MERCHANT NAVY RATINGS PENSION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

Registrar of Occupational and Personal Pension Schemes Registration Number 10005646

TABLE OF CONTENTS

TRUSTEE AND ADVISERS

Scheme Actuary
Simon Eagle FIA

Scheme administrator
Mercer UK Limited

Independent Auditor
KPMG LLP

Cyber Security and Data Storage Solutions
RSM

Delegated Chief Investment Officer
Willis Towers Watson Limited

Custodian
J P Morgan Chase Bank

Employer Management Consultant
Willis Towers Watson Limited

Trustee Secretariat
Pi Consulting (UK) Limited

Investment Managers for Additional Voluntary Contributions (AVCs)
Utmost Life and Pensions

Solicitors
Mayer Brown International LLP (Core Legal Adviser)
Linklaters LLP
Taylor Wessing LLP

Employer Covenant Adviser
Cardano Advisory Limited

Communication Consultant
Quietroom

Custodian
J P Morgan Chase Bank

Bankers
Royal Bank of Scotland

Additional payroll services
BDO LLP

Governance Consultant
Barnett Waddingham

VAT Adviser
BDO LLP

PR Consultants
Headland PR Consultancy LLP

Investment Consultant – Fiduciary manager oversight
Barnett Waddingham

Project Greenwich Support
Kays Medical
LCP
Appointed Persons

Investment Managers: Willis Towers Watson Limited (as manager of managers)
AMX SSgA Infrastructure
AMX Colchester Global Sovereign Credit
Ancala Partners LLP
Atlas Capital Group
CarVal
CDH VGC II Holdings
Dymon Asia China ABS (full redemption during period)
Equilibrium Controlled Environment Foods
First Property Asset Management Ltd
First State China (full redemption during period)
Waypoint Essential Stores L.P.
Forgepoint Cybersecurity
Fulcrum Inflation Protection Solution
Georgian Partners
GQG (full redemption during period)
Libremax
Insight Investment Management (Global) Limited
Insight Downside Risk Hedge (DRH)
Pretium Partners
Resolution Capital Global Property Securities (full redemption during period)
Systima

Trustee Company

Merchant Navy Ratings Pension Fund Trustees Limited

Registered Office Address

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

TRUSTEE'S REPORT

Introduction

This is the 47th 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") is currently comprised of three independent professional Trustee Directors (the "Directors"), made up of one nominated by the Employers Group (the "Employer Director") and one nominated by the National Union of Rail Maritime & Transport Workers (RMT) (the "Beneficiary Director"). In addition, the Board has appointed Pi Consulting (Trustee Services) Limited as Independent Trustee and Trustee Chair of the Board.

The Board's Articles of Association reflect the Board structure of three Independent professional Trustee Directors. The two nominating bodies would each appoint one Independent Trustee Director and the third would be appointed by the Maritime Pensions Forum. The appointment of any Director will be effected 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.

The new structure was in place as of 1 October 2022 when the interim Employer Directors and Beneficiary Directors stepped down.

All 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 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.

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 GDPR matters, annual audit and compliance with the requirements of the Trustee company's Articles of Association and formal reporting requirements.

The Financial Risk Management pillar, with the assistance of the Fund's advisers, manages the investment, funding, and covenant matters.

The Chair aims to develop and maintain open, transparent, collegiate, and constructive relationships with –

- The Merchant Navy Pensions Employers' Group (MNP EG)
- The Maritime Pensions Forum (MPF) - 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)

During the year ended 31 March 2023, the Board, the management pillars and Project groups met regularly to discuss and review the progress of the Fund. Meetings with the Maritime Pensions Forum (MPF) were scheduled quarterly.

The provisions for appointment and removal of Directors are set out in the Articles of Association of the Trustee. The current Directors of the Board are shown below.

TRUSTEE'S REPORT (CONTINUED)

The Trustee Directors are typically appointed for a five-year term.

Taxation status

The Fund is a Registered Pension Scheme under the Finance Act 2004. This means that members, their Employer and the Fund benefit from favourable tax treatment.

Appointment and removal of Directors

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:

J Kitchen - Employer Director – resigned 30 September 2022

A Gordon - Beneficiary Director – resigned 30 September 2022

P Norris - Beneficiary Director – resigned 30 September 2022

A Forshamn - Employer Director – resigned 30 September 2022

Pi Consulting (Trustee Services) Limited, represented by John Oldland – up to 31 March 2023 and Doug Ross – from 1 April 2023 as Independent Trustee and Chair of Board

Melanie Cusack – Independent Trustee Director – appointed 25 October 2021

Lionel Sampson - Independent Trustee Director – appointed 25 October 2021

Administration of the Fund

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

Current Economic Conditions

During September 2022 a series of events, including the Bank of England increasing base rates by 0.5% pa and the UK Government announcing its Growth Plan, led to UK government bond yields to increase at an unprecedented rate. As a consequence, the Bank of England announced it would carry out temporary purchases of long-dated government bonds until 14 October to stabilise the market and provide time for investors, and pension schemes in particular, to rebalance their portfolios. Throughout this period of volatility, our principle concern was the protection of the security of members' benefits. This necessitated effective portfolio management to ensure sufficient liquidity to maintain the collateral needed to support our liability driven investments (LDI). MNRPF's investment portfolio and LDI programme was robust during this period of volatility with the Trustee remaining in constant dialogue with its Delegated Chief Investment Officer (DCIO) to ensure effective management of the evolving risks.

Pension increases

Pensions in payment

With the exception of any Guaranteed Minimum Pension that relates to contracted-out service in the Fund from 6 April 1988 to 5 April 1997 (which has been increased by 0.5% in line with statutory provisions), there are no guaranteed increases to pensions in payment in respect of service from 1978 up to 31 March 1997.

Pensions accruing from 1 April 1997 receive guaranteed annual increases when they come into payment in line with the increase in the Retail Prices Index (RPI) over the year to the previous September to a maximum of 5%. On 1 April 2023, this increase was 5.0% (2022: 4.9%).

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

TRUSTEE'S REPORT (CONTINUED)

Deferred pensions

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

Members in seagoing employment

RPI 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).

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"), previously invested with Equitable Life Assurance Society ("Equitable Life").

Transfers

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 28 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.

The first actuarial valuation under the New Regime was the actuarial valuation of the Fund with an effective date of 31 March 2014. This was completed on 24 June 2015 and revealed a deficit of £354m to be recovered by employer contributions to be collected by 31 March 2024.

A further full actuarial valuation of the Fund, with an effective date of 31 March 2017, was completed on 14 June 2018 and calculated a funding deficit of £221m on a Technical Provisions basis, of this £89m related to an additional deficit which had arisen since the 31 March 2014 valuation. The Trustee decided to recover this additional deficit by 31 March 2024. Contributions towards this additional 2017 deficit were payable concurrently with any remaining contributions towards the 2014 valuation deficit.

A further full actuarial valuation of the Fund with an effective date of 31 March 2020 was completed on 16 June 2021 and calculated a funding deficit of £96m on a Technical Provisions basis. The outstanding deficit contributions required to meet the 2014 and 2017 valuation deficits are expected to be sufficient to meet this £96m deficit by 31 March 2027 and therefore the Trustee is not collecting any additional deficit contributions.

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 2023, the 2014 and 2017 valuation deficit contributions totalling £11,070,365 were received. The total amount of the 2014 deficit and 2017 additional deficit which had been collected to date is £432,244,239.

TRUSTEE'S 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 2020 showed that the accumulated assets of the Fund of £1,333m represented 93% of the Fund's technical provisions in respect of past service benefits; this corresponds to a deficit of £96m 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 2020 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 2.2% per annum, with the margin over projected gilt yields decreasing to 1.5% per annum from 31 March 2021 to 31 March 2024, followed by 1.0% per annum until 31 March 2027, then 0.8% per annum until 31 March 2030 and 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 2020, 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 2020 is that Consumer Price Inflation will be lower than Retail Price Inflation by 1.0% per annum until 31 March 2030 then 0.5% per annum afterwards.

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'S REPORT (CONTINUED)

Mortality: standard SAPS tables S2IMA and S2IFA with the following multipliers:

Category	Multiplier
Male normal health pensioners and male dependants	84%
Male and female ill-health pensioners	98%
Female normal health pensioners	84%
Female dependants	96%

Allowance for improvements in longevity are assumed to be in line with the CMI core projection model (2019 version) from 2007, with a long-term rate of improvement of 1.6% per annum, smoothing parameter of 7.0 and 0.0% per annum initial addition.

Projected benefit cashflows from 31 March 2030 onwards were uplifted by 5% as an allowance for the expected cost of longevity hedging from 31 March 2030.

Additional ill health early retirement liabilities: the technical provisions include a reserve of £60m in respect of estimated additional ill health early retirement liabilities assumed to arise as a result of the settlement described in the following section.

