Smooth sailing

Jack Gray sits down with MNOPF trustee chair, Rory Murphy, to discuss the scheme's history, the process in deciding to move to a defined contribution master trust, and the recent switch from Ensign to Smart Pension

As the pensions world moves towards the defined contribution (DC) model, many defined benefit (DB) schemes are closing and moving members over to defined contribution sections or master trusts. The Merchant Navy Officers Pension Fund (MNOPF) is no different, and after it closed to defined benefit accrual in March 2016, former active defined benefit members joined the Ensign Retirement Plan. The MNOPF Money Purchase section closed in March 2018 and transferred to Ensign.

Ensign was acquired by Smart Pension in October 2022 and the scheme was closed to future contributions at the end of March 2023, with members moving to the Smart Pension Master Trust. MNOPF trustee chair, Rory Murphy, speaks to *Pensions Age* about the process and decisions made along the way to Smart.

Can you please give a brief history of the MNOPF up to the closure of the money purchase section in 2018?
The MNOPF was launched in 1938 to provide generous DB pensions for ships' officers and their families. Since then, the fund has made a number of changes and improvements, including changes to accrual rates and the implementation of discretionary increases.

The fund was also a pioneer of innovative solutions to minimise risk, maximise investment returns and secure members' long-term benefits. The MNOPF has received numerous industry awards (including three *Pensions Age* awards!) in recognition of our achievements in these fields.

In 2016, with a significant proportion of the scheme's liabilities already de-risked to secure member benefits, the MNOPF closed to future DB accrual, and actively contributing members were automatically enrolled in a money purchase scheme, which sat within the MNOPF but was separate from the defined benefit section.

Active members of the fund were then transferred to Ensign. How was the decision to switch to DC made and why did the fund choose Ensign?
In 2018, these members' benefits were transferred to the Ensign Retirement Plan, a modern DC plan that we designed specifically for the maritime industry. In keeping with our pioneering approach, Ensign was among the first DC master trusts to acquire regulatory approval.

We saw Ensign as offering a number of advantages, both to members and to employers. Not least among these is its governance structure. The trustee board is made up of people with a significant track record in both the pensions and maritime industries. It was also set up as a not-for-profit scheme so, with no shareholders to pay, any profits could be fed back into the scheme.

This also meant we could offer among the lowest management charges of any master trust, whilst minimising red tape for employers. To date, some 60 employers in the maritime industry have signed up.

Thanks in part to its cost efficiency and strong governance, Ensign was also able to offer members flexibility in how they receive their retirement benefits, and a range of easy-to-use tools through an online portal, enabling them to keep up to date with their contribution levels and investment returns, view plan information and documents and use tools to help prepare for retirement.

Ensign was then acquired by Smart Pension. What are the differences between Smart and Ensign for members, and what will remain relatively the same?
For over three years, Ensign has delivered a high-quality, low-cost, flexible pension, with the interests of its members and employers as its key priority. It is rooted in the maritime industry and is run by and for its members and employers.

Throughout those three years, we have looked at ways of enhancing what we can offer to our members – for example, through access to user-friendly online tools, advice at retirement and a support helpline.

At the same time, we were determined to ensure employers could

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rest assured that they were offering a top-quality pension to their employees, but which also successfully manages cost and minimises red tape.

In looking to improve our services, we explored potential partnerships with a range of other organisations, all with a view to going the extra (nautical) mile for our members and employers.

But we were equally committed to retaining a governance structure that maintains the pension's unique grounding in the maritime industry.

Smart Pension stood out for us. They have over a million members and are leaders in the application of technology. That means that, in partnering with them, we've been able not only to retain all the benefits and advantages of the Ensign plan, but to enhance them by reducing costs even further, and providing greater digital efficiency.

Equally importantly, we have been able to retain a strong and accountable governance structure, so that our members and employers continue to decide how best to run their own pension arrangements.

What role did the trade union Nautilus play in the process, from the closure of the fund to DB future accrual to the switch to Smart?

Throughout this process we have engaged closely, both with employers and Nautilus International, and each has played an active and supportive role.

With representatives on the trustee board of MNOPF, Nautilus have been involved at every stage – from inception, through design and exploring options, to implementation and transition.

Active former MNOPF members formally transfer to Smart on 1 April. How has the process been? Have there been any challenges or things that were easier than might be expected?

Perhaps the only surprise was that there were no surprises!

The board was well prepared from the outset, and in our discussions with Smart we were therefore able to go into great detail and ensure we had addressed every aspect.

The importance of this level of preparation, along with Smart's deep experience of on-boarding, meant the transition was seamless, with no surprises and no issues raised – either by employers, members or the regulator.

Written by Jack Gray