



Trustees' annual report 2021

Welcome	2
Financial highlights	4
Scheme membership	5
Annual pension increase	5
Investment update	6
Where the Scheme's assets are invested	7
In focus — topical items	8
Summary Funding Statement	11
Trustee Directors	13
Advisers	14
Contacts	15

Welcome to the

Dear Member,

I am very pleased to send you this summarised Report for 2021 which sets out the key details of your Scheme's position for the year ended 31 December 2020.

As I noted last year, the key role of the Trustee Board is to ensure that the Scheme will continue to have the resources it needs to pay the pensions to which our members are entitled both now and in the future. Our funds come from a mixture of employer and employee contributions and returns on our investments. The basis on which we make our investment decisions, which are always taken with the benefit of independent expert advice and reflect the long-term nature of the Scheme, is set out in our Statement of Investment Principles (SIP). This may be viewed on our website at www.mrcps.co.uk.

As detailed in later pages, I am pleased to report that despite the market disruption in the first half of the year caused by the Coronavirus outbreak, the Fund's investment performance for the year as a whole was strong at 6.1%. In making our investments, the Board is acutely aware of the need to invest responsibly and to bear key Environmental, Social and Governance (ESG) factors in mind. Further details of our policies in this regard are outlined in the SIP.

Trustees' Annual Report 2021

Since my last Report, we have finalised the triennial valuation of the Fund as at 31 December 2019. The primary purpose of the formal triennial valuation, which was conducted by Mrs Sue Vivian of the Government Actuary's Department (GAD), is to estimate, as accurately as possible using a variety of necessary assumptions, the liability of the Scheme to pay all future benefits. By comparing this with our assets, we can determine the overall financial strength of the Scheme and I am delighted to report that your Fund remains in a strong financial position. On a statutory funding basis (which is the measure all pension funds are required by law to determine), the valuation showed the main section of the Scheme to be 125% funded and the Universities Section to be 127% funded, which is very good news.

One particular focus for the Board during 2020 was to work with Mercer (formerly known as JLT), the specialist firm to which we outsource our administration services, to attempt to ensure that the Scheme remained well-administered notwithstanding the pressures resulting from the pandemic. It is pleasing therefore that the available data

indicates service levels overall remained high during the year and that position has continued so far during 2021.

Naturally, an ability to provide services in a speedy and cost-effective manner is enhanced to everyone's benefit to the extent we can interact via the internet. To this end, as I mentioned in last year's report, Mercer's online service BenPal was launched during 2020 and I would encourage any members who have not yet had an opportunity to do so to register for access to the site. Similarly, I would encourage all members who have not yet done so to provide us with their email addresses, if possible.

As always, I would like to record my thanks to the members of the Trustee Board, details of whom are set out on page 13 and also to Jim Clerkin, the Secretary to the Trustee, for the excellent work he does on behalf of us all.

John Preston
Chair of the Trustee Board

Financial highlights

This page gives a summary of the financial information contained in the full Report & Accounts, which have been audited by our new independent auditor, KPMG. The audit opinion on the accounts was unqualified – which means that the auditor believes the accounts give a true and fair reflection of the Scheme’s financial status and activity.

You can see the latest full Report & Accounts on the website at www.mrcps.co.uk or you can request a copy from Mercer.

The Scheme had more than 10,000 members and assets of over £1.88 billion as at 31 December 2020

MONEY IN	£'000
Contributions	23,928
Transfers in	0
Other Income	0
Income from investments	33,529
Total	57,457

MONEY OUT	
Payment of benefits	43,781
Refunds and Transfers out	223
Administration costs	2,285
Investment Management Fees	7,866
Total	54,155

Fund Value at 31 December 2019	1,764,518
Money in less money out	3,302
Change in value of investments	199,929
Fund Value at 31 December 2020	1,887,749

Who is in the Scheme?

3,300 Pensioner members
5,299 Deferred members
1,784 Active members



Pension increases

The government uses the Consumer Prices Index (CPI) in place of the Retail Prices Index (RPI) as the inflation reference for calculating statutory increases to pension schemes. The increase awarded to pensioners this year was 0.5%.

Investment update

The Trustee Board is responsible for setting and managing the Scheme's investment strategy. An Investment Subcommittee and specialist advisers help the Trustee Board in this complex area.

The Scheme's assets are split across a wide variety of different fund managers and investment types, including company shares, property, government bonds and corporate bonds. Although the value of these investments can be affected by instability in the financial markets, having this spread of global investments does help to smooth out some of the volatility in returns and reduce concentration risk.

The current investment managers are listed on page 14. Each manager is set a target or benchmark, against which performance is measured. The Trustee Board is required to produce a Statement of Investment Principles, which is updated on a regular basis.