Recovery plan

The arrangements to eliminate the 2020 valuation funding shortfall were formalised in a Schedule of Contributions which the Fund Actuary certified on 16 June 2021. A copy of this certificate is included on page 41 of this report.

Next actuarial valuation

The next triennial valuation is due to be performed at an effective date of 31 March 2023.

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.

The Trustee was required to sign off the 31 March 2020 actuarial valuation by June 2021, and decided to make allowance in the valuation for estimated additional IHER benefit liabilities on the assumption that the settlement was agreed. As set out in the section above, the Trustee did this by adding a £60m reserve to the funding target. The impact of this on the financial statements has been disclosed in note 15.

A letter was issued to members in early September 2021 that outlined the terms of the settlement and next steps. A further letter was issued to members in March 2022 about the outcome of the hearing and next steps.

TRUSTEE'S REPORT (CONTINUED)

The Trustee has implemented the settlement agreement, and claims have started to be paid.

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

The Trustee is currently undertaking an exercise to review the administration of Fund benefits against the Trust Deeds and Rules and relevant legislation that have applied over the years and has become aware of some potential issues which may need to be corrected. Some of these may lead to significant additional liabilities to the Fund, but it is currently too early to confirm what these additional liabilities might be as investigations are still ongoing and it may take some time before there is full clarity.

As a result of this uncertainty, this remains a contingent liability and no amount has been included in the financial statements in relation to this. This will be accounted for once further work has been done to quantify any additional liabilities and the approach to and timing of any necessary rectification has been agreed. A project team has been appointed to support the delivery of this matter. The Trustee will update members and employers further as the exercise continues.

Benefits

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 will 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. A report will be issued 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 are, or are related to, Participating Employers in the Fund. Details of these investments are shown in the notes to the accounts on page 39.

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'S REPORT (CONTINUED)

Delegated Chief Investment Officer (DCIO)

Willis Towers Watson was appointed Delegated Chief Investment Officer (DCIO) on 1 December 2014. The MNRPF's DCIO model enables integrated and effective implementation alongside timely responses to investment opportunities. The DCIO of the Fund advises on investment strategy and benchmarks and implements the agreed strategy within parameters set by the Trustee. The DCIO implements the strategy by appointing investment managers to manage assigned portions of the Fund's portfolio, or by buying units in collective investment schemes. The DCIO also assesses the nature, disposition, marketability, and security of the Fund's assets.

The Trustee sets investment policy and monitors the DCIO with oversight advice provided by Barnett Waddingham - Investment.

Fund changes

During the year ending 31 March 2023 the following changes were made:

- New investments to Fulcrum Inflation Protection Solution, Atlas Capital Group*, and Insight Downside Risk Hedge (DRH).
- Full redemptions were placed for SSgA Infrastructure*, Atlas Capital Group, GQG, Resolution Capital, FSSA, and Dymon Asia.

*Investment switch from SSgA Infrastructure to Atlas Capital Group Infrastructure.

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 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 MNRPF provides; and
- to limit the risk of the MNRPF's assets failing to meet the MNRPF's liabilities over the long term, or other measures imposed by regulation from time to time.

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.

In October 2022, the SIP was updated to reflect the amendment to the journey plan agreed by the Trustee to target 105% funding on a gilts +0.5% liabilities basis by 31 March 2030.

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

TRUSTEE'S REPORT (CONTINUED)

Asset allocation

The Trustee has set the following strategic allocation ranges following advice from the DCIO. The actual asset allocation as at 31 March 2023 is also shown below:

	Strategic ranges	Actual at 31 March 2023
	%	%
Equities	0 - 25	3.2
Diversifying strategies	0 – 20	3.1
Alternative credit	0 – 15	7.4
Hedge Funds	0 – 15	9.7
Private Markets	0 – 19	24.3
Investment Grade Credit	0 – 35	0.8
Liability Hedging and Liquidity	0 – 100	51.5
		100.00

Following the end of the previous Fund year, the assets the Fund invests in experienced large market fluctuations following the UK Government's announcement of the mini budget. Between the end of September and mid-October 2022, bond yields increased in such a manner that the Bank of England stepped in to stabilise the market. The significant increase in bond yields reduced both the value of the Fund's liability matching portfolio and the Fund's liabilities. As a result of this reduction in the Scheme's liability matching portfolio, the Scheme's private market assets became overweight versus the strategic asset allocation. This position is being closely monitored and is planned to be managed down gradually over time with a view to limiting any unnecessary transaction costs.

Investment management

In order to meet its responsibilities with regard to investments, the Trustee employs specialist investment managers, details of these managers are set out on page **Error! Bookmark not defined.**.

Each investment manager has a set performance target and is expected to achieve the target performance over a specified period. In addition, the Trustee sets parameters for all investment managers to control risk.

All investment managers are remunerated in accordance with the market value of securities under their control. In addition, 9 collective investment schemes and 1 investment manager receive performance related remuneration.

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.

Investment performance

The performance of the investment managers is monitored by the Trustee. 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.

The investment return (relative to liabilities) in conjunction with deficit contributions, leads to Journey Plan progress, which is the Delegated Chief Investment Officer's primary objective. The liability proxy decreased by 21.4% over the year, due to rising bond yields. The Fund returned –23.9% over the same period, representing an underperformance of 2.5% relative to the liability proxy. Overall, the Fund's performance has remained resilient against extreme volatile market conditions.

TRUSTEE'S REPORT (CONTINUED)

Over the three-year period to 31 March 2023, the Fund generated a return calculated on an annual basis of -9.3% p.a. compared with a 11.0% p.a. fall in the liability proxy, a 1.7% pa outperformance.

Over the five-year period to 31 March 2023, the Fund generated a return calculated on an annual basis of -2.7% p.a. compared with a 3.6% p.a. fall in the liability proxy, a 0.9% pa outperformance.

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 DCIO within Investment Guidelines set by the Trustee. The DCIO 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 DCIO's performance in carrying out these responsibilities as part of its ongoing oversight of the DCIO.

The Trustee expects the DCIO 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 DCIO to focus on longer-term outcomes. Consistent with this view, the Trustee does not expect that the DCIO 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 DCIO.

The Trustee expects the DCIO 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 DCIO 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 DCIO to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Socially Responsible Investment

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the DCIO and in turn to the Fund's investment managers. However, the Trustee and DCIO 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 DCIO 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 explicitly 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 DCIO 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 DCIO 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 DCIO, 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.

TRUSTEE'S REPORT (CONTINUED)

The DCIO 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 DCIO 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 DCIO 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 DCIO itself is a signatory to the Principles for Responsible Investment (PRI) and 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 DCIO has appointed Hermes EOS to undertake public policy engagement on its behalf 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 DCIO. The Trustee annually receives reporting from the DCIO which summarises the environmental, social and corporate governance integration and stewardship activities of its external investment managers.

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 is currently preparing the TCFD report for the year ended 31 March 2023, and this can be found at: https://www.mnrpf.co.uk/library.php

Implementation Statement

The Implementation Statement on page 46 forms part of the Trustee's Report.

Financial development of the Fund

The Fund Account on page 222 shows that the value of the Fund's assets decreased by £342,596,000 to £860,105,000 as at 31 March 2023. The decrease was comprised of withdrawals from dealings with members of £52,661,000 which includes £11,114,000 of contributions, £787,000 of other income and benefit costs of £64,562,000, together with a net decrease from the return on investments of £289,935,000.

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 40.

TRUSTEE'S REPORT (CONTINUED)

Membership

Details of the membership of the Fund as at 31 March 2023 are given below:

	Total 2023	Total 2022
EMPLOYEE MEMBERS		
Employee members at the start of the year	**263**	300
Adjustments to employee members*	**(15)**	(20)
Members retiring on pension	**(12)**	(13)
Death	**(1)**	-
Leavers, transfers out or full commutations	**(1)**	(4)
EMPLOYEE MEMBERS AT THE END OF THE YEAR	**234**	263
PENSIONERS		
Pensioners at the start of the year	**8,745**	8,478
Adjustments to pensioners*	**23**	313
New pensioners (includes widow(er)s of employee and deferred members)	**435**	379
Full commutation	**(1)**	(33)
Deaths	**(336)**	(392)
PENSIONERS AT THE END OF THE YEAR	**8,866**	8,745

Pensioner figures do not take into account additional records where members have more than one period of service.
The closing balance includes 372 pensioners whose pensions are suspended.

DEFERRED MEMBERS		
Deferred members at the start of the year	**8,719**	11,687
Adjustments to deferred members*	**(30)**	(2,504)
Leavers before pensionable age retaining an entitlement	**1**	4
Transfers out	**(30)**	(59)
Retirements (including full commutations)	**(398)**	(338)
Deaths	**(39)**	(56)
Refunds	**(2)**	(15)
DEFERRED MEMBERS AT THE END OF THE YEAR	**8,221**	8,719
TOTAL MEMBERSHIP AT THE END OF THE YEAR	**17,321**	17,727

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.

