partners LLP
CarVal
CDH VGC II Holdings
Equilibrium Controlled Environment Foods
First Property Asset Management Ltd
Forgepoint Cybersecurity
Georgian Partners
Libremax
Insight Investment Management (Global) Limited
Insight Downside Risk Hedge (DRH)
Pretium Partners
Systima
Waypoint Essential Stores L.P.

Investment Consultant – Fiduciary manager oversight
Barnett Waddingham

Delegated Chief Investment Officer
Willis Towers Watson Limited (resigned September 2024)

Fiduciary Manager
Schroders Solutions (from 22nd November 2024)

Governance Consultant
Barnett Waddingham

Employer Management Consultant
Willis Towers Watson Limited

Communication Consultant
Quietroom

Online Governance Platform
Knowa

Member Support Services
Guiide (20th August 2024)

Tracing Services
Heka Solutions Ltd

Trustee Company
Merchant Navy Ratings Pension Fund Trustees Limited
Trustee Directors
Melanie Cusack - Independent Trustee Director
Lionel Sampson - Independent Trustee Director
Pi Consulting, represented by Doug Ross – Independent Trustee Director and Chair

Project Greenwich Support
Kays Medical and Appointed Persons
Lane Clark Peacock (LCP)
Morton Fraser MacRoberts LLP
Clever Fulton Rankin Limited
Beauchamps LLP
Edward Nathan Sonnenbergs Incorporated (appointed 26th September 2024)

Trustee Secretariat
Pi Consulting (UK) Limited

VAT Adviser, Additional payroll services and Tax Services
BDO LLP

Solicitors
Mayer Brown International LLP
Linklaters LLP
Taylor Wessing LLP

Banker
Royal Bank of Scotland

Project Management
Kim Gubler Consulting

TRUSTEE, SERVICE PROVIDERS AND ADVISERS (CONTINUED)

Additional Voluntary Contributions (AVCs) Provider
Utmost Life and Pensions

Custodian
J P Morgan Chase Bank

Employer Covenant Adviser
Cardano Advisory Limited

Longevity Swap
Foxtrot IC Limited
Metropolitan Life
WTW Guernsey

PR Consultants
Headland PR Consultancy LLP

Registered Office Address
Merchant Navy Ratings Pension Fund Trustees Limited,
c/o Pi Consulting (UK) Limited, 2nd Floor, Tuition House
27 – 37 St. George's Road, Wimbledon
London, SW19 4EU

TRUSTEE REPORT

Introduction

This is the 49th Annual Report submitted by the Trustee to the members of the Merchant Navy Ratings Pension Fund ("the Fund").

Management

The operation of the Fund is governed by the Trust Deed and Rules taking into account the Articles of Association and is managed through a company, Merchant Navy Ratings Pension Fund Trustees Limited (the “Trustee”).

The Board of the Trustee (the “Board”) currently comprises three independent Trustee Directors (“Directors”) These are one nominated by the Employers Group and one nominated by the National Union of Rail Maritime & Transport Workers (“RMT”). In addition, Pi Consulting (Trustee Services) Limited, represented by Doug Ross, was appointed by the Maritime Pensions Forum as Independent Trustee and Trustee Chair of the Board.

The Board’s Articles of Association reflect the Board structure of three Independent Trustee Directors. The responsibility to appoint the Trustee Directors rests with the Maritime Pensions Forum. The appointment of any Director will be affected by the Maritime Pensions Forum giving notice, in writing to the Directors, of the decision to appoint such person and such person’s terms of office.

All Trustee Directors are shareholders of the Trustee Company.

The Board now operates under three pillars to carry out operational tasks:

1) Governance Risk Management
2) Member Risk Management
3) Financial Risk Management

The Governance Risk Management pillar manages matters related to oversight of the Fund’s governance structure, the Trustee’s governance policies, maintenance of the Fund’s risk register, oversight of data protection matters.

The Member Risk Management pillar ensures that all member administration and communications, banking, compliance matters, and monitoring of contributions are adequately delivered, reviewed and managed in line with the Fund’s rules and best practice as agreed by the Trustee Board.

The Financial Risk Management pillar manages the investment, funding, and covenant matters, annual audit and formal reporting requirements including the Task Force on Climate Change Disclosures.

Through regular meetings and communications, the Trustee Board aims to develop and maintain open, transparent, collegiate, and constructive relationships with key stakeholders, including:

- The Merchant Navy Pensions Employers’ Group (MNP EG)
- The Maritime Pensions Forum (established by the RMT and MNP EG to promote and discuss pension matters outside of Trustee business)
- The Participating Employers (including those who are not members of the MNP EG)
- National Union of Rail Maritime & Transport Workers (RMT)

The Board has unanimous decision-making authority as defined in their Terms of Reference. All strategic decision making is made at Board level. Operational matters are delegated to the pillars.

From time to time the Board establishes project groups to carry out specific items of Board business, the most impactful on assets of these project groups are Project Greenwich which relates to Ill health benefits and Project Delta which relates to the administration of Fund benefits, as described on pages 8 and 9.

TRUSTEE REPORT (CONTINUED)

During the year ended 31 March 2025, the Board met formally 9 times (2024:9). The pillars generally met monthly, and Project groups met as required to discuss and review the progress of the Fund.

Appointment and removal of Trustee Directors

The provisions for appointment and removal of Trustee Directors are set out in the Articles of Association of the Trustee. The current Trustee Directors of the Board are shown below and have all been appointed until at least 2028.

Section 242 of the Pensions Act 2004 (requirement for member-nominated directors of corporate Trustees) does not apply in relation to the Fund by virtue of Section 242(10) of the Pensions Act 2004 and Regulation 3(e) of the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006.

During the year, the Directors of the Trustee Company have been:

- Pi Consulting (Trustee Services) Limited, (represented by Doug Ross) – Independent Trustee Director and Chair of Board
- Melanie Cusack - Independent Trustee Director
- Lionel Sampson - Independent Trustee Director

Taxation status

The Fund is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. This means that members, their Employer and the Fund benefit from favourable tax treatment.

Administration of the Fund

The administration of member benefits and Fund accounting is undertaken by Aptia UK Limited, which receives a fee for the services under contract.

Pension increases

Pensions in payment

Service Pre-6 April 1988 – no guaranteed increases

Service 6 April to 5 April 1997

Guaranteed Minimum Pension 3.0% per annum in line with statutory provisions

Other: no guaranteed increases.

Service from 1 April 1997 - guaranteed annual increases in line with the increase in the Retail Prices Index (RPI) over the year to the previous September to a maximum of 5%. At 1 April 2024, this increase was 2.7% (2024: 5.0%).

There have been no discretionary pension increases in the year under review.

Deferred pensions

Deferred pensioners receive statutory increases in accordance with the legislation appropriate at their date of leaving.

Members in seagoing employment

RPI at September 2024, has been retained as the measure of inflation for the calculation of “limited price index (LPI) 7%” increases. This applies to those members still in seagoing employment who opted for this method of revaluation of their accrued benefits as an alternative to the default revaluation in line with “section 148 orders” (average earnings increases).

TRUSTEE REPORT (CONTINUED)

Additional Voluntary Contribution ("AVC") scheme

There is an AVC scheme in place for Members who made AVCs before the Fund closed to future benefit accrual on 31 May 2001 and whose benefits had not been paid on retirement, death, or transfer.

The AVC scheme is invested with Utmost Life and Pensions ("Utmost").

Calculation of transfer values

Transfer values paid during the year were calculated and verified in the manner required by the Regulations made under Section 97 of the Pension Schemes Act 1993. None of the transfer values paid were less than the amount provided by the Regulations and do not include discretionary benefits.

The Rules of the Fund enable transfers to other occupational and individual pension schemes. The Trustee confirms that all cash equivalent transfer values were calculated and verified as required. There is no provision for discretionary benefits in the calculation of transfer values. The monetary amount of transfer values to other schemes is shown on page 30 of the financial statements.

The Fund does not accept transfers in.

Actuarial Valuations

In February 2015, a Court judgment approved a new deficit collection regime ("the New Regime") proposed by the Trustee, which was introduced by changing the Fund's Trust Deed and Rules on 24 June 2015.

A full actuarial valuation of the Fund with an effective date of 31 March 2023 was completed on 18 June 2024 and calculated a funding deficit of £152m on a Technical Provisions basis. The outstanding deficit contributions required to meet the 2023 valuation deficits are expected to be sufficient to meet this £152m deficit by 31 March 2030.

Collection of Contributions

Contributions continue to be collected on a monthly basis from Current Participating Employers of members entitled to Section 148 revaluation of their deferred benefits in the Fund (members had to be paying contributions to the Fund on 31 May 2001 and had to continue working for a Participating Employer to be eligible for Section 148 revaluation).

All invoices issued in the Fund year were paid in line with the deficit contribution regime. Over the course of the Fund year to 31 March 2025, deficit contributions totalling £46.8m were received.

TRUSTEE REPORT (CONTINUED)

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 Fund 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 agreed between the Trustee and the employer and 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 2023 showed that the accumulated assets of the Fund of £860m represented 85% of the Fund’s technical provisions (£1,012m) in respect of past service benefits; this corresponds to a deficit of £152m at the valuation date.

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Fund in the future, such as the levels of investment returns, pension increases when members will retire and how long members will live.

The method and significant actuarial assumptions used in the calculations as at 31 March 2023 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: term dependent rates set by reference to the fixed interest gilt curve (as derived by Willis Towers Watson) at the valuation date plus an initial margin over projected gilt yields of 1.8% per annum, with the margin over projected gilt yields decreasing to 1.6% per annum from 31 March 2024, followed by 0.1% per annum until 31 March 2030, then remaining constant at 0.5% per annum thereafter.