TRUSTEE'S 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) submit their enquiry through the Contact Mercer Admin portal: https://contact.mercer.com/.

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

The Trustee of Merchant Navy Ratings Pension Fund:

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

This report was approved by the Trustee on 26 October 2023 and signed on its behalf by:

Doug Ross

…..
Trustee Director

Date: 27 October 2023

Melanie Cusack

…..
Trustee Director

Date: 27 October 2023

INVESTMENT REPORT (FORMING PART OF THE TRUSTEE'S REPORT)

Market review for the 12-month period to 31 March 2023

Summary

The Bank of England (BoE) have made a number of incremental base rate rises throughout the 12 months to March 2023.

- In May and June 2022, the BoE raised interest rates by 0.25% to take the base rate to 1.25.
- An increase in the base rate by 0.5% in two consecutive months (August and September) to take the base rate to 2.25%.
- An increase in the base rate by 0.75% in November, the biggest rise for three decades, in a bid to combat soaring inflation.
- A further increase of 0.50% in December took the base rate to a 14 year high of 3.50% with a warning that further tightening of monetary policy was likely.
- The BoE continued to raise interest rates in the first quarter of 2023 with increases of 0.5% and 0.25% in February and March respectively. This took the base rate to a 15 year high of 4.25%.

UK inflation rate, as measured by the CPI, rose by 10.1% in the 12 months to March 2023, down from 10.4% in February and from a recent peak of 11.1% in October 2022. Although fuel prices fell, further sharp rises in the costs of food, recreation and culture left the index higher than the anticipated drop to 9.8%. Food prices alone rose 19.1% in the 12 months to March 2023.

In the US, over Q2 2022, the Federal Reserve (the Fed) raised rates by 0.5% in May and then by 0.75% in June 2022, bringing the target range to 1.50-1.75%. The Fed further raised the federal funds rate by 0.75% in July and September, bringing the target range to 3.0-3.25%, and then again by 0.75% in November and a further 0.50% in December, bringing the target range to a high of 4.25-4.50%. Over Q1 2023, the Federal Reserve lifted the federal funds rate by 0.25% in February and again by 0.25% in March, bringing the target range to a high of 4.75 – 5.00% since it began in December 2008. In a strong signal that the US central bank is nearly done with rate increases, they followed the latest increase by saying "some additional policy firming may be appropriate" to bring inflation back to the banks 2% target.

Over the 12 months to 31 March 2023 sterling has depreciated against the US dollar and the euro by 6.1% and 3.8% respectively. The sterling appreciated against the Yen by 3.0%.

Equity markets

Over the 12 months to 31 March 2023, equity markets returned negative performance across North America, Developed Asia Pacific (ex Japan) and Emerging Markets but was positive in other regions. The FTSE All World Index returned -0.7% whilst the FTSE Emerging Index returned -3.9% (both in sterling terms). FTSE All-Share Index returned 2.9% whilst Developed Europe (ex UK) was the best performing region with 8.5% (both in sterling terms).

Bond markets

UK government bond yields (which move inversely to bond prices) increased over the 12 months to 31 March 2023. Long maturity UK gilts have returned -29.7% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and UK gilts all stocks returned -16.3%.

Inflation-linked gilt yields also increased over the 12-month period. Long maturity UK index-linked gilts returned -39.1% (as measured by FTSE-A Index-Linked Gilts Over 15 Years Index) and UK index-linked gilts all stocks returned -26.7%.

Over the past year, local currency emerging market debt outperformed hard currency emerging market debt returning 5.7% and -8.7% respectively.

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

Alternative investment markets

Over Q2 2022, the price of Brent crude oil continued to fall at the start of the quarter, reaching a low of US$96 in early April 2022. This was due to continued concerns over global economic recession, and concerns over strict lockdowns in China as it faced the worse outbreak of COVID since the pandemic began. Oil prices steadily increased from mid-April 2022 onwards (primarily because of supply concerns of Russian oil) reaching a peak of US$122 per barrel in early June 2022, before falling back to US$106 per barrel at the end of Q2 2022. Oil prices fell throughout the third quarter of 2022, reaching a low of US$76.7 in late September, due to OPECs agreement to boost production by 648,000 bpd (Barrels per day) in August and continuing concerns over global economic recession occurring. Oil prices fluctuated throughout the fourth quarter, peaking at US$92.6 in early October and dropping to US$71.0 in early December. 2022 was one of the most volatile periods ever seen in the energy markets. Russia's invasion of Ukraine was the primary reason for prices rising above US$120 but this has been counteracted by the year end by growing US production and a massive release of oil from the Strategic Petroleum Reserve. Oil prices fluctuated throughout the first quarter, peaking at US$81.6 in late January and dropping to US$66.7 in mid-March. The collapse of Silicon Valley Bank and the forced takeover of Credit Suisse by UBS sparked fears of another banking crisis and a significant drop-off in demand for crude oil.

Commercial UK property (as measured by the IPD Monthly Index) has returned -14.9% over the 12 months to 31 March 2023.

Global Commodity Futures, as measured by S&P Goldman Sachs Commodity Index, returned -4.2% over the 12 months to 31 March 2023 in sterling terms.

STATEMENT OF TRUSTEE'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension Fund regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

i. 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 the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
ii. contain the information specified in the Occupational Pension Funds (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Funds.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up Fund, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pension's legislation, which they should ensure is fair and impartial.

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

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

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rate of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Fund's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Fund and for procuring that contributions are made to the Fund in accordance with the Schedule.

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

Opinion

We have audited the financial statements of Merchant Navy Ratings Pension Fund ("the Fund") for the year ended 31 March 2023, which comprise the Fund Account, Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year ended 31 March 2023 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Fund, and as they have concluded that the Fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Fund and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment, that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Fund will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee and inspection of policy documentation, including the conflicts of interest register, as to the Fund's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether it has knowledge of any actual, suspected, or alleged fraud.
- Reading Trustee Board and sub-committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates including the Fund administrator) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and their delegates including the Fund administrator (as required by auditing standards), and from inspection of the Fund's regulatory and legal correspondence and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Fund is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Fund's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Fund is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or

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

litigation, or the loss of the Fund's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Fund's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any.

Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities), the Implementation Statement, the TCFD report and the actuarial certification of the Schedule of Contributions. 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 conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 17 the Fund Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to wind up the Fund, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities

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

Pamela Marco
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Challenge House
Sherwood Drive
Bletchley, Milton Keynes
MK3 6DP

Date: 31 October 2023

FUND ACCOUNT

	Note	2023 £000	2022 £000
CONTRIBUTIONS AND BENEFITS			
Employer contributions	3	**11,114**	31,356
Other income	4	**787**	12
		11,901	31,368
Benefits payable	5	**(51,774)**	(41,348)
Payments to and on account of leavers	6	**(2,315)**	(6,404)
Administrative expenses	7	**(10,473)**	(18,272)
		(64,562)	(66,024)
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		**(52,661)**	(34,656)
INVESTMENT RETURNS			
Investment income	8	**25,136**	30,550
Investment management expenses	9	**(1,342)**	(1,411)
Change in market value of investments	10	**(313,729)**	(44,970)
NET RETURNS ON INVESTMENTS		**(289,935)**	(15,831)
NET DECREASE IN THE FUND DURING THE YEAR		**(342,596)**	(50,487)
NET ASSETS AT 1 APRIL 2022		**1,202,701**	1,253,188
NET ASSETS AT 31 MARCH 2023		**860,105**	1,202,701

The notes on pages 24 to 40 form an integral part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

	Note	2023 £000	2022 £000
INVESTMENT ASSETS			
Bonds	10	**522,916**	783,853
Pooled investment vehicles	10	**467,125**	725,693
Derivatives	10	**1,557**	8,130
Other investment assets	10	**-**	5,511
AVC Investments	10	**24**	33
Cash	10	**44,043**	31,114
Cash in transit	10	**5,844**	14,051
		1,041,509	1,568,385
INVESTMENT LIABILITIES			
Derivatives	10	**(29,489)**	(33,442)
Outstanding trades	10	**(30,326)**	-
Repurchase agreements	10	**(112,556)**	(306,956)
TOTAL INVESTMENTS		**869,138**	1,227,987
CURRENT ASSETS	11	**5,899**	8,830
CURRENT LIABILITIES	12	**(14,932)**	(34,116)
TOTAL NET ASSETS AT 31 MARCH 2023		**860,105**	1,202,701

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

The notes on pages 24 to 40 form an integral part of these financial statements.

These financial statements were approved by the Trustee on 26 October 2023 and were signed on its behalf by:

Doug Ross

……………………………………

Trustee Director

Date: 27 October 2023

……………………………………

Trustee Director

Date:27 October 2023

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with FRS 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council, and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Scheme" (the revised SORP) (revised 2018).

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 for at least the next twelve months. 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. Over the course of the considerable global uncertainty occurring since 2020 driven by the COVID-19 pandemic and the conflict in Ukraine, which has impacted economic activity, financial markets and supply chains, the Trustee has received advice from an independent covenant expert on the ongoing impact of this uncertainty on the key Participating Employers which support the Fund, as well as their associated industries. This advice is updated at regular intervals. The advice has noted that the Fund's varied Participating Employer base (which spans numerous sectors including Ferries and Ports, Freight Shipping, and Oil and Gas industries) provides a diversified source of support to the Fund, mitigating periodic risks which may impact individual Participating Employers from time to time. The last man standing structure of the Fund provides additional security as in the event of the failure of one of the Participating Employers, any outstanding contributions are reallocated across the remaining employers.

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. The most recent triennial valuation was as at 31 March 2020 which was signed in June 2021. The Fund was 93% funded on a Technical Provisions basis at this date with a deficit of £96m. 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 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 have been adopted in the preparation of the financial statements.

2.1 Accruals concept

The financial statements have been prepared on an accrual's basis with the exception of individual transfers which are recognised when received or paid.

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 current 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.

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 and from other schemes

Transfer values have been included in the financial statements when paid. They do not take account of members who have notified the Fund of their intention to transfer.

Individual transfer values to other pension arrangements represent the amounts paid during the year for members who left the Fund and are accounted for when a member exercises their option to transfer their benefit.

2.6 Investment income

Investment income is recognised as follows:

Income from fixed interest securities and cash deposits is recognised on an accrual's 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 accrual's basis.

2.7 Investments – valuation

Quoted equity and fixed income securities, for which there are active markets, have been recorded at bid market closing price or last traded closing prices (depending upon market convention) at the year-end date as advised by pricing vendors who are independent of the appointed Fund managers.

For the purposes of presentation, quoted securities include those listed or traded on a recognised investment exchange and, in respect of fixed income, also include those securities where there is a secondary market where prices are readily available from a dealer, industry group, pricing service or regulatory agency, and those prices are representative of actual and regularly occurring market transactions on an arm's length basis.

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 Fund managers.

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 Scheme 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.

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.

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.

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 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.

2.9 Expenses

Administrative expenses, insurance premiums and investment expenses are accounted for on an accrual's basis.

3 CONTRIBUTIONS

	2023	2022
	£000	£000
Employer's Contributions		
Normal contributions	**44**	61
Deficit contributions	**11,070**	31,295
	11,114	31,356

The Schedule of Contributions, certified on 16 June 2021 calculated a funding deficit of £96 million on a Technical Provisions basis. The outstanding deficit contributions required to meet the 2014 and 2017 valuation deficits are expected to be sufficient to meet this £96 million deficit by 31 March 2027 and therefore no further deficit contributions other than these are required. (The Schedule of Contributions, certified by the Actuary on 24 June 2015 required £354m of contributions are paid over the period of 10 years to 31 March 2024. The Schedule of Contributions, certified by the Actuary on 14 June 2018 required £89m of contributions are paid over a period of 7 years to 31 March 2024).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The total amount of the 2014 deficit and the 2017 additional deficit which has been collected to date is £432m.The payment options which relate to the deficit set out in the Schedule of Contributions are described in the Guide to the Implementation Methodology as signed by the Trustee.

4 OTHER INCOME

	2023	2022
	£000	£000
Deficit contribution fees received	151	12
Compensation payments	11	-
Trustee Liability Insurance	625	-
	787	12

The Deficit contribution fees received 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.

Compensation payments were made by Mercer to reimburse the fund for overpayments made to members.

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.

5 BENEFITS

	2023	2022
	£000	£000
Pension payments	37,961	37,566
Ill health early retirement benefits*	7,116	(2,000)
Commutations and lump sum retirement benefits	6,498	5,312
Lump sums on death	199	470
	51,774	41,348

*See note 15.

Taxation may arise on benefits paid or payable is 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023	2022
	£000	£000
Refunds to members	**3**	9
Individual transfers out to other schemes	**2,312**	6,395
	2,315	6,404

7 ADMINISTRATIVE EXPENSES

	2023	2022
	£000	£000
Administration and processing	**4,468**	2,974
Actuarial fees	**1,689**	2,708
Audit fee	**148**	120
Legal fees and other professional fees *	**7,183**	11,939
Regulatory fees – Pension protection fund levy	**159**	130
Trustee fees and expenses	**874**	401
Recoverable VAT	**(4,048)**	-
	10,473	18,272

*Of this total, £5,138,581 (2022: £8,714,660) relates to the costs across all of the Trustee's advisors for Project Greenwich.

An adjustment to VAT has been included within the expenses to capture the VAT elements that were recoverable for the 2021 and the 2022 bulk deficit recovery invoice mailings issued in September.

8 INVESTMENT INCOME

	2023	2022
	£000	£000
Income from bonds	**16,342**	18,148
Income from pooled investment vehicles	**13,324**	14,702
Foreign currency (loss)/profit	**893**	(2,399)
Interest receivable on swaps	**(1,631)**	728
Interest payable on repurchase agreements	**(3,796)**	(629)
Interest on cash on deposits	**4**	-
	25,136	30,550

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 INVESTMENT MANAGEMENT EXPENSES

	2023	2022
	£000	£000
Administration, management & custody (JPM/Insight Investment)*	526	520
Other advisory fees (WTW)	722	891
Other advisor fees (BW)	94	-
	1,342	1,411

*Investment and performance charge invoices for JPM and Insight are paid directly from the Custody account: MNRPF Trustees Limited Retained Account.

An additional amount of £773,617 (2021: £1,006,909) of Willis Towers Watson investment consultancy fees are taken directly from the investments in the Willis Towers Watson Investment Management funds.

10 INVESTMENTS

10.1 RECONCILIATION OF INVESTMENTS

Reconciliation of investments held at beginning and end of year:

	Value at 1 April 2022	Purchases at Cost and Derivative payments	Sales Proceeds and Derivative receipts	Change in market value	Value at 31 March 2023
	£000	£000	£000	£000	£000
Bonds	783,853	152,219	(170,886)	(242,270)	522,916
Pooled investment vehicles	725,693	715,559	(994,859)	20,732	467,125
Derivatives					
• Swaps	(14,767)	35,616	-	(50,338)	(29,489)
• Forward foreign exchange	(10,545)	84,977	(31,022)	(41,853)	1,557
AVC investments	33	-	(9)	-	24
	1,484,267	988,371	(1,196,776)	(313,729)	962,133
Cash deposits	31,114				44,043
Cash in transit	14,051				5,844
Outstanding trades	-				(30,326)
Accrued Income	5,511				-
Repurchase agreements	(306,956)				(112,556)
	1,227,987				869,138

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.

10.2 TRANSACTION COSTS

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £nil (2022: £nil). In addition to the transaction costs disclosed above, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.3 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Fund's net assets at 31 March 2023.

	£000	%
Towers Watson Secure Income Fund	**101,728**	**11.8**
Towers Watson Hedge Advantage Fund	**84,216**	**9.8**
Towers Watson Alternative Credit	**53,123**	**6.2**
Insight - UK Treasury 4.75% 07-12-2038	**47,774**	**5.6**
Insight - UK Treasury 4.25% 07-09-2039	**45,263**	**5.3**
Insight Liquidity Funds	**44,840**	**5.2**

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 MNRPF assets.

The following investments account for more than 5% of the Fund's net assets at 31 March 2022.

	£000	%
Towers Watson Hedge Advantage Fund USD	**119,759**	**10.0**
Towers Watson Secure Income Fund	**107,972**	**9.0**
Towers Watson Alternative Credit	**102,883**	**8.6**
Towers Watson Global Equity Focus Fund	**71,614**	**6.0**
Insight Liquidity Funds	**68,121**	**5.7**
Towers Watson Diversifying Strat USD A Shares Unhedged	**67,732**	**5.6**
Insight - UK Treasury 4.75% 07-12-2038	**61,200**	**5.1**

10.4 POOLED INVESTMENT VEHICLES

	2023	2022
	£000	£000
Equity Funds	**35,882**	143,380
Bonds Funds	**49,061**	184,305
Multi-asset Fund	**130,207**	175,704
Property Funds	**51,584**	41,589
Private Equity Funds	**58,003**	43,970
Hedge Funds	**142,388**	136,745
	467,125	725,693

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.5 CAPITAL COMMITMENTS

The fund had the following capital commitments at 31 March 2023.