  Future Retail Price inflation: the assumption adopted is the yield curve reflecting the Retail Price Inflation expectations implicit in UK Government bond prices as at 31 March 2023, as derived by Willis Towers Watson.

  Future Consumer Price inflation: based on the expected future difference between assumed Retail Price Inflation and Consumer Price Inflation. The assumption adopted as at 31 March 2023 is that Consumer Price Inflation will be lower than Retail Price Inflation by 1.0% per annum until 31 March 2030, then unadjusted 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.

TRUSTEE REPORT (CONTINUED)

Mortality: standard SAPS tables S3PMA and S3DFL with the following multipliers:

Category	Multiplier
Male normal health pensioners and male dependants	101%
Male and female ill-health pensioners	110%
Female normal health pensioners	101%
Female dependants	114%

Allowance for improvements in longevity are assumed to be in line with the CMI core projection model (2022 version) from 2013, with a long-term rate of improvement of 1.5% per annum, smoothing parameter of 7.0% and 0.0% per annum initial addition, and experience weighting of 0%, 0% and 25% in the years of 2020, 2021 and 2022 respectively.

Projected benefit cashflows at 31 March 2023, were uplifted by 4.3% as an allowance for the expected cost of longevity hedging.

Recovery plan

The arrangements to eliminate the 2023 valuation funding shortfall were formalised in a Schedule of Contributions which the Fund Actuary certified on 18 June 2024. A copy of this certificate is included on page 45 of this report.

Next actuarial valuation

The next triennial valuation is due to be performed at an effective date of 31 March 2026.

Ill health early retirement benefits (IHER Benefits)

As noted in previous Trustee Reports, the Trustee became aware of legal uncertainties relating to the entitlement of members to enhanced IHER benefits. These issues relate broadly to the introduction of IHER benefits in 1985, their enhancement in 1988, their reduction in 1991 and the decision to stop future awards of these benefits in 1993. The Trustee has received independent legal advice over these issues and applied to the High Court for directions. The Trustee has remained neutral in these proceedings, and so two members (Mr Knight and Mr Redfern) were appointed to act on behalf of the members and Stena Line was appointed to act on behalf of the Participating Employers.

Whilst the case was originally listed to be heard in November 2020, the hearing was adjourned to allow time for confidential settlement discussions and to prepare and agree detailed settlement terms in this complicated matter. The concluded settlement agreement was approved by a High Court Judge at a hearing on 24 February 2022.

Payments amounting to £31m have been paid to date. The Trustee was required to sign off the 31 March 2023 actuarial valuation by June 2024 and decided to make an allowance in the valuation for estimated remaining additional IHER benefit liabilities. As set out in the section above, the Trustee did this by adding a £8m reserve to the funding target for future payments. The impact of this on the financial statements has been disclosed in note 15.

TRUSTEE REPORT (CONTINUED)

Review of the Administration of Fund benefits against the Trust Deeds and Rules and relevant legislation

- **Project Delta**

  The Trustee has largely completed the first stage of Project Delta, to review and rectify the administration of Fund benefits against the Trust Deeds and Rules and relevant legislation that have applied over the years and has identified a number of issues to be corrected and have put a plan in place to do so. Two of these issues are expected to lead to significant additional liabilities to the Fund, such that the Fund's actuarial funding valuation as at 31 March 2023 included a reserve for these. The precise amount and timing of the payments remain uncertain, however there is an expectation that around £69m will be payable as arrears relating to payments due before the 31 March 2025 accounting date.

  For this, some limited approximations have needed to have been made, and it has been assumed that interest will apply to the arrears at Bank of England base rate +1%, and as a best estimate assessment that other than for transfers out or deaths more than 20 years ago it will be practical to make the payments to all affected members.

  As a result of the above, allowance for £69m has been included in the financial statements in relation to this, as a net current liability. The Trustee will update members and employers further as the exercise continues.

- **Guaranteed Minimum Pensions**

  The Trustee has continued its review of Guaranteed Minimum Pension (GMP) entitlement for members, to reconcile those with the data held by HMRC, which is now close to completion.

  Separately, members may be aware from previous correspondence of the judgment handed down by the High Court on 26 October 2018 in Lloyds Banking Group Pension Trustees Limited v Lloyds Bank Plc and others. This case was about the equalisation of GMP.

  As reported previously, the judgment concluded that schemes should equalise pension benefits for men and women in relation to GMP benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee is aware that the issue will affect the Fund and the GMPs payable to some members. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

  On 20 November 2020, the High Court further ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional values are due as a result of GMP equalisation.

  The Trustee is still considering the action it should take in this area, in conjunction with the separate exercise to review the administration of Fund benefits against the Trust Deeds and Rules and relevant legislation and will report further on this to members once more is known about the impact that GMP equalisation will have on members' benefits.

  Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Employer related investments

The Fund holds investments in a number of organisations, which may, or may be related to, Participating Employers in the Fund.

As an industry-wide scheme, the Fund is restricted to a limit of 20% of the Fund value in employer related investments, with a limit of 5% in relation to a particular employer. No limits have been breached. Employer related loans are prohibited.

TRUSTEE REPORT (CONTINUED)

Fiduciary Management

The Merchant Navy Ratings Pension Fund (MNRPF) Fiduciary Manager model enables integrated and effective implementation alongside timely responses to investment opportunities. Fiduciary Manager of the Fund advises on investment strategy and benchmarks and implements the agreed strategy within parameters set by the Trustee. The Fiduciary Manager implements the strategy by appointing investment managers to manage the assigned portions of the Fund's portfolio, or by buying units in collective investment schemes. The Fiduciary Manager also asses the nature, disposition, marketability and security of the Fund's assets.

Willis Towers Watson Investment Management (WTWIM) was appointed Fiduciary Manager on 1 December 2014.

The Trustee carried out a review of its Fiduciary Management arrangements with WTWIM. After a competitive selection process, the Trustee decided to appoint Schroders Solutions as the Funds new Fiduciary Manager with effect from November 2024.

The Trustee sets investment policy and monitors the Fiduciary Manager with oversight advice provided by Barnett Waddingham.

Transition of Assets to Schroders Solutions

During the year ending 31 March 2025, Schroders Solutions transitioned the Fund's assets onto their fiduciary management platform. In doing so, following advice to the Trustee, Schroders Solutions implemented a new investment strategy designed to broadly maintain the current target return, but with greater downside protection, cashflow matching and certainty of return outcome.

The transition involved the 'novation' of the Fund's liability hedging portfolio (i.e. transfer without having to sell assets), sale of existing liquid fund holdings (principally the WTWIM Fund of Funds) to redeploy into other return seeking assets and the retention of the Fund's legacy illiquid private asset portfolio. Schroders Solutions, in its capacity as Fiduciary Manager, will take on oversight and ongoing management of this legacy portfolio.

Investment Policy

The Statement of Investment Principles (SIP) prepared under Section 35 of the Pensions Act 1995 (a copy of which is available on request to the Trustee) sets out the investment objectives of the Fund, which are:

- To acquire suitable assets, having due regard to the risks set out in the SIP, which will generate income and capital growth to pay, together with any contributions from members or the Participating Employers, the benefits which the Fund provides as they fall due.
- To limit the risk of the assets failing to meet the liabilities over the long-term having regard to any statutory funding requirements.
- To achieve a return on investments which is expected over the long term to at least meet the asset return assumptions set by the Trustee for the discount rate used for the most recent assessment of Technical Provisions.

In pursuing these investment objectives, the Trustee intends to have due regard to:

- the paramount interests of the members of the MNRPF, for whom the receipt of their promised benefits is of prime importance; and
- the covenant of the Participating Employers, upon whom the responsibility for funding those benefits ultimately falls.

The SIP was updated in April 2025 to reflect the target strategy implemented by Schroders Solutions.

A copy of the SIP may also be found on https://www.mnrpf.co.uk/library.php.

TRUSTEE REPORT (CONTINUED)

Asset allocation

The Trustee has set the following strategic allocation ranges following advice from the Fiduciary Manager. The actual asset allocation as at 31 March 2025 is also shown below:

	Strategic ranges	Actual at 31 March 2025
	%	%
Completion Growth Assets	0 – 45	15.9
Legacy Private Assets	0 – 45	25.6
Structured Equity	0 – 25	20.5
Contractual Assets	0 – 25	10.6
Liability Hedging Assets	20 – 50	27.4
		100.0

The overall objective of the Fund’s assets is to target a return of approximately 2.1% p.a. (net of fees) in excess of the Fund’s Liability Benchmark. More detail is provided in the SIP.

Investment management

In order to meet its responsibilities with regard to investments, the Trustee employs specialist investment managers selected by Schroders Solutions under their discretion as Fiduciary Manager. This is held alongside the legacy private asset holdings.

Each investment manager has a set performance target as part of the fiduciary management mandate and is expected to contribute to delivering the target performance for the total Fund assets over a specified period. In addition, the Trustee sets parameters for the fiduciary managers to control risk.

Custody of assets

The custody of Fund assets, including documents of title, is separated from the investment management functions. Electronic evidence of share ownership and other documents evidencing ownership as appropriate for the segregated funds are held by J P Morgan Chase Bank under contract with the Trustee. The pooled funds have their own custodians. The responsibility of the investment managers is thereby limited to the selection of securities.

TRUSTEE REPORT (CONTINUED)

Investment performance

The performance of the investment managers is monitored by the Trustee and the Fiduciary Manager. With effect from 1 January 2004, the Trustee appointed J P Morgan Investor Services to provide independent external performance measurement services for the assets of the Fund.

Performance of the Fund's assets returned (0.7%) over the year.

Process for choosing investments

The Trustee has delegated responsibility for the selection and deselection of investments, and the ongoing management of relationships with asset managers to the Fiduciary Manager within Investment Guidelines set by the Trustee. The Fiduciary Manager will ensure that, in aggregate, the portfolio is consistent with the policies set out in this statement and that the investment objectives and guidelines of any individual manager/mandate are also consistent with those policies relevant to the mandate in question. The Trustee considers the Fiduciary Manager's performance in carrying out these responsibilities as part of its ongoing oversight of the Fiduciary Manager.

The Trustee expects the Fiduciary Manager to appoint investment managers with an expectation of a long-term partnership, which encourages active ownership of the Fund's assets. Likewise, the Trustee expects investment decision making of the investment managers that are appointed to have a long-term mind-set and manage risk exposure to potentially short term ESG factors. When assessing a manager's performance, the Trustee expects the Fiduciary Manager to focus on longer-term outcomes. Consistent with this view, the Trustee does not expect that the Fiduciary Manager would terminate a manager's appointment based purely on short term performance but recognises that a manager may be terminated within a short timeframe due to other factors such as a significant change in business structure or the investment team. The Trustee adopts the same long-term focus as part of its ongoing oversight of the Fiduciary Manager.

The Trustee expects the Fiduciary Manager to consider the fee structures of asset managers, and the alignment of interests created by these fee structures as part of its investment decision making process, both at the appointment of an asset manager and on an ongoing basis. Asset managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the Fiduciary Manager to review and report on the costs incurred in managing the Fund's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee expects the Fiduciary Manager to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

TRUSTEE REPORT (CONTINUED)

Socially Responsible Investment

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager and in turn to the Fund's investment managers. However, the Trustee and Fiduciary Manager recognise that an investment's long-term financial success is influenced by a range of factors including Environmental, Social and Governance (ESG) issues.

Consequently, the Trustee (through the selection of the Fiduciary Manager and its associated approach to environmental, social and governance issues, as set out further below) seeks to be an active long-term investor. The Trustee's focus is on financially material considerations.

The Trustee supports investments with a positive social and environmental impact, but these investments must have no adverse impact on overall investment efficiency.

The Fiduciary Manager has a dedicated Sustainable Investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in the investment manager selection and portfolio management process, with oversight undertaken on an ongoing basis. Whilst noting there may be limitations for each investment manager and asset strategy, the Fiduciary Manager expects investment managers to have ESG processes that align with the investment risk and return characteristics of the strategy. Where an investment manager's processes are deemed insufficient by the Fiduciary Manager, and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment.

The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework.

The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Fiduciary Manager takes into account in the assessment.

Rights attached to investments

The Trustee recognises the responsibilities of shareholders as owners of capital. Accordingly, the Trustee's objective as a shareholder is to achieve a substantial long-term return on the MNRPF's investments by the preservation and enhancement of shareholder value, which it believes good corporate governance promotes. Matters of corporate governance in general and voting in particular are integral parts of the delegation of duties to the investment managers. Voting power should be exercised by the Investment managers with the objective of preserving and enhancing long-term shareholder value.

The Fiduciary Manager encourages and expects the MNRPF's investment managers to sign up to local or other applicable Stewardship Codes, in keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the UK Stewardship Code and is actively involved in external collaborations and initiatives. The Trustee has posted its Statement of Commitment to the Stewardship code on its own website. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager leverages its internal capabilities to undertake public policy engagement as well as company-level engagement and the provision of voting advice for the MNRPF's equity investments.

The Trustee requires its investment managers to report on corporate governance, and particularly on their voting and engagement records. Experience suggests that investment managers typically choose to support and vote with incumbent company management in the majority of cases. The Trustee expects investment managers to provide (upon request) justification for their voting decisions. Significant shareholder action other than voting should also be reported. Reporting on corporate governance activity by the investment managers will be monitored by the Trustee via the Fiduciary Manager. The Trustee annually receives reporting from the Fiduciary Manager which summarises the environmental, social and corporate governance integration and stewardship activities of the Fiduciary Manager and its external investment managers.

TRUSTEE REPORT (CONTINUED)

Taskforce for Climate-related Financial Disclosures (TCFD)

The Trustee is legally required to produce formal disclosures in line with TCFD as part of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. In line with these requirements, the Trustee has prepared the TCFD report for the year ended 31 March 2025, and this can be found at: https://www.mnrpf.co.uk/library.php

Implementation Statement

The Implementation Statement on page 49 forms part of the Trustee's Report.

Financial development of the Fund

The Fund Account on page 24 shows that the value of the Fund's assets decreased by £66.5m to £654.1m as at 31 March 2025. The decrease was comprised of withdrawals from dealings with members of £36.3m which includes £46.8m of contributions, £0.5m of other income and benefit costs of £83.6m, together with a net decrease from the return on investments of £30.2m.

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. Under the Amendment to the Audit Accounts Regulations, effective from 1 April 2016, as the Plan has more than 20 participating employers at the start of the financial period there is no requirement to obtain a statement from the auditor on whether contributions have been paid in accordance with the Schedule of Contributions. No summary of contributions has therefore been prepared in these financial statements. Further details of the financial developments of the Fund may be found in the audited financial statements on pages 24 to 44.

TRUSTEE REPORT (CONTINUED)

Membership

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

	Total 2025	Total 2024
EMPLOYED DEFERRED MEMBERS		
Employee members at the start of the year	**200**	234
Adjustments to employee members*	**(23)**	(28)
Members retiring	**(10)**	(3)
Deaths	**-**	(2)
Leavers, transfers out or full commutations	**(1)**	(1)
EMPLOYEE MEMBERS AT THE END OF THE YEAR	**166**	200
PENSIONERS		
Pensioners at the start of the year	**8,436**	8,866
Adjustments to pensioners*	**56**	(540)
New pensioners (includes widow(er)s of employee and deferred members)	**444**	430
Full commutation	**(3)**	(3)
Deaths	**(301)**	(317)
PENSIONERS AT THE END OF THE YEAR	**8,632**	8,436

Pensioner figures do not take into account additional records where members have more than one period of service. The closing balance includes 461 pensioners whose pensions are suspended (2024: 388). There are 1,344 dependent pensions in payment (2024: 1,341).

	Total 2025	Total 2024
DEFERRED MEMBERS		
Deferred members at the start of the year	**7,507**	8,221
Adjustments to deferred members*	**(59)**	(116)
Leavers before pensionable age retaining an entitlement	**1**	1
Transfers out	**(24)**	(31)
Retirements (including full commutations)	**(451)**	(503)
Deaths	**(38)**	(61)
Refunds	**(1)**	(4)
DEFERRED MEMBERS AT THE END OF THE YEAR	**6,935**	7,507
TOTAL MEMBERSHIP AT THE END OF THE YEAR	**15,733**	16,143

Employee members at the end of the year are those deferred members who were contributing to the Fund on its closure date of 31 May 2001 and have retained a right to Section 148 revaluation or have elected the alternative basis for revaluation. For the purposes of the Pension Protection Fund (PPF) levy, these members are treated as deferred since this reflects their benefit position.

*Adjustments to Employee, Pensioner and Deferred members usually arise as a result of the late notification of member movements. During the year further adjustments were also required to the membership data in order to record the members who could have taken an Ill Health Pension under Project Greenwich. The bulk of these adjustments are backdated pensioners. Included within the adjustments are 41 Suspended pensioners and any duplicate records for multiple periods of service have also been removed.

TRUSTEE REPORT (CONTINUED)

Further information

Members are entitled to inspect copies of certain documents giving information about the Fund. In some circumstances copies of these 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 member with a query on their pension entitlement should contact the Administrator. The Trustee has drawn up an Internal Disputes Resolution Procedure which is available to any member or beneficiary who is dissatisfied with a decision relating to their benefits.

The Pensions Ombudsman appointed under section 145(2) of the Pension Schemes Act 1993 may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme made or referred in accordance with that Act. The Pensions Ombudsman is also available to provide for assistance in respect of the dispute resolution. The Pensions Ombudsman can help investigate complaints and disputes of fact or law connected with pension schemes. They will look at the facts, without taking sides and have legal powers to make decisions. The Pensions Ombudsman can be contacted at 10 South Colonnade, Canary Wharf, London E14 4PU.

Created under the Pensions Act 2004, The Pensions Regulator ("TPR") is designed to oversee workplace pension schemes. This includes protecting the interests of scheme members, promoting good administration, and reducing the risk of claims on the Pensions Protection Fund (PPF). TPR can be contacted at: The Pensions Regulator, Telecom House, 125-135 Preston Road, Brighton, BN1 6AF.

Members enquiring about their own benefits should initially telephone the member helpline (01372 200385) or submit their enquiry through the Contact Aptia Portal: https://pensionuk.aptia-group.com/.

Alternatively, requests from individuals for information about their benefits can be addressed to:

The Trustee of Merchant Navy Ratings Pension Fund:

c/o Aptia UK Limited, Maclaren House, Talbot Road, Stretford, Manchester, M32 0FP.

Contact for further information

Any person who has a query in relation to the Fund in general or requires copies of Fund documentation, should write to Aptia UK Limited, Maclaren House, Talbot Road, Stretford, Manchester, M32 0FP.

This report, including the Statement of Trustee's Responsibilities on page 20, the Implementation Statement on page 49, the Members' Information on page 47 and the Investment Report on page 17 as approved by the Trustee on 2025 and signed on its behalf by:

…..
Trustee Director

Date:

…..
Trustee Director

Date:

INVESTMENT REPORT (FORMING PART OF THE TRUSTEE REPORT)

Market background

The 12-month period was dominated first by changing expectations over when major central banks might be able to cut interest rates, and then by what Donald Trump's re-election as US President would mean for markets.

At the start of the period, softer-than-expected US inflation data in late 2023 reinforced the market's view that the Federal Reserve (Fed) would move towards cuts early in 2024. However, as 2024 progressed, inflation proved to be stickier than expected and markets were forced to push back both the timing and extent of US rate cuts.