	Currency	Total Commitment '000	Undrawn Commitment '000
Ancala Partners LLP	GBP	8,000	129
CDH VGC II Holdings	USD	13,000	4,131
Equilibrium Controlled Environment Foods Fund	USD	15,000	1,315
ForgePoint Cybersecurity Fund II LP	USD	9,000	1,350
First Property Asset Management Ltd	GBP	11,500	4,049
Georgian Partners	USD	13,000	1,117
Libremax Opportunistic Value Fund LP	USD	15,000	12,512
CarVal	USD	13,000	4,550
Systima	USD	13,000	5,463
Georgian Alignment	USD	9,000	738
Pretium	USD	16,500	-
Waypoint	GBP	10,000	294

10.6 DERIVATIVES

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

	2023 Assets £000	**2023 Liabilities £000**	2022 Assets £000	2022 Liabilities £000
Swaps	**8,010**	**(37,499)**	8,130	(22,897)
Forward foreign exchange	**1,557**	**-**	-	(10,545)
	9,567	**(37,499)**	8,130	(33,442)

10.7 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 2023 are as follows:

Expiration	**No of Contracts**	**Notional Currency Principal £000**	**2023 Asset £000 £000**	**2023 Liability £000 £000**
Up to March 2030	**33**	**263,049**	**1,801**	**(11,560)**
April 2030 and over	**31**	**128,652**	**6,209**	**(25,939)**
		391,701	**8,010**	**(37,499)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Types of Swaps	**Notional Currency Principal**	**2023 Asset £000**	**2023 Liability £000**
	£000	**£000**	**£000**
Interest rate	**328,445**	**7,211**	**(26,754)**
Overnight Index	**52,190**	**-**	**(10,736)**
Inflation	**11,066**	**799**	**(9)**
Total Swaps	**391,701**	**8,010**	**(37,499)**

Swap contracts in place as at 31 March 2022 were as follows:

Expiration	**No of Contracts**	**Notional Currency Principal**	**2022 Asset £000**	**2022 Liability £000**
		£000	**£000**	**£000**
Up to March 2030	45	305,798	1,897	(5,193)
April 2030 and over	31	184,540	6,233	(17,704)
		490,338	8,130	(22,897)

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 2023, the collateral received / pledged was as follows:

	2023 £000	2022 £000
Collateral received		
Stock equivalents	**1,338**	-
Cash equivalents	**310**	-
	1,648	-
Collateral pledged		
Stock equivalents	**33,434**	27,605
Cash equivalents	**150**	-
	33,584	27,605

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.

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)

Outstanding forward foreign exchange contracts at 31 March 2023 were as follows:

Contract	Number of contracts	Settlement date	Currency Bought	Currency Sold	Market value asset	Market value liability
			'000	'000	£000	£000
Forward (OTC)	**5**	**19 April 2023**	**GBP21,099**	**USD25,660**	**353**	**-**
Forward (OTC)	**5**	**18 May 2023**	**GBP21,167**	**USD25,770**	**344**	**-**
Forward (OTC)	**3**	**16 June 2023**	**GBP21,493**	**USD25,550**	**860**	**-**
			GBP63,759	**USD76,980**	**1,557**	**-**

Outstanding forward foreign exchange contracts at 31 March 2022 were as follows:

Contract	Number of contracts	Settlement date	Currency Bought	Currency Sold	Market value asset	Market value liability
			'000	'000	£000	£000
Forward (OTC)	4	18 May 2022	GBP351,362	USD476,390	-	**(10,545)**

The gross amount is the gross sterling equivalent on which the contract is based. All open contracts are due to settle within three months of the net assets statement date.

10.8 REPURCHASE AGREEMENTS

At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £112,556,000 together with a pending trade of £32,552,000 at the year-end (2022: £306,956,000). At the year-end £129,588,000 (2022: £279,727,000) of bonds reported in the Fund assets are held by counterparties under repurchase agreements. Collateral of £16,886,000 (2022: £28,291,000) has been posted in relation to these repurchase agreements.

10.9 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:

	2023	2022
	£000	£000
Utmost Life and Pensions – unit-linked funds	**24**	33

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.10 FAIR VALUE HEIRARCHY

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 daily priced funds have been included in 2, weekly priced funds in 2, monthly net asset values for Absolute Return funds in 2 and monthly net asset values for Private Equity funds in 3.

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 2023**
	£000	**£000**	**£000**	**£000**
Bonds	**511,477**	**11,439**	**-**	**522,916**
Pooled investment vehicles	**44,840**	**311,788**	**110,497**	**467,125**
Derivatives	**-**	**(27,932)**	**-**	**(27,932)**
Other investments *	**-**	**(112,556)**	**-**	**(112,556)**
AVC investments	**-**	**24**	**-**	**24**
Cash	**44,043**	**-**	**-**	**44,043**
Outstanding trades	**(30,326)**	**-**	**-**	**(30,326)**
	570,034	**182,763**	**110,497**	**863,294**

*Other investments relate to Accrued income and Repurchase agreements. Details are shown on page 29 of the financial statements.

	Level 1	**Level 2**	**Level 3**	**Total 2022**
	£000	**£000**	**£000**	**£000**
Bonds	741,108	42,745	-	783,853
Pooled investment vehicles	68,121	563,905	93,667	725,693
Derivatives	-	(25,312)	-	(25,312)
Other investments *	-	(301,445)	-	(301,445)
AVC investments	-	33	-	33
Cash	31,114	-	-	31,114
Cash in transit	14,051	-	-	14,051
	854,394	279,926	93,667	1,227,987

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.11 INVESTMENT RISKS

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

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

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee's primary investment objectives 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 MNRPF provides; and limit the risk of the MNRPF’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 105% 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 (this is planned to de-risk overtime through to 2030).

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Fund’s strategic investment objectives. The Trustee’s risk management policy is documented in the Statement of Investment Principles. These investment objectives are implemented through the Fiduciary Management Agreement in place with the Delegated Chief Investment Officer (WTW) 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	2023 Value (£000)	2022 Value (£000)
Bonds	●	○	●	●	522,916	783,853
Pooled investment vehicles	◐	◐	◐	●	467,125	725,693
Derivatives*	●	◐	●	●	(140,488)	(332,268)
Cash	◐	◐	○	○	44,043	45,165
Total investments					**893,596**	1,222,443

*Amount includes repos -£112,556,000 (2022: -£306,956,000).

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

Credit risk 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.

The Fund is exposed to direct credit risk because of some of the investments it makes in following the Fund's investment strategy, including direct holdings in bonds, over the counter (OTC) derivatives, repurchase agreements, the cash balances it holds and the potential to undertake stock lending activities. The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

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

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. The credit risk for OTC swap and forward foreign currency contracts is reduced by collateral arrangements and through diversification of counterparties. Credit risk also arises on forward foreign currency contracts.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	2023	**2022**
	£000	£000
Open ended investment company	**209,001**	383,389
Shares of LLP	**102,587**	93,667
Common Contractual Fund	**137,610**	194,206
UCITS	**-**	14,360
ICAV	**10,861**	40,071
Cayman Island exempt company	**7,066**	-
	467,125	725,693

(ii) Currency risk

The Fund holds investments in pooled investment vehicles which are not denominated in Sterling and therefore the Fund is directly exposed to currency risk. The Trustee limits overseas currency exposure through a currency hedging policy.

The Fund's Delegated CIO estimated the total net unhedged exposure as at 31 March 2023 as follows:

	2023	**2022**
	£m	£m
US Dollar	37	139
Japanese Yen	-1	2
Euro	1	1
Other currencies	26	88
	63	230

As these figures are an estimate, they are provided to £1m accuracy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(iii) Interest rate risk

The Fund is subject to interest rate risk on its liability driven investments (LDI) comprising bonds, interest rate swaps, inflation swaps and repurchase agreements. These investments are held either as segregated investments or through pooled vehicles and cash, as at 31 March 2023 they represented: 50.4% of the portfolio (2022: 45.3%). The purpose of the Fund's LDI investments is to match the interest rate and inflation sensitivities of the Fund's liabilities. Therefore, when considering the Fund's liabilities these investments are risk reducing. The LDI allocation involves leverage that means the Fund removes much of the funding level risk from interest rates and inflation (the targets were: an interest rate hedge ratio of 90% on this measure at 31 March 2023, with the actual figure at this point estimated to be 92% and an inflation hedge ratio target of 90% and actual of 88% at the same date).

The Fund is also subject to indirect interest rate risk as some of the pooled investment managers invest in bonds and interest rate derivatives. The Fund manages its exposure to indirect interest rate risk through diversification of investment managers as well as asset allocation limits.

(iv) Other price risk

Other price risk 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). Other price risk arises principally in relation to the Fund's return seeking portfolio, as at 31 March 2023, 48.4% (2022: 54.7%) of the portfolio was held in the return seeking portfolio, based on the fair value of the investments.

Other price risk varies depending on the particular market and the Fund manages its exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

11 CURRENT ASSETS

	2023	2022
	£000	£000
Cash balance	**5,897**	8,497
Contributions due from employer	**2**	333
	5,899	8,830

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

12 CURRENT LIABILITIES

	2023	2023
	£000	£000
Unpaid benefits	**13,328**	28,487
Accrued expenses	**1,184**	4,749
Other creditors	**420**	880
	14,932	34,116

Unpaid benefits include £5.7m (2022: £26m) in respect of Ill Health Retirement Benefits due to members under Category A&B, and a further £5m under Category C – 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, trustees should ensure that they never have over 5% invested in employer-related investments, through both pooled funds and segregated investments. As at 31 March 2023, we estimate that the Fund held less than 1.5% in employer-related investments on a look through basis.

Section 148 contributions totalling £2,050 remain a debtor at the Fund year end (2022: £2,704). S148 contributions have been received by the due date set out in the Schedule of Contributions.

14 RELATED PARTY TRANSACTIONS

Under FRS 102 – Related Party Disclosures, Directors of the Trustee are deemed to be related parties of the Fund. Included in administrative expenses are payments of £697,219 (2022: £400,679) made to Directors of the Trustee for fees and expenses relating to the exercise of their duties during the year. Additionally, one Director has an interest as a member of the Fund due to their service within the Merchant Navy. This interest is on the same basis as all other members.

15 CONTINGENT ASSETS/LIABILITIES

GMP equalisation

As noted in the Benefits section of this report, 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. The Trustee 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.

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)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Trustee is in the process of implementing 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 calculated the additional liabilities due in respect of Category A and B members. As it currently stands the Scheme Actuary calculates the additional liability in respect of payments due before the 31 March 2023 reporting date to be around £26m, of which c£20m has already been paid, leaving a further c£6m to be paid after the reporting date. The outstanding amounts mostly relate to deceased members, where the process is more complex.

Since 31 March 2022 the claims process for Category C members has begun and a number of payments, totalling £2m, had been made by 31 March 2023. Any further claims are still very uncertain for a number of reasons, however as at the date of these financial statements we are aware of arrears and interest payments totalling £5m that have either been paid, or are due to be paid, since 31 March 2023. This £5m in relation to known payments after the reporting date has been included within the Benefits payable and Current Liabilities.

In terms of the expected total impact, the Scheme Actuary has updated their estimate to reflect the early claims experience. This has led to a reduced estimate of the total Category C compensation liabilities of around £10m.

Project Delta

The Trustee is continuing to work through the Project Delta exercise to review 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 which may or are expected to need to be corrected. Some of these may lead to significant additional liabilities to the Fund. However, at the current time, the amount and timing of any additional liabilities remains uncertain, and this therefore remains a contingent liability.

As a result of the above, no amount has been included in the financial statements in relation to this. This will be accounted for once the amount and timing of such payment is more certain. The Trustee will update members and employers further as the exercise continues.

ACTUARIAL CERTIFICATE

Merchant Navy Ratings Pension Fund

Schedule of Contributions following the 31 March 2020 valuation

This schedule specifies rates and due dates of Participating Employer contributions to the Fund, from the date this schedule is certified by the Scheme Actuary to 31 March 2027. It is subject to review from time to time as required by legislation and by the Fund's Trust Deed and Rules and following actuarial valuations and interim reviews. In the meantime, this does not preclude the payment of contributions higher than those shown in this schedule.

1 Regular contributions from date of certification to 31 March 2027

	Contribution Rate
Members	nil
Participating Employers	as required under Rule 5, 2% of MNRPP Pensionable Salaries of those Employee Members who continue to be entitled to revaluation of benefits in line with Section 148 orders, due by the 19th day of the calendar month next following the calendar month during which the relevant MNRPP Pensionable Salaries were earned.

In addition, deficit contributions with a total present value of £96 million as at 31 March 2020 will be paid to the Fund by or on behalf of the Participating Employers. The remaining deficit contributions required to meet the 31 March 2014 deficit and 31 March 2017 net deficit (as set out in the Schedule of Contributions dated 14 June 2018), for which the Trustee decide on the payment timing on a case-by-case basis, are expected to be sufficient to meet this 31 March 2020 deficit by the end date of this schedule of contributions. The amounts due from the date of signing this schedule are any such amounts which were not paid before the schedule was signed. The due date for the last payment of the additional deficit contributions under this schedule will be by 31 March 2027.

2 Other employer contributions

In addition to the contributions shown above, the Participating Employers shall pay the following:

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

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

Note that the Fund's expenses (including PPF levies) are met from the Fund's assets, and a reserve is included for these in the *technical provisions*.

Date of schedule: 16 June 2021

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

John Oldland
Chairman, Merchant Navy Ratings Pension Fund Trustees Limited

Date: 16 June 2021

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 2020 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 16 June 2021.

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.

S Eagle

Simon Eagle

Qualification: Fellow of the Institute and Faculty of Actuaries

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

Date: 16 June 2021

Merchant Navy Ratings Pension Fund

Recovery Plan following the 31 March 2020 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 Mr S Eagle, the Actuary to the Fund.

The actuarial valuation of the Fund as at 31 March 2020 revealed a funding shortfall (*technical provisions* minus value of assets) of £96 million.

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

To eliminate this funding shortfall, the Trustee has determined that the contributions arising from the 31 March 2014 and 31 March 2017 valuations, for which the Trustee decide on the payment timing on a case-by-case basis, will continue to be paid to the Fund by or on behalf of the Participating Employers. These are expected to be sufficient to meet this 31 March 2020 deficit by the end date of this recovery plan. The due date for payments under this Recovery Plan will be no later than 31 March 2027.

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 2027. 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 16 June 2021;
- 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 16 June 2021; 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 16 June 2021 for the calculation of *technical provisions*.

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

John Oldland
Chairman, Merchant Navy Ratings Pension Fund Trustees Limited
Date: 16 June 2021

MEMBERS' INFORMATION

INTRODUCTION

The Fund is a defined benefit scheme and is administered by Mercer 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 Mercer 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:

The Pensions Regulator, 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 free of charge 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, Mercer UK Limited, at the address detailed in this report.

IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEES REPORT)

Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Merchant Navy Ratings Pension Fund ("the Fund") covering the Fund year ("the year") to 31 March 2023.

The purpose of this statement is to:

- Set out how, and the extent to which, in the opinion of the Trustee, the Fund's engagement policy (required under regulation 2(3)(c) of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and state any use of services of a proxy voter during that year.

The Fund makes use of a wide range of investments; therefore, the principles and policies in the Fund's Statement of Investment Principles (SIP) are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Delegated Chief Investment Officer ("Delegated CIO"), Towers Watson Limited (trading as WTW), to advise and manage the Fund's defined benefit assets on a discretionary basis. So far as is practicable, the Delegated CIO considers the policies and principles set out in the Trustee's SIP.

A copy of this implementation statement has been made available on the following website: https://www.mnrpf.co.uk/library.php

Section 2: Voting and engagement

As set out above, the Trustee has delegated responsibility to the Delegated CIO to implement the Trustee's agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Delegated CIO is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio.

The Trustee's view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Delegated CIO who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the Delegated CIO's performance in this area as part of its overall assessment of the Delegated CIO's performance.

The Delegated CIO's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to Sustainable Investing (SI) (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Delegated CIO engages with investment managers to improve their processes.

The Delegated CIO produces detailed reports on the SI characteristics of the highest-rated managers (such as those included in the Fund's portfolio) on an annual basis. These reports form part of the Trustee's ongoing portfolio monitoring. The Trustee last reviewed these reports at its meeting in Q2 2023 and undertook specific scorecard analysis on SI metrics in Q1 2023. The policies and processes described above have impacted the Fund's investments in numerous ways. The latest Sustainable Investment review and scorecard found that:

- The vast majority of the Fund's asset managers are operating to a good standard. The Delegated CIO will continue to engage with those that scored poorly to encourage improvements where possible as part of ongoing research processes. Should insufficient progress be made on making improvements, the manager's place in the portfolio will come under review.
- The Fund's sustainability quantitative assessment was found to be good, with the portfolio largely ahead or in line with its comparators and no immediate concerns raised.

In addition, the Trustee conducted a climate change scenario analysis in December 2022 whereby the resilience of the Fund's funding strategy was reviewed under a range of plausible climate scenarios.

The Fund has dedicated allocations to funds with positive ESG credentials. For example, through its investment in the Global Equity Focus Fund (GEFF), the Fund's portfolio has exposure to Article 8 Sustainable Finance Disclosure Regulation designation. This covers a fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, amongst other requirements. The Investment Manager intends for the sub-funds to achieve at least a 50% reduction in greenhouse gases by 2030 in its portfolio, where progress is measured using multiple climate metrics.