Some weaker employment data in early summer led to fears that the Fed may have left it too late to cut rates, prompting worries about economic slowdown or even recession. The Fed responded in September with a 50 basis point (bps) cut to interest rates, larger than the typical 25 bps move.

It was a similar situation for the eurozone and UK, with higher-than-expected inflation resulting in the dialling back of expectations around policy easing. Both central banks did cut interest rates during the period.

In emerging markets, soft economic data from China continued to suggest a lacklustre economic recovery from the Covid-induced slowdown of prior years. The ongoing real estate crisis continued to weigh on sentiment. The Chinese authorities responded with a package of stimulus measures in September 2024.

November brought the much-anticipated US presidential election. While the polls had been close, the result was a clean sweep for the Republicans with Donald Trump taking the presidency.

The US economy continued to avoid recession but inflation proved stubbornly high. The Fed cut interest rates in November but signalled fewer cuts than anticipated in 2025. Attention also began to shift to the likely inflationary impact of some of Trump's stated policy priorities.

In particular, trade tariffs drew focus at the end of the period. President Trump announced tariffs on certain countries (notably Mexico and Canada) and on some goods (cars, steel, aluminium). As the period under review came to a close, investors were awaiting 2 April, dubbed "Liberation Day", and the announcement of a broader swathe of tariffs.

Global equity markets notched up gains over the 12-month period. The MSCI World index returned 7.0% (in US dollars). Overall, shares were supported by hopes that the US economy would achieve a soft economic landing and by expectations of further interest rate cuts. Resilient corporate earnings in several sectors also supported shares.

However, enthusiasm around new technologies and artificial intelligence (AI) began to wane following news in January 2025 that China's DeepSeek had created a new low-cost AI model. That cast some doubts about the likely returns to be made on large scale AI investment and contributed to the volatility in markets.

Emerging markets slightly outperformed their developed market counterparts. The MSCI EM index returned 8.1% (in US dollars). Chinese shares performed strongly after the announcement of stimulus measures in September.

In fixed income, yields rose across most major government bond markets over the 12-month period. Although softer inflation data over the summer months boosted expectations of interest rate cuts, particularly in the US, the November elections were the catalyst for a sell-off.

The 10-year US Treasury yield declined from 4.38% to 4.25% in the period. Weaker labour market data prompted the Federal Reserve (Fed) to sanction interest rate cuts in September and November although Fed officials issued more cautious guidance for 2025. Subsequently, the Trump administration's proposals for extensive trade tariffs fuelled fears of an economic slowdown.

Germany's 10-year Bund yield rose from 2.40% to 2.73%. The European Central Bank was the first major central bank to cut interest rates in 2024, as eurozone economic growth stagnated. In March 2025, the German parliament approved plans from the new Chancellor to raise borrowing limits.

Despite the Bank of England reducing interest rates by 0.25% in August, November and February, the 10-year UK gilt yield rose as the new Labour government announced a £28 billion annual increase in borrowing in the autumn. Japanese government bond yields rose significantly as the Bank of Japan abandoned its negative interest rate policy.

INVESTMENT REPORT (FORMING PART OF THE TRUSTEE REPORT) (CONTINUED)

The US dollar recorded a 38-year high against the yen in June, before weakening as the interest rate differential between the US and Japan narrowed. Overall, the US dollar index rose sharply after the November elections before giving up these gains on concerns over the impact of trade tariffs.

Investment Manager Arrangements

The Trustee has entered into an Investment Management Agreement with Schroders Solutions Investments Limited ('Schroders Solutions') as the investment manager of the portfolio of the Fund's assets and investments.

The Trustee has chosen to implement their investment strategy through Schroders Solutions' Fiduciary Management service, an implemented solution which allows the trustee to retain ownership of those decisions which have the greatest importance to the Fund's investment strategy – framing objectives, allocations to on-risk/off-risk assets, risk tolerance – whilst delegating other decisions to Schroders Solutions.

In addition, the Trustee has appointed JP Morgan as custodian of the Fund's assets.

Investment strategy

The Trustees' long-term objective for the Fund is to target an investment return objective of approximately 2.1% per annum (net of fees) in excess of the returns on the Liability Benchmark ("LB").

In addition to framing the investment objective, the Trustee is responsible for setting the split and range of assets between return-seeking (the Growth Assets) and liability-matching assets (known as the Liability Hedging assets) as detailed on page 12.

Based on consideration of the Fund's liabilities and the desired investment objective, the Trustee has adopted a 15% Growth Assets/30% Liability Hedging Assets/10% Cashflow Driven Investments/20% Structured Equity/25% Private Assets split. The Investment Manager has discretion to implement the Trustees' investment strategy to meet the objective, as described below.

Liability Driven Investments (LDI)

The LDI portfolio is invested in a portfolio of directly held gilts, which is expected to move closely in line with the rise and fall in liability values, thus providing a degree of protection to the Fund's funding position.

The LDI portfolio also contains over-the-counter (OTC) derivatives (such as interest rate and inflation swaps) and gilt repurchase agreements (repo), which extend the liability matching provided by the gilts to changes in interest rate and inflation expectations.

Contractual Assets (also known as Cashflow Driven Investments or CDI)

The Contractual Assets portfolio is invested in high quality investment grade credit to efficiently match a proportion of the Fund's liability cashflows, whilst also mitigating some of the interest rate risk inherent in the liabilities.

Completion Growth Assets

The Completion Growth portfolio holds a diverse portfolio of assets that are expected, over the longer term, to exceed the growth in the value of the Fund's liabilities. The objective for the Completion Growth portfolio is to achieve a return of at least 4.0% per annum in excess of the return of cash, after the deduction of fees, over rolling three year periods.

During the year, the GA has been invested in a diversified portfolio of equities, global government, high yield, and emerging market bonds, and alternative assets such as hedge funds and leveraged loans.

The aim of the Structured Equity is to provide the Fund with exposure to potential equity market rises, whilst providing protection against falls in the equity market. Combined with a gilt investment, structured equity creates a synthetic exposure to UK equity.

INVESTMENT REPORT (FORMING PART OF THE TRUSTEE REPORT) (CONTINUED)

Private Market Assets

The Private Market Asset portfolio is invested in a number of different private markets, including private equity, private credit and real estate. The Trustee expects to allow most of these assets to unwind naturally to ensure maximum value for the Fund, but the Fiduciary Manager may seek opportunities to sell earlier if necessary/attractive.

Structured Equity

The Structured Equity is invested in a combination of gilts and equity derivatives to capture equity return exposure with explicit downside protection, whilst also retaining gilt collateral to support the liability hedge, enabling an efficient use of capital.

The objective of the Structured Equity portfolio is to achieve a return of Cash (SONIA) of + 3.5% p.a.

Longevity Swap

The Trustee has entered into a longevity swap transaction via Foxtrot IC Limited, a captive insurance company, with Metropolitan Life ("MetLife"), a reinsurer incorporated in the US. The transaction ("Project Foxtrot") was executed in August 2024 and will cover the whole of the longevity risk for all the pensioner, dependant and associated contingent spouse population of the Fund as at 31 March 2022, with the Reinsurer taking on longevity risk from 1 October 2023.

Project Foxtrot covers a slightly simplified benefit structure in order to minimise the operational complexity of the longevity swap. The simplifications, means there will be differences between the monthly payments made to members by the Fund and the payments received from MetLife to cover those members under the longevity swap.

STATEMENT OF TRUSTEE RESPONSIBILITIES (FORMING PART OF THE TRUSTEE REPORT)

The Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), 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 these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

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

The Trustee has a general responsibility for ensuring that 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 also responsible for the maintenance and integrity of the https://www.mnrpf.co.uk/library.php website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF MERCHANT NAVY RATINGS PENSION FUND

Report on the audit of the financial statements

Opinion

In our opinion, Merchant Navy Ratings Pension Fund's 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise: the Statement of Net Assets (Available for Benefits) as at 31 March 2025; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Fund's ability to continue as a going concern.

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

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF MERCHANT NAVY RATINGS PENSION FUND (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of 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.

Auditors' 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 auditors' 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Fund and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Fund in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets. Audit procedures performed by the engagement team included:

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF MERCHANT NAVY RATINGS PENSION FUND (CONTINUED)

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

FUND ACCOUNT

	Note	2025 £000	2024 £000
CONTRIBUTIONS AND BENEFITS			
Employer contributions	3	**46,844**	10,215
Other income	4	**549**	1,156
		47,393	11,371
Benefits paid or payable	5	**(60,700)**	(108,371)
Payments to and on account of leavers	6	**(1,410)**	(2,169)
Administrative expenses	7	**(21,583)**	(15,526)
		(83,693)	(126,066)
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		**(36,300)**	(114,695)
INVESTMENT RETURNS			
Investment income	8	**21,807**	20,393
Investment management expenses	9	**(1,127)**	(1,250)
Change in market value of investments	10	**(50,863)**	(43,956)
NET RETURNS ON INVESTMENTS		**(30,183)**	(24,813)
NET DECREASE IN THE FUND DURING THE YEAR		**(66,483)**	(139,508)
NET ASSETS AT 1 APRIL 2024		**720,597**	860,105
NET ASSETS AT 31 MARCH 2025		**654,114**	720,597

The notes on pages 26 to 44 form an integral part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

	Note	2025 £000	2024 £000
INVESTMENT ASSETS			
Bonds	10	**457,164**	602,059
Pooled investment vehicles	10	**288,834**	393,443
Longevity Swap	10	**-**	-
Derivatives	10	**11,528**	8,318
AVC Investments	10	**25**	24
Cash	10	**29,092**	942
Amounts receivable under repurchase agreements	10	**29,623**	-
Accrued income	10	**2,181**	3,097
		818,447	1,007,883
INVESTMENT LIABILITIES			
Derivatives	10	**(16,443)**	(42,638)
Amounts payable under repurchase agreements	10	**(71,821)**	(176,140)
TOTAL INVESTMENTS		**730,183**	789,105
CURRENT ASSETS	11	**5,554**	5,138
CURRENT LIABILITIES	12	**(81,623)**	(73,646)
TOTAL NET ASSETS AVAILABLE FOR BENEFITS AT 31 MARCH 2025		**654,114**	720,597

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 7 and 8 and these financial statements should be read in conjunction with that Report.