Company level engagement and rights attached to investments (including voting):

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Delegated CIO, and in turn to the Fund's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Fund's investment managers.

The Delegated CIO produces an annual Sustainable Investment report for the Trustee to review and monitor. The following aspects are included in the reports:

- Integration of ESG risks and opportunities within investment research and decision-making
- Proxy vote decision-making and execution process, including disclosure of voting policy and results
- Process for proactive corporate engagement, including disclosure of engagement activity
- Case studies of investment managers incorporating sustainability within the decision-making process.

Through the engagement undertaken by the Delegated CIO, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Delegated CIO considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the time of appointment of a new manager and on an ongoing basis. The Delegated CIO engages with managers to improve their practices and may recommend the termination of a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the year.

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information is only requested from the Fund's equity managers, or managers who own a significant amount of equity such as listed real estate (REITs) and listed infrastructure, where there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of votes, three of those deemed most significant by the Trustee have been shown below. The Trustee has endeavoured to select "significant" votes which align with the Trustee's identified priorities for voting and engagement – climate change, biodiversity, and diversity, equity and inclusion ("DEI") – where the data has allowed.

Further information on the voting and engagement activities of the managers is provided in the table below[1].

Over the year to the 31 March 2023 Trustee Report & Accounts, the Fund's equity holdings have been invested across six pooled funds:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Delegated CIO which invests in a number of underlying active managers.
- State Street (SSgA) Infrastructure Equity MFG Fund – a passive global equity fund focused on equity related to infrastructure companies.
- FSSA China A Shares Fund – an active equity fund focused on equities listed in China.
- GQG Partners Emerging Markets Equity Fund – an active emerging market equity fund.
- Resolution Capital Global Property Securities Fund – an active global equity fund focused on equity related to prime properties.
- Atlas Global Infrastructure Fund – an active global fund focused on listed infrastructure equity.

[1] The following managers were divested during the Fund year: SSgA Infrastructure (switched to Atlas Infrastructure in July 2022); Atlas (redeemed October 2022); GQG Partners (redeemed October 2022); Resolution Capital (redeemed October 2022); FSSA (redeemed October 2022). Where data has been available from the manager, voting information has aimed to be shown for the period the manager was held (to the nearest quarter), otherwise data has been presented 12 months to the Fund's year-end as industry standard.

As outlined above, the Fund invested in both active and passive equity funds.

The Trustee delegates the exercise of voting rights to its investment managers. The Delegated CIO has assessed the investment managers' voting policy as part of its overall assessment of the investment managers' capabilities. The Delegated CIO considered the policy to be appropriate, and consistent with the Trustee's policies and objectives and ultimately, therefore in the best financial interests of the members. Additional oversight on the implementation of this policy is provided through the Delegated CIO's partnership with Equity Ownership Services ("EOS") at Federated Hermes (see below). The Trustee has identified key ESG risks for the Fund as climate change, biodiversity, and DEI and therefore votes on these topics as the most significant for the Fund.

The Delegated CIO views TWIM GEFF as a strong steward of capital through engagements made by underlying managers and through EOS at Federated Hermes, who have been specifically appointed to act in this regard on behalf of the capital in the fund. Underlying managers are continuously monitored and evaluated on their engagement activities, which in 2021 were rated either as a 'Strength' or 'Acceptable' by the Delegated CIO. EOS is rated as a 'Strength' on their ESG engagement activities, where 64% of assets under advice were engaged with over 2022, which is an improvement from 59% over 2021. EOS' engagement plan covering 2021-2023 can be accessed here[1].

The Delegated CIO's view is that SSgA continues to demonstrate good / leading practice vs. peers, in particular in their willingness to take visible stances on topics they believe important. This is supported by an effective approach to conflict management, high transparency and effective communications. The Delegated CIO continues to engage with SSgA on the level of resourcing of the stewardship team, in particular given breadth / depth of coverage and rapid growth in AUM, as well as pushing for better / more effective fixed income engagement.

The Delegated CIO views the SI approach of FSSA as good. The strategy's fundamental investment approach considers ESG risks and opportunities within their portfolio management process. Corporate engagement and asset stewardship is a key part of the investment process for the team and across all of its investment strategies. The investment team's long-term investment horizon, and their experience of investing in local markets and in companies with strong governance structures, supports that they are well-equipped to engage with company management with a view to improving outcomes for minority shareholders.

The Delegated CIO views GQG Partners' approach to SI as acceptable. Over the year, GQG Partners has made improvements to its practices relating to ESG integration and engagement by upgrading its third-party research provider to Sustainalytics, developing a Stewardship Policy and enhancing its ESG Policy. The Delegated CIO continues to engage for further improvement.

The Delegated CIO's view on Resolution Capital is positive, as the manager publicly supports sustainable investment initiatives with the firm's policy covering ESG integration and analysis being publicly disclosed. Independent assurance is sought for the firm's voting policies. Resolution Capital expects the portfolio to be less exposed to ESG risks than its benchmark on average. Resolution Capital votes on all resolutions that it has the ability to vote on in accordance with the Proxy Voting Policy. Resolution Capital reviews each resolution on a case by case basis in arriving at a voting recommendation and does so by adhering to a solid clearly defined set of principles.

The Delegated CIO's view on Atlas is positive as the strategy aims to deliver long-term sustainable investment outcomes through full incorporation of ESG risks and opportunities into every single stage of analysis and decision making. The manager uses ESG analysis to actively engage with companies to promote responsible and sustainable decision making by management.

[1] https://www.hermes-investment.com/uploads/2021/10/55ebce0b43155506d9a2b6d0233d8eda/eos-engagement-plan-2021-2023-public.pdf

a. Voting table – TWIM: Global Equity Focus Fund (GEFF)[2]

Voting activity	Number of votes eligible to cast: 2,548 Percentage of eligible votes cast: 98.5% Percentage of votes with management: 87.6% Percentage of votes against management: 10.8% Percentage of votes abstained from: 1.6%			
Most significant votes cast	**Company**	Cigna Corporation	Amazon	Salesforce
	Date of vote	27/04/2022	21/05/2022	03/06/2022
	Size of holdings	1.4%	1.5%	1.5%
	Topic	DEI	Climate change	DEI
	Resolution	Report on Gender Pay Gap	Report on efforts to reduce plastic use	Oversee and report a Racial Equity Audit
	Decision / Vote	For	For	For
	Rationale for voting decision	Supports disclosure of data to assess Cigna's gender pay gap on a raw and adjusted basis, which will positively support Cigna's global recruitment and human resources efforts.	Promotes transparency around environmental issues.	Promotes appropriate accountability and incentivisation on gender and diversity.
	Rationale for classifying as significant	TWIM consider diversity, equity and inclusion important for the long-term success of a company for them to attract and retain talent which in turn is important for shareholders' interests.	TWIM consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.	TWIM consider diversity to be a critical factor influencing the long-term performance and sustainability of a company.
	Outcome of vote	Failed	Failed	Failed
Use of proxy voting	Within the Towers Watson Investment Management Global Equity Focus Fund, the underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The Fund also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers within the fund are ultimately responsible for the votes.			

[2] Voting information for GEFF is shown for the year to 31 March 2023.

b. Voting table – State Street (SSgA) Infrastructure Equity MFG[3]

Voting activity[4]	Number of votes eligible to cast: 1,042 Percentage of eligible votes cast: 98% Percentage of votes with management: 83% Percentage of votes against management: 16% Percentage of votes abstained from: 0%			
Most significant votes cast	**Company**	SNAM SpA	TERNA Rete Elettrica Nazionale SpA	Power Assets Holdings Limited
	Date of vote	27/04/2022	29/04/2022	18/05/2022
	Size of holdings	2.9%	2.7%	2.2%
	Topic	Climate change	Executive Remuneration	DEI/Board independence
	Resolution	Accept Financial Statements and Statutory Reports	Approve Remuneration Policy	Elect Director
	Decision/Vote	Against	Against	Against
	Rationale for voting decision	Inadequate management of climate-related risks	Apparent failure to link pay and appropriate performance	Concerns related to inappropriate membership of committees, and the approach to board gender Diversity. Also overboarded/too many other time commitments.
	Rationale for classifying as significant	Against management	Against management	Against management
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	SSgA Infrastructure Equity Fund uses EOS standard voting policy coupled with AMX Proxy Voting Policy for the selection of significant votes. AMX has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.			