The notes on pages 26 to 44 form an integral part of these financial statements.

These financial statements on pages 24 to 44 were approved by the Trustee on the 2025 and were signed on its behalf by:

……………………………………

Trustee Director

Date:

……………………………………

Trustee Director

Date:

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The individual financial statements of Merchant Navy Ratings Pension Fund 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 (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP"). The financial statements have been prepared on a going concern basis. The Trustee believes this to be appropriate as it believes that the Fund has adequate resources to meet pension payments in the normal course of affairs. In reaching this conclusion, the Trustee has assessed the impact of the current economic conditions in terms of the effect on the Fund's assets and the technical provisions. At the date of signing these financial statements the Trustee believes that, due to its well-hedged investment strategy and funding level, the Fund is comfortably able to cover its expected outgoings for at least 12 months from the date of signing. As a result, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

1.1 Identification of the financial statements

The Fund is established in the UK under English Law and the registered address of the Trustee is c/o Pi Consulting (UK) Limited, 2nd Floor, Tuition house, 27-37 St. George's Road, Wimbledon, London, SW19 4EU.

2 ACCOUNTING POLICIES

The following principal accounting policies, which have been applied consistently for all years presented, have been adopted in the preparation of the financial statements.

2.1 Accruals concept

The financial statements have been prepared on an accruals basis.

2.2 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.

Forward currency contracts, open at the year end, are recorded at fair value and any unrealised gains or losses are recognised in the accounts. Such contracts are entered into by the investment managers in the normal course of their investment activities.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Contributions

All deficit contributions are accounted for at the earlier of the date they are received, and the date of an invoice being raised where the Trustee reasonably considers it to be recoverable.

Invoices for on-going deficit contributions are raised in accordance with the payment options established between the Trustee and individual employers. The payment options, which relate to the deficit set out in the statutory scheme funding documentation including the relevant, Schedule of Contributions, are described in the Guide to the Implementation Methodology as agreed by the Trustee.

Contributions continue to be collected on a monthly basis from Participating Employers who employ members who retain entitlement to Section 148 revaluation, these contributions are classified as normal contributions.

2.4 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. Where a member has no choice about the form of benefit, the benefit is accounted for in the period of when the liability arises.

2.5 Transfers to other schemes

Transfer values represent the capital sums either received in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Fund. They also take account of group transfers where the trustee of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty. In most cases this is when cash is either received or paid.

2.6 Investment and other income

Investment income is recognised as follows:

Income from fixed interest securities and cash deposits is recognised on an accruals basis.

Investment income is recognised in the financial statements net of associated tax credits, which are not recoverable by the Fund. Overseas withholding tax is included within the investment income and is recognised as an expense if irrecoverable.

Investment income arising from the underlying investments of the accumulated pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within change in market value of investments. Where income is distributed by non accumulation funds, it is reported within investment income on an accruals basis.

Interest payable on repurchase agreements is included as an interest expense as part of the investment income.

Other income is recognised as follows:

Compensation payments and Trustee Liability Insurance payments are accounted for in the period in which it is received.

Deficit contribution fees income is accounted for on an accruals basis.

2.7 Investments – valuation

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager. Shares in other pooled arrangements have been valued at the latest net asset value (NAV). The valuation of AVC investments is provided by Utmost Life and Pensions. These are valued on a bid price basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Over the Counter ("OTC") derivatives, including interest rate swaps and credit default swaps, are included at the estimate of market value for the respective investment classes as advised by the Fiduciary manager, Schroders. Derivatives are valued by the Fiduciary manager at the year end.

The Trustee uses gilt repurchase agreements to maintain gilt returns while using the cash released by the gilt sales to achieve investment objectives. The Fund retains the legal title of the assets used within the repurchase agreement, and as such these are therefore retained as an investment asset.

The repayment value of each repurchase agreement is determined at the outset, and a liability for the consideration is recognised when the cash on transfer is received. The interest that is payable on the settlement of the repurchase contract is accrued evenly over the life of the agreement, and the liability is included as part of the total liability arising on repurchase agreements. This interest payable on repurchase agreements is included as an interest expense as part of the investment income.

Under repurchase arrangements, 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 liability.

Under reverse repurchase (reverse repo) arrangements, the Fund does not recognise the collateral securities received as assets in its Financial Statements. The Fund does recognise the cash delivered to the counterparty as a receivable in the Financial Statements.

Exchange traded futures are valued as the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.

Other unquoted securities are included at prices provided by third party pricing vendors where there is a traded market and at the estimate of market value where there is not a traded market, which is based on the valuation provided by the Fund managers.

2.8 Longevity Swap

The Scheme Actuary has valued the longevity swap as the present value of its expected net future cash flows using assumptions which are consistent with the latest Scheme Funding valuation, updated for financial conditions at the reporting date and taken this into account in his funding calculations.

2.9 AVCs

Under the Rules of the Fund, members were able to make AVCs up to the date of closure, 31 May 2001. The Utmost Life and Pensions figure represents the value of members' own contributions plus any investment return achieved.

2.10 Expenses

Administrative expenses, insurance premiums and investment expenses are accounted for on an accruals basis.

2.11 Critical judgements and accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Trustee makes estimates and assumptions concerning the future. Actual results may differ from these estimates.

Project Greenwich and Project Delta are the key areas of estimation uncertainty and are explained more fully in note 15.

The Longevity Swap is an area of estimation and critical judgement and the Trustee have concluded to value this as nil.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 EMPLOYER CONTRIBUTIONS

	2025	2024
	£000	£000
Employers' Contributions		
Normal contributions	**43**	40
Deficit contributions	**46,801**	10,175
	46,844	10,215

The Schedule of Contributions, certified on 18 June 2024 calculated a funding deficit of £152 million on a Technical Provisions basis. The outstanding deficit contributions required to meet the 2023 valuation deficit is expected to be sufficient to meet this £152 million deficit by 31 March 2030.

4 OTHER INCOME

	2025	2024
	£000	£000
Deficit contribution recharges	**549**	836
Trustee Liability Insurance Proceeds	**-**	320
	549	1,156

The Deficit contribution recharges relate to Option 3 and Option 4 applications and costs relating to Participating Employer requests for information outside of what is automatically provided free of charge and are recharged to the Participating Employer making the request.

The Trustee notified a claim under its 2018 Trustee liability insurance policy in respect of legal costs and public relations expenses incurred in connection with regulatory action taken by the Pensions Regulator in prior years. The Pensions Regulator commenced an investigation into the governance of the Fund in November 2018, and it issued a Warning Notice in May 2019 in which it recommended that the Determinations Panel appoint an independent Trustee with exclusive powers to govern the Fund. However, following significant structural changes that had been made to the Trustee and, in particular, because the composition of the Board had changed almost entirely (including the appointment of a new independent chair) shortly prior to the Determinations Panel hearing, the Determinations Panel found that it was no longer reasonable to appoint an independent Trustee. The legal costs and public relations expenses for which the Trustee claimed indemnification from insurers were largely incurred in the period from May 2019 to February 2020; the amount payable was agreed in March 2023 and payment was received from insurers in May 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 BENEFITS PAID OR PAYABLE

	2025	2024
	£000	£000
Pension payments	41,772	40,273
Ill health early retirement benefits*	4,000	1,551
Retirement rectification benefits*	9,000	60,000
Commutations and lump sum retirement benefits	5,675	6,189
Lump sums on death	253	358
	60,700	108,371

*See note 15.

Taxation may arise on benefits paid or payable in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund settling their tax liability.

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2025	2024
	£000	£000
Refunds to members	3	6
Individual transfers out to other schemes	1,407	2,163
	1,410	2,169

7 ADMINISTRATIVE EXPENSES

	2025	2024
	£000	£000
Administration and processing	4,237	4,403
Actuarial fees	4,425	2,616
Audit fee	160	115
Other professional fees *	8,112	5,018
Legal fees*	1,847	1,163
Regulatory fees – Pension protection fund levy	(204)	154
Trustee fees and expenses	810	740
Irrecoverable VAT	2,197	1,317
	21,583	15,526

*Of these totals, £3,339,231 (2024: £3,961,697) relates to the costs across all of the Trustee's advisors for Project Greenwich and £3,203,870 for Project Delta. A refund of £237,725 was received from the PPF.

8 INVESTMENT INCOME

	2025	2024
	£000	£000
Income from bonds	18,539	19,021
Income from pooled investment vehicles	8,033	8,877
Foreign currency (loss)/profit	553	(1,111)
Net interest receivable/(payable) on swaps	(1,284)	491
Net interest payable on repurchase agreements	(4,043)	(6,904)
Derivatives income	(23)	-
Interest on cash on deposits	32	19
	21,807	20,393

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 INVESTMENT MANAGEMENT EXPENSES

	2025	2024
	£000	£000
Administration, management & custody (JPM/Insight Investment)*	**329**	304
Other advisory fees (WTW)	**285**	791
Other advisory fees (BW)	**43**	155
Other advisory fees (Mayer Brown)	**80**	-
Schroder advisory fees (SCH)	**390**	-
	1,127	1,250

*An additional amount of £380,612 (2024: £689,864) of Willis Towers Watson investment consultancy fees are taken directly from the investments in the Willis Towers Watson Investment Management funds.

10 INVESTMENT

10.1 RECONCILIATION OF INVESTMENTS

Reconciliation of investments held at beginning and end of year:

	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**
	£000	**£000**	**£000**	**£000**	**£000**
Bonds	**602,059**	**408,945**	**(523,736)**	**(30,104)**	**457,164**
Pooled investment vehicles	**393,443**	**160,660**	**(252,271)**	**(12,998)**	**288,834**
Derivatives:					
Swaps	**(34,087)**	**43,124**	**(9,169)**	**(7,142)**	**(7,274)**
Forward foreign exchange	**(233)**	**121,061**	**(123,003)**	**2,005**	**(170)**
Options	**-**	**18,289**	**(11,457)**	**(2,625)**	**4,207**
Futures	**-**	**17,509**	**(19,205)**	**18**	**(1,678)**
AVC investments	**24**	**-**	**-**	**1**	**25**
	961,206	**769,588**	**(938,841)**	**(50,845)**	**741,108**
Cash	**942**			**(18)**	**29,092**
Accrued Income	**3,097**				**2,181**
Repurchase agreements (Cash)	**(176,140)**			**-**	**(42,198)**
	789,105			**(50,863)**	**730,183**

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.

In addition to the above transactions, there were net in specie transfers from the legacy platform held with Willis Towers Watson onto the Schroders Solutions platform of Bonds £588,135k and Pooled Investment Vehicles £361,945k.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.2 TRANSACTION COSTS

Transaction costs are included in the cost of purchases and sales proceeds. Direct transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Direct transaction costs incurred during the year amounted to £nil (2024: £nil). In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

10.3 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Fund's net assets at 31 March 2025.

	£000	%
Towers Watson Secure Income Fund	**91,112**	**13.93**
UK Treasury Gilt 0.625%	**35,259**	**5.40**

The direct gilt holdings are held for liability hedging purposes. The Towers Watson pooled funds are all diversified across multiple managers and none of the underlying holdings will constitute 5% of assets.

The following investments account for more than 5% of the Fund's net assets at 31 March 2024.

	£000	%
Towers Watson Secure Income Fund	93,493	12.97
Towers Watson Global Equity Focus Fund	53,609	7.44
Insight Liquidity Funds	44,393	6.16
Towers Watson Hedge Advantage Fund	42,667	5.92

10.4 POOLED INVESTMENT VEHICLES

	2025	2024	
	£000	£000	
Equities	**61,852**	61,446	
Bonds	**54,037**	77,959	*
Multi-asset	**98,388**	101,230	
Property	**25,542**	30,131	
Liquidity	**13,231**	-	
Private Equities	**35,784**	35,919	*
Hedge Funds	**-**	86,758	
	288,834	393,443	

*The 2024 figures have been reclassified. The fiduciary manager has reviewed and amended the classification of the underlying funds. £17,489 has been reclassified from Private Equity to Bonds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.5 DERIVATIVES

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Fund.

	2025 Assets £000	**2025 Liabilities £000**	2024 Assets £000	2024 Liabilities £000
Swaps	**186**	**(7,459)**	8,318	(42,405)
Futures	**-**	**(1,678)**	-	-
Options	**11,342**	**(7,136)**	-	-
Forward foreign exchange	**-**	**(170)**	-	(233)
	11,528	**(16,443)**	8,318	(42,638)

10.6 DERIVATIVE CONTRACTS OUTSTANDING

Interest Rate Swaps

The Fund has entered into a series of interest rate and inflation swaps. The Fund entered into interest rate swap transactions primarily to hedge against long-term interest rate movements. The value of a swap moves in the same direction as the actuarial liabilities. Consequently, as liabilities fall because, for example, long-term interest rates rise, the swap will fall in value and can even be negative in value in these circumstances. Conversely, as actuarial liabilities increase, because long-term interest rates have fallen, the swap will increase in value. In the prior year, the Fund entered into credit default swaps to hedge against the possible future downgrade in the credit rating and/or values of institutions.

Swap contracts in place as at 31 March 2025 are as follows:

Expiration	**No of Contracts**	**Notional Currency Principal**	**2025 Asset £000**	**2025 Liability £000**
Interest Rate Swaps				
1 – 5 years	**5**	**80,404**	**186**	**(197)**
5 – 10 years	**1**	**21,345**	**-**	**(453)**
Inflation Swaps				
1 – 5 years	**8**	**172,520**	**-**	**(6,809)**
			186	**(7,459)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.7 DERIVATIVE CONTRACTS OUTSTANDING (CONTINUED)

The notional principal of the swap is the amount used to determine the value of swapped interest receipts and payments and level of credit risk exposure.

These swap contracts are over-the-counter derivatives. However, to reduce counterparty risk during the life of the swap, collateral in the form of cash or government bonds is passed between the parties depending on whether there is an asset or a liability and the value of the swap.

Swaps Contracts – Collateral

During the year, collateral was received and pledged in respect of swaps. As at 31 March 2025, the collateral received / pledged was as follows:

	2025	2024
	£000	£000
Collateral received		
Stock equivalents	**-**	51
Cash equivalents	**6,314**	-
	6,314	51
Collateral pledged		
Stock equivalents	**12,466**	35,848

Cash collateral pledged relates to margin calls on derivatives.

The economic exposure values futures on a ‘gross basis’ showing the total exposure to the underlying asset class that the future effects as if the change in asset allocation in the underlying asset has taken place.

Futures Contracts

The Fund had 1 exchange traded Future at the year-end as follows:

Futures

Contract	**Expiration**	**Underlying Investment**	**Economic Exposure**	**Notional Currency Principal**	**Asset £000**	**Liability £000**
Future	Less than 1 year	US 5YR NOTE	USD	**(20)**	**-**	**(1,678)**

Held within the cash is £21k in respect of margins arising on future contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Options Contracts

The Fund enters into these transactions primarily to hedge against currency fluctuations in equity funds held. These contracts are traded over the counter (OTC). The details are:

Number of Contracts	Nature	Expiration	Notional Currency Principal	Asset £'000	Liability £'000
JPY					
2	Sale Put OPTION / NIKKEI 225	Within 1 year	(128,078)		**(467)**
2	Purchase Call OPTION / NIKKEI 225	Within 1 year	96,300	**1,019**	
2	Sale Call OPTION / NIKKEI 225	Within 1 year	(96,300)		**(328)**
EUR					
1	Sale Put OPTION / DJ EURO STOXX 50 (PRICE) INDEX	Within 1 year	(3,050)		**(145)**
2	Sell Put OPTION / DJ EURO STOXX 50 (PRICE) INDEX	Within 2 years	(6,879)		**(548)**
1	Purchase / Call OPTION / DJ EURO STOXX 50 (PRICE) INDEX	Within 1 year	2,440	**1,973**	
2	Purchase / Call OPTION / DJ EURO STOXX 50 (PRICE) INDEX	Within 2 years	5,503	**3,739**	
1	Sale Call OPTION / DJ EURO STOXX 50 (PRICE) INDEX	Within 1 year	(2,440)		**(1,221)**
2	Sale Call OPTION / DJ EURO STOXX 50 (PRICE) INDEX	Within 2 years	(5,503)		**(1,493)**
USD					
4	Sell Put OPTION / S&P 500 INDEX	Within 1 year	(19,990)		**(1,269)**
1	Sell Put OPTION / S&P 500 INDEX	Within 2 years	(3,998)		**(406)**
4	Purchase Call OPTION / S&P 500 INDEX	Within 1 year	15,991	**2,894**	
4	Sale Call OPTION / S&P 500 INDEX	Within 1 year	(15,991)		**(670)**
1	Sale Call OPTION / S&P 500 INDEX	Within 2 years	(4,798)		**(132)**
1	Purchase Call OPTION / S&P 500 INDEX	Within 2 years	4,798	**768**	
GBP					
1	Sale Put OPTION / FTSE 100 INDEX	Within 1 year	(1,167)		**(30)**
1	Sale Call OPTION / FTSE 100 INDEX	Within 1 year	(934)		**(426)**
1	Purchase Call OPTION / FTSE 100 INDEX	Within 1 year	934	**949**	
				11,342	**(7,135)**

Forward Foreign Exchange Contracts

The Fund enters into investments and transactions in currencies other than in sterling. Consequently, the Fund is exposed to the risk that the exchange rate of its currency relative to other currencies may change in a way that has an adverse effect on the assets held in overseas currencies. During the year, forward foreign exchange contracts were entered into by the Fund to hedge foreign exchange risk on overseas securities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.7 DERIVATIVE CONTRACTS OUTSTANDING (CONTINUED)

Outstanding forward foreign exchange contracts at 31 March 2025 were as follows:

Contract	Number of contracts	Settlement date	Currency Bought	Currency Sold	Fair Market value asset	Market value liability
			'000	'000	£000	£000
Forward (OTC)	**2**	**9 April 2025**	**GBP16,719**	**EUR20,041**	**-**	**(60)**
Forward (OTC)	**1**	**9 April 2025**	**GBP2,177**	**USD2,718**	**70**	**-**
Forward (OTC)	**2**	**25 April 2025**	**GBP6,687**	**EUR7,944**	**31**	**-**
Forward (OTC)	**6**	**25 April 2025**	**GBP73,453**	**USD95,188**	**-**	**(297)**
Forward (OTC)	**1**	**25 April 2025**	**USD27,383**	**GBP21,131**	**86**	**-**
					187	**(357)**

10.8 REPURCHASE AGREEMENTS

Under repurchase arrangements, 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 liability.

Under reverse repurchase (reverse repo) arrangements, the Fund does not recognise the collateral securities received as assets in its Financial Statements. The Fund does recognise the cash delivered to the counterparty as a receivable in the Financial Statements.