[3] Voting information for SSgA is shown for the year to 31 March 2023. Significant votes selected from the period invested (Q2 2022).
[4] Figures may not sum to 100%

c. Voting table - FSSA China A Shares Fund[5]

Voting activity	Number of votes eligible to cast: 1,106 Percentage of eligible votes cast: 100% Percentage of votes with management: 97% Percentage of votes against management: 3% Percentage of votes abstained from: 0%			
Most significant votes cast	**Company**	Ping An Insurance (Group)	Sany Heavy Industry	Jiangsu Hengrui Pharmaceuticals
	Date of vote	29/04/2022	13/05/2022	08/09/2022
	Size of holdings	4.8%	0.9%	1.4%
	Topic	Governance: Succession planning	Strategy and risk management	Shareholder protection and rights
	Resolution	Elect CAI Xun	Provision of Guarantee for Subsidiaries	Management Measures for the 2022 Employee Stock Ownership Plan
	Decision/Vote	For	For	Against
	Rationale for voting decision	CAI Xun was nominated by Shenzhen SASAC which supports the role of checks and balances. Given the size of board it is necessary to have representatives from different shareholders	Concluded that the guarantee was fine after engagement with company to raise issues	Not in shareholders' interest
	Rationale for classifying as significant	Against proxy advisory service	Against proxy advisory service	Against management
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	The FSSA China A Shares Fund uses Glass Lewis as proxy voting service vendor to process votes on resolutions of investment companies in their shareholders' meetings. The service platform allows FSSA to source voting ballots from multiple custodians, provides voting research papers with detailed analysis and recommendations. The Head of each asset class or their authorised signatory is responsible for ensuring that all company resolutions are reviewed such that an appropriate and consistent recommendation is made in line with the corporate governance guidelines and principles as outlined in the Proxy Voting policy. Once the proxy voting intentions have been confirmed, they communicate the decision to the Company Engagement team in an agreed format by the pre-advised cut-off. The process allows submission of voting decisions in an efficient centralised manner and it also possesses a reporting function on voting data in various formats which is helpful in reporting to clients.			

[5] Voting information for FSSA is shown for the year to 31 March 2023. Significant votes selected from the period invested to the nearest quarter (Q2-Q3 2022).
2023

d. Voting table - GQG Partners Emerging Markets Equity Fund[6]

<table>
<tr><td>Voting activity[7]</td><td colspan="4">Number of votes eligible to cast: 851
Percentage of eligible votes cast: 97%
Percentage of votes with management: 89%
Percentage of votes against management: 8%
Percentage of votes abstained from: 7%</td></tr>
<tr><td rowspan="9">Most significant votes cast</td><td>Company</td><td>JSW Steel Limited</td><td>Pinduoduo Inc.</td><td>Power Grid Corporation of India Limited</td></tr>
<tr><td>Date of vote</td><td>02/07/2022</td><td>31/07/2022</td><td>29/08/2022</td></tr>
<tr><td>Size of holdings</td><td>Information not available</td><td>Information not available</td><td>Information not available</td></tr>
<tr><td>Topic</td><td>Executive Remuneration</td><td>DEI</td><td>DEI</td></tr>
<tr><td>Resolution</td><td>Approve/Amend Employment Agreements</td><td>Elect Director</td><td>Elect Director</td></tr>
<tr><td>Decision/Vote</td><td>Against</td><td>Against</td><td>Against</td></tr>
<tr><td>Rationale for voting decision</td><td>Concerns related to executive's remuneration and the executive's ability to devote adequate time to the company existing commitment to a directorship role in another company</td><td>Concerns related to lack of board diversity</td><td>Concerns related to lack of board diversity, skills, and experience of nominees</td></tr>
<tr><td>Rationale for classifying as significant</td><td>Against management</td><td>Against management</td><td>Against management</td></tr>
<tr><td>Outcome of vote</td><td>Information not available</td><td>Information not available</td><td>Information not available</td></tr>
<tr><td>Use of proxy voting</td><td colspan="4">To augment its independent research, GQG Partners uses Institutional Shareholder Services Inc. ("ISS") as an additional source of information to guide its voting. While GQG Partners votes with ISS on the majority of issues, it does not blindly follow their lead and will vote against their recommendations when it deems it necessary. GQG retains ISS to assist in the coordination and voting of proxies.</td></tr>
</table>

[6] Voting information for GQG Partners is shown for the period invested to the nearest quarter (Q2-Q3 2022).
[7] Figures may not sum up to 100% as there were a number of votes where management did not provide a recommendation

e. Voting table - Resolution Capital Global Property Securities Fund[8]

Voting activity	Number of votes eligible to cast: 590 Percentage of eligible votes cast: 100% Percentage of votes with management: 98% Percentage of votes against management: 2% Percentage of votes abstained from: 0%			
Most significant votes cast	**Company**	VNA-DE	ARE-US	HR-US
	Date of vote	29/04/2022	17/05/2022	15/07/2022
	Size of holdings	1.0%	2.1%	1.8%
	Topic	Executive remuneration	Shareholder protection and rights	Shareholder protection and rights
	Resolution	Approve remuneration report	Director Elections	Approve Merger Agreement
	Decision/Vote	Against	Against	Against
	Rationale for voting decision	Concerns related to inappropriate incentives for senior management	Concerns related to shareholders rights to amend governance documents such as company bylaws	Concerns related to the financial outcomes from the merger that were considered less than ideal for shareholders
	Rationale for classifying as significant	Against management	Against management	Against management
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	Resolution Capital will vote on all resolutions that it has the ability to vote on in accordance with client investment management agreements. In the event that the manager receives a direction from a separately managed client account in relation to the way a proxy should be voted, Resolution Capital will use its best endeavours to implement the direction. In the absence of any direction, Resolution Capital will exercise the right to vote as it sees fit, having regard to the objective of the investment mandate and taking into consideration any material conflicts of interests identified. For pooled products, Resolution Capital will determine how to vote in accordance with the Proxy Voting Policy. The proxy votes are submitted via the ISS (Institutional Shareholder Services) Proxy Exchange portal, to facilitate and assist with the voting process. Resolution Partners uses Institutional Shareholder Services Inc. ("ISS") as an additional source of information to guide its voting and submits proxy votes via ISS ProxyExchange portal.			

[8] Voting information for Resolution Capital is shown for the period invested to the nearest quarter (Q2-Q3 2022).
2023

f. Voting table – Atlas Global Infrastructure Fund [9]

Voting activity	Number of votes eligible to cast: 26 Percentage of eligible votes cast: 100% Percentage of votes with management: 81% Percentage of votes against management: 19% Percentage of votes abstained from: 0%			
Most significant votes cast	**Company**	Eutelsat Communications	Eutelsat Communications	Eutelsat Communications
	Date of vote	10/10/2022	10/10/2022	10/10/2022
	Size of holdings	3.8%	3.8%	3.8%
	Topic	Executive remuneration	Executive remuneration	Executive remuneration
	Resolution	Approval of the Fixed, Variable and Exceptional Components of the Total Remuneration and Benefits of Any Kind Paid or Allocated Because of the Term of Office for the Financial Year Ending 30/06/22 to the CEO	Approval of the Fixed, Variable and Exceptional Components of the Total Remuneration and Benefits of Any Kind Paid or Allocated Because of the Term of Office for the Financial Year Ending 30/06/22 to the Vice CEO	Approval of the Remuneration Policy for the CEO
	Decision/Vote	Against	Against	Against
	Rationale for voting decision	Items relate to the FY22 compensation package of the CEO and Vice CEO based on the remuneration policy which was previously voted 'Against', and concerns still exist about the principal structure.	Items relate to the FY22 compensation package of the CEO and Vice CEO based on the remuneration policy which was previously voted 'Against', and concerns still exist about the principal structure.	Concerns relating to the remuneration policy of the CEO and Vice CEO given heavy emphasis on top revenue growth rather than value creation (i.e. free cashflow or total shareholder return)
	Rationale for classifying as significant	Against management	Against management	Against management
	Outcome of vote	Information not available	Information not available	Information not available
Use of proxy voting	Atlas does not use a proxy voting service, as the manager believes that they can influence good corporate governance through the exercise of its legal rights for the benefit of its investors. The manager views voting as an extension of their investment process and their focus on delivering sustainable long-term returns. As such, responsibility for voting recommendations lies with the manager's sector teams which undertake research on the companies. Atlas' Investment Committee has ultimate responsibility for final decisions on proxy votes submitted for a portfolio holding. This oversight provides consistency and ensures compliance with voting guidelines. Voting instructions are submitted via ProxyEdge.			

[9] Voting information for Atlas is shown for the year to 31 March 2023. Significant votes selected from the period invested (July 2022 - October 2022).

Industry wide / public policy engagement:

As mentioned in the SIP, the Delegated CIO has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Delegated CIO represents client policies/sentiment to EOS via the Client Advisory Council, which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds.

Some highlights from EOS' activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

The Delegated CIO is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

Section 3: Conclusion

The Trustee considers that all policies and principles in the Statement of Investment Principles were adhered to during the year.

The Delegated CIO will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Approval

Approved by the Trustee on