At the year end, amounts payable under repurchase agreements amounted to £71,821,511 (2024: £176,140,000) and at the year-end £70,640,179 (2024: £179,264,000) of bonds reported in the Fund assets are held by counterparties under repurchase agreements.

At the year end the amounts receivable under reverse repurchase agreements is £29,263,386 (2024:nil) and at the year end £28,930,949 (2024: nil) in Bonds are held as collateral under reverse repurchase agreements. There are 6 repurchase agreements at the year-end (2024: 7) and 2 reverse repurchase agreements (2024:nil) with maturity dates between July and November 2025.

10.9 CAPITAL COMMITMENTS

The Fund had the following capital commitments at 31 March 2025

	Currency	Total Commitment	Undrawn Commitment
		'000	'000
Ancala Partners LLP	GBP	8,000	**129**
CDH VGC II Holdings	USD	13,000	**1,914**
Equilibrium Controlled Environment Foods Fund	USD	15,000	**509**
ForgePoint Cybersecurity Fund II LP	USD	9,000	**-**
First Property Asset Management Ltd	GBP	11,500	**6,087**
Georgian Partners	USD	13,000	**438**
Libremax Opportunistic Value Fund LP	USD	15,000	**12,365**
CarVal	USD	13,000	**650**
Systima	USD	13,000	**2,212**
Georgian Alignment	USD	9,000	**544**
Pretium	USD	10,748	**-**
Waypoint	GBP	10,000	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.10 AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main Fund to secure additional benefits on a money purchase basis for those members who have elected to pay Additional Voluntary Contributions.

Members participating in this arrangement receive an annual statement made up to 31 December each year, confirming the amounts held to their account and movements during the year.

The amount of AVC investments held at the year-end are as follows:

	2025	**2024**
	£000	£000
Utmost Life and Pensions – unit-linked funds	**25**	24

10.11 CASH

	2025	**2024**
	£000	£000
Cash deposits	**29,092**	942

10.12 ACCRUED INCOME

	2025	**2024**
	£000	£000
Accrued income	**2,181**	3,097

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.13 FAIR VALUE HIERARCHY

The fair value of financial instruments has been disclosed 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

For the purposes of this analysis UK Gilts have been included in Level 1.

The Fund's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	Level 1	**Level 2**	**Level 3**	**Total 2025**
	£000	**£000**	**£000**	**£000**
Bonds	**383,144**	**74,020**	**-**	**457,164**
Pooled investment vehicles	**64,385**	**49,126**	**175,323**	**288,834**
Derivatives - net	**(1,677)**	**(3,238)**	**-**	**(4,915)**
Repurchase agreements	**-**	**(42,198)**	**-**	**(42,198)**
AVC investments	**-**	**25**	**-**	**25**
Cash deposits	**29,092**	**-**	**-**	**29,092**
Accrued income	**2,181**	**-**	**-**	**2,181**
	93,981	**614,536**	**21,666**	**730,183**

	Level 1	**Level 2**	**Level 3**	**Total 2024**
	£000	£000	£000	£000
Bonds	602,059	-	-	602,059
Pooled investment vehicles	46,173	162,402	184,868	393,443
Derivatives - net	-	(34,320)	-	(34,320)
Repurchase agreements	-	(176,140)	-	(176,140)
AVC investments	-	24	-	24
Cash	942	-	-	942
Accrued income	3,097	-	-	3,097
	652,271	(48,034)	184,868	789,105

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.14 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.
- Mortality risk: the Trustee has adopted mortality assumptions that it regards as best estimates of the life expectancy of members. The Trustee has executed a longevity swap that covers the whole of the longevity risk for all the pensioner, dependant and associated contingent spouse population of the Fund as at 31 March 2022, with the Reinsurer taking on longevity risk from 1 October 2023. If unhedged life expectancy increases more than assumed, the Trustee can, in consultation with the Employers, increase contributions due from the Employers to meet the additional pension liabilities.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee's primary investment objectives is to acquire suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the Participating Employers, the cost of current and future benefits which the Fund provides; and limit the risk of the Fund’s assets failing to meet the MNRPF’s liabilities over the long term, or other measures imposed by regulation from time to time.

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 equal to 100% of the gilts +0.5% value of liabilities over the period to 31 March 2030 or such other period as may be agreed from time to time. The investment aspects of the Journey Plan mean the Fund has a return target of Gilts+2.1% pa and the Trustee will monitor any opportunity to de-risk over time.

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 Schroders Solutions 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Credit Risk	Currency	Market Risk Interest Rate	Other price	**2025 Value £000**	2024 Value £000
Bonds	●	○	●	●	457,164	602,059
Pooled investment vehicles	◐	◐	◐	●	288,834	393,443
Longevity swap	◐	○	●	●	-	-
Derivatives	●	◐	●	●	(4,915)	(34,320)
Repurchase agreements	●	◐	●	●	(42,198)	(176,140)
Cash and other balances	◐	◐	○	○	31,273	942
Total investments					**730,158**	785,984

The table above excludes AVCs which were valued at £25k.

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

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 because the Fund directly invests in bonds, OTC derivatives and has cash balances. The Fund also invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustee's policy for managing credit risk is detailed in the Statement of Investment Principles.

The Fund holds £457.1m (2024: £602.1m) in directly held bonds, -£4.9m (2024: £34.3m) in OTC derivatives and £29.1m (2024: £0.9m) in directly held cash balances. The Fund also holds bonds and cash through underlying pooled fund investments.

Credit risk arising on derivatives held directly depends on whether the derivative is exchange traded or over the counter (OTC). The Fund holds OTC derivative contracts which are not guaranteed by any regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. Credit risk for OTC derivative contracts is mitigated by placing restrictions on Schroders Solutions which ensure that new contracts are only entered into with counterparties that are investment grade. The credit risk in respect of OTC swaps is further reduced by collateral arrangements.

Credit risk arising on bonds held directly is mitigated by Schroders Solutions choosing to only invest in government bonds, where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

Directly held cash balances are at financial institutions which are at least investment grade credit rated. This is the position at the year-end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In all above instances, "investment grade" is defined as being rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

Indirect credit risk arises in relation to underlying investments held in bond and cash pooled investment vehicles.

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer. The Trustee monitor the investment strategy adopted by Schroders Solutions to ensure that the arrangement remains diversified.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2025	2024	
	£000	£000	
Qualified investor fund	**91,112**	93,493	*
Limited Liability Partnership	**84,212**	91,375	*
Open ended investment company	**13,889**	126,072	*
SICAV	**25,239**	-	
Unit trust	**20,507**	7,738	*
Exchange traded fund	**51,154**	-	
Common Contractual Fund	**2,723**	53,609	*
Irish Collective Asset Management Vehicle	**-**	21,156	
	288,834	393,443	

*The 2024 figures have been reclassified. The fiduciary manager has reviewed and amended the classification of the underlying funds. The following funds have been reclassified: £7,738 from Open ended investment company to Unit trust, £93,493 from Common Contractual Fund to Qualified investor fund and £7,836 from Common Contractual Fund to Limited Liability Partnership.

The direct credit risk associated with these managers is also mitigated by:

– the regulatory environments in which those managers operate;
– diversification amongst a large number of pooled arrangements; and
– due diligence checks by Schroders Solutions on the appointment of new pooled managers, and monitoring on an ongoing basis for any changes to the operating environment of each manager.

(ii) Currency risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets via pooled investment vehicles. The Trustee's policy for managing this risk is detailed in the Statement of Investment Principles.

Currency risk is mitigated by delegating management of currency exposures at total portfolio level to Schroders Solutions. Schroders Solutions implement currency hedging through the use of hedged shared classes of pooled funds (where available) and the use of FX forward contracts.

Net of currency hedging, 7.4% of the Fund's holdings were exposed to overseas currencies as at year-end.

(iii) Interest rate risk

The Fund's assets are subject to interest rate risk because some of the Fund's investments are held in bonds, interest/inflation rate swaps for the purpose of liability hedging. Under this strategy if interest rates fall the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise these investments will fall in value as will actuarial liabilities because of an increase in the discount rate.

At the year-end, the assets subject to interest rate risk represented 69.2% of the portfolio (2024: 57.8%)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(iv) Other price risk

Other price risk arises principally in relation to the Fund's return seeking portfolio which may include various asset classes (i.e. alternatives, bonds, equities, cash and investment properties) held in pooled vehicles. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the Fund's exposure to investments subject to other price risk was 43.4% (2024: 45.4%).

11 CURRENT ASSETS

	2025	2024
	£000	£000
Cash balance	**5,535**	5,060
Contributions due from employers	**19**	78
	5,554	5,138

The contributions due have been paid to the Fund subsequent to the year end in accordance with the schedule of contributions.

12 CURRENT LIABILITIES

	2025	2024
	£000	£000
Unpaid benefits	**78,452**	69,138
Accrued expenses	**2,448**	3,384
Other creditors	**723**	1,124
	81,623	73,646

Unpaid benefits include £2.9m (2024: £4.7m) as an estimate in respect of Ill Health Retirement Benefits due to members under Category A&B, and a further £4.2m (2024: £2.0m) estimated under Category C. Also included is £69m as an estimate in respect of Project Delta – see further details in note 15.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 EMPLOYER RELATED INVESTMENTS

As part of the Occupational Pension Schemes (Investment) Regulations 2005, the trustee should ensure that they never have over 5% invested in employer-related investments, through both pooled funds and segregated investments. As at 31 March 2025, we estimate that the Fund had minimal exposure to employer-related investments and therefore significantly less than 1.5%.

14 RELATED PARTY TRANSACTIONS

Key management Personnel

Under Financial Reporting Standard 102 the Trustee is deemed to be a "related party" of the Fund. Included in administrative expenses are payments of £810,760 (2024: £740,012) made to Directors of the Trustee for fees and expenses relating to the exercise of their duties during the year.

In accordance with the Guide to the Implementation Methodology the Trustee has agreed contribution arrangements with all Employers. For certain employers in addition to the agreed contribution arrangements those employers have provided additional financial support in the form of guarantees and/or security over assets.

Other related parties – Employer

During the year, the Fund provided services to the employers for which the Fund was reimbursed. These amounted to £531,854 (2024: £836,509). At the year end, £16,928 (2024: £75,377) was owed to the Fund in respect of the cost of Trustee support.

15 CONTINGENT ASSETS/LIABILITIES

GMP equalisation

In October 2018, the High Court determined that GMPs provided to members who had contracted out of their pension scheme since May 1990 must be recalculated to equalise them between men and women. Following a further High Court ruling on 20 November 2020 further clarification was provided in respect of transfer value payments. The Trustee is still considering the action it should take in this area, in conjunction with the separate exercise to review the administration of Fund benefits against the Trust Deeds and Rules and relevant legislation and will report further on this to members once more is known about the impact that GMP equalisation will have on members' benefits. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Project Greenwich - Ill health early retirement benefits (IHER Benefits)

As noted in previous Trustee Reports, in 2018 the Trustee became aware of legal uncertainties relating to the entitlement of members to enhanced IHER benefits. These issues relate broadly to the introduction of IHER benefits in 1985, their enhancement in 1988, their reduction in 1991 and the decision to stop future awards of these benefits in 1993. Having taken independent legal advice over these issues, the Trustee applied to the High Court for directions.

The Trustee and representative parties; namely two members (Mr Knight and Mr Redfern) appointed to act on behalf of the members and Stena Line appointed to act on behalf of the Participating Employers, agreed a settlement of the case by a Settlement Agreement dated 18 February 2022. The settlement was approved by the High Court in February 2022, and the Settlement Agreement became effective from March 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As a result of the detailed agreement now reached, it is expected that increased benefits and/or payments will be given to certain members who:

- Retired on an ill health early retirement pension on or after 1 October 1989 and before 8 October 1993 and whose benefits were suspended, reduced, or scaled back (Category A and B members), or
- Were in service on 8 October 1993 and would have been eligible for an ill health early retirement pension when leaving service, had an ill health early retirement pension been available at that time (the Category C members)

The Trustee continues to work through implementation of the Project Greenwich settlement agreement, with Stage 1 compensation payments already made to the majority of the Category A & B members and the Stage 1 Category C claim and payment process is underway.

Based on the records held by the Fund and the provisions of the settlement agreement, the Scheme Actuary has estimated the additional liabilities due in respect of Category A and B members. As it currently stands the Scheme Actuary estimates the additional liability in respect of arrears payments to be £26m, of which £23.1m has already been paid before the 31 March 2025 reporting date, leaving a further £2.9m to be paid after the reporting date. The outstanding amounts mostly relate to deceased members, where the payment process is more complex.

For Category C members, the Scheme Actuary has calculated known arrears payments totalling £12m, of which payments had been made to Category C members totalling £7.8m by 31 March 2025. Any further claims are still very uncertain for a number of reasons, however the Trustee is aware of arrears and interest payments totalling £4.2m that have either been paid, or are due to be paid, since 31 March 2025. This £4.2m in relation to known payments after the reporting date has been included within the Benefits payable and Current Liabilities.

Project Delta

The Trustee has largely completed the first stage of Project Delta, to review and rectify the administration of Fund benefits against the Trust Deeds and Rules and relevant legislation that have applied over the years and has identified a number of issues to be corrected and have put a plan in place to do so. Two of these issues are expected to lead to significant additional liabilities to the Fund, such that the Fund's actuarial funding valuation as at 31 March 2023 included a reserve for these. The precise amount and timing of the payments remain uncertain, however there is an expectation that around £69m will be payable as arrears relating to payments due before the 31 March 2025 accounting date.

For this, some assumptions have been made, and it has been assumed that interest will apply to the arrears at Bank of England base rate +1%, and as a best estimate assessment that other than for transfers out or deaths more than 20 years ago it will be practical to make the payments to all affected members.

As a result of the above, allowance for £69m has been included in the financial statements in relation to this, as a current liability. The Trustee will update members and employers further as the exercise continues.

ACTUARIAL CERTIFICATE

Scheme Actuary's certification of schedule of contributions

Merchant Navy Ratings Pension Fund

1 Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the *statutory funding objective* could have been expected on 31 March 2023 to be met at the end of the period for which the schedule is to be in force.

2 Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 18 June 2024.

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.

....

Simon Eagle

Qualification: Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited, a WTW Company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Date: 18 June 2024

Merchant Navy Ratings Pension Fund

Recovery Plan following the 31 March 2023 valuation

Status

This Recovery Plan has been prepared by the Trustee of the Merchant Navy Ratings Pension Fund (the Fund) after obtaining the advice of Simon Eagle FIA, the Scheme Actuary appointed by the Trustee.

The actuarial valuation of the Fund as at 31 March 2023 revealed a funding shortfall (*technical provisions* minus value of assets) of £152 million.

Steps to be taken to ensure that the *Statutory Funding Objective* is met

To eliminate this funding shortfall, the Trustee has determined that contributions in addition to those arising from the 31 March 2014 and 31 March 2017 valuations will be paid to the Fund by or on behalf of the Participating Employers. The total value as at 31 March 2023 of deficit contributions to be paid will be £152m, of which an estimated £128 million will be received as the balance of deficit contributions required to meet the 31 March 2014 and 31 March 2017 deficits (as set out in the Recovery Plans dated 24 June 2015 and 14 June 2018 respectively) - this includes any deficit contributions paid to the Fund after 31 March 2023 (and excluded from the asset value at that date) and before the commencement date of this recovery plan. Based on this estimate, the additional contributions required arising from the 31 March 2023 valuation would therefore have a present value of £24 million as at 31 March 2023. The due date for the last payment under this Recovery Plan will be 31 March 2030.[1]

Contributions are also payable under Rule 5, being 2% of MNRPP Pensionable Salaries of those Employee Members who continue to be entitled to revaluation of benefits in line with Section 148 orders.

Period in which the *Statutory Funding Objective* should be met

The funding shortfall is expected to be eliminated by 31 March 2030. This expectation is based on the following assumptions:

- *technical provisions* calculated according to the method and assumptions set out in the statement of funding principles dated 18 June 2024;
- levels of each member's MNRPP Pensionable Salary for the relevant contributions required under Rule 5 will increase with the Section 148 assumptions used to calculate the *technical provisions* as set out in the statement of funding principles dated 18 June 2024, with an appropriate allowance for leaving Service; and
- the return on existing assets and the return on new contributions during the period in line with the discount rates over the recovery period set out in the statement of funding principles dated 18 June 2024 for the calculation of *technical provisions*.

Signed on behalf of the Trustee of the Merchant Navy Ratings Pension Fund:

....

Doug Ross
Chair, Merchant Navy Ratings Pension Fund Trustees Limited
Date: 18 June 2024

[1] The Trustee will decide the payment terms for each Participating Employer on a case by case basis.

MEMBERS' INFORMATION

INTRODUCTION

The Fund is a defined benefit scheme and is administered by Aptia UK Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The registration number in the Register of Occupational and Personal Pension Schemes is 10005646.

Other information

(i) 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

(ii) The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation an Occupational Pension scheme. Any such complaints should be addressed in the first instance to the Scheme Adjudicator. The Pensions Ombudsman is also available to provide assistance in respect of the dispute resolution. The Pensions Ombudsman can help investigate complaints and disputes of fact or law connected with pension schemes. They will look at the facts, without taking sides and have legal powers to make decisions. Enquiries should be addressed to:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

(iii) General requests for information or guidance concerning pension arrangements can be made 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 guidance on a range of financial issues, including pensions and retirement.

www.moneyhelper.org.uk

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

The Trustees of The Merchant Navy Ratings Pension Fund
c/o Aptia UK Limited
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP

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

Telecom House
125-135 Preston Road
Brighton
BN1 6AF

https://www.thepensionsregulator.gov.uk

(v) 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 scheme 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.

(vi) The Trust Deed and Rules, the Fund details, and a copy of the Payment Schedule/Schedule of Contribution and Statement of Investment Principles are available for inspection by contacting the Trustee at the address shown for enquiries in this 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 detailed in this report.

Appendix 1 – ESG, Voting and Engagement Policies

Links to the voting and responsible investment policies for both the Fiduciary Manager and Underlying Investment Managers of the Fund's actively managed holdings can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	https://mybrand.schroders.com/m/6197143c263420f5/original/Schroders-Group-Sustainable-Investment-Policy.pdf https://mybrand.schroders.com/m/75fa1cd8dd188c3b/original/613798_SC_Listed-Assets-Blueprint-Report-_Digital_16_9_V12.pdf
Morant Wright	voting_policy_2023_0.pdf
FSSA	https://www.fssaim.com/uk/en/private/sustainability/our-approach-to-sustainability.html
Lumyna Marshall Wace	https://cdn.mwam.com/download/MW_Engagement_Policy_Jan_2022.pdf
JP Morgan	https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/institutional/communications/lux-communication/corporate-governance-principles-and-voting-guidelines.pdf Engagement-and-proxy-voting-statement.pdf
T Rowe Price	https://www.troweprice.com/content/dam/trowecorp/Pdfs/esg/proxy-voting-guidelines-TRPA.pdf
Neuberger Berman	https://www.nb.com/handlers/documents.ashx?id=aba155d6-e78e-4668-800f-fa69f05d45d0&name=Stewardship%20and%20Engagement%20Policy
Oaktree	https://www.oaktreecapital.com/docs/default-source/default-document-library/esg-policy-2024.pdf