Investment strategy

The long-term objective is to achieve an investment return of at least 2.2% above the rate of price inflation. In order to achieve this, the strategy is to invest mainly in return seeking assets such as equities and property, but also spreading some of the risk through investment in bonds and alternative asset classes, including infrastructure and private equity.

How did the investments perform?

The following chart shows the overall performance of the Scheme's assets against the total Scheme benchmark over the one, three, five and ten year periods to 31 December 2020.

	1 year	3 years (pa)	5 years (pa)	10 years (pa)
Fund	6.1%	6.2%	9.7%	8.6%
Benchmark	3.7%	4.5%	8.1%	7.4%

Where are the Scheme's assets invested?



The total value of the Scheme's assets on 31 December 2020 was over £1.88 billion. The chart below shows how the assets were invested:

Asset class holding	(%)
UK Fixed Interest	7.7
Index Linked Securities	3.0
UK Equities	14.9
Overseas Equities	22.2
Property (Direct)	10.3
Pooled investment vehicles	(%)
UK Equities	0.0
Overseas Equities	14.4
UK Fixed Interest	0.3
Private Equity & Private Debt	7.1
Property	13.8
Infrastructure	3.1
Cash and other	3.2

In focus—topical items of importance

Pension scams – stay alert

Members, particularly those with deferred pensions, need to be acutely aware of how pension scams work and what to do to avoid being a victim of a pension scam. Scam tactics include:

- Contact out of the blue
- Offer of a free pension review
- Promise of guaranteed high returns
- Early access to benefits
- Pressure to act quickly

Scammers can be very plausible, appear knowledgeable and use sophisticated websites, marketing materials and testimonials that are persuasive and difficult to distinguish from licensed investment companies and advisers.

The Financial Conduct Authority (FCA) has compiled a warning list of companies you can check at www.fca.org.uk/scamsmart.

Your MRC pension is not frozen

If you leave service before reaching normal pension age, and provided you have completed a minimum of two years in the Scheme, you will be entitled to a deferred

pension which will increase in value in line with movements in the Consumer Price Index (CPI) over the period to when you retire. This means that your MRC pension is protected against consumer price inflation before it comes into payment. Its value is not frozen if you leave the Scheme early!

Monitoring transfer-out requests

Mercer will carefully review all transfer requests, especially those involving transferring benefits overseas. Whilst stringent tests will be applied in all cases, in line with recommended practice, members are asked to alert Mercer if they have made a request as a result of a cold call or feel they are being pressured into transferring benefits.

We've made the Pledge

The Pensions Regulator is asking trustees of pension schemes to make a firm commitment, known as the Pledge, to combat pension scams by following the Pension Scams Industry Group (PSIG) code of good practice, which includes providing regular warnings to members about scams, encouraging members to take independent financial advice before making a transfer, monitoring transfer requests and reporting suspected scams to the regulatory authorities.

Mercer has signed-up to make the Pledge to combat pension scams. In addition to having completed the Trustee Toolkit provided by the Pensions Regulator, each Trustee Director has also completed the new module on dealing with pension scams, as part of their commitment to the Pledge.

The Pensions Regulator has produced a consumer leaflet on how to spot a pension scam, which is available at www.thepensionsregulator.gov.uk.

Minimum pension age

Draft legislation for inclusion in the Finance Bill 2022 is set to increase the current minimum retirement age, which is the earliest age a pension can be drawn from an approved pension scheme, from 55 to 57 with effect from 6 April 2028.

Anyone with the right to retire before age 57 on 11 February 2021 will retain that right after 2028. Those Scheme members with the prospective right to retire early from age 50 on 6 April 2006 will also be protected under the new legislation.

State pension

The full State pension is currently £179.60 per week. The actual amount you get depends on your National

Insurance (NI) record. You only get a full State pension if you have 35 years of NI contributions. You can check your State pension and the age you will receive it at www.gov.uk/check-state-pension. The State pension is paid in addition to your MRC pension.

Mercer

The Coronavirus pandemic, as has been reported previously, has impacted the way Mercer operates, with the admin team based in Leatherhead, Surrey working from home since March 2020. Although a gradual return to the office is planned for later this year, please continue to keep this in mind when contacting Mercer.

Mercer is busy looking at new initiatives to improve and expand the ways members can contact the wider admin support team, including recruiting additional staff to its Customer Service Centre in Edinburgh and investing further in staff training. Calls received by Mercer are prioritised, with bereavement calls given highest priority.

Contact Mercer Admin

The Contact Mercer Admin (CMA) portal is becoming a more viable means of raising a pension request or query and the link <https://contact.mercer.com/green> can be used instead of making a phone call or sending an email to Mercer.

KPMG – new Scheme auditors

Following a competitive tender exercise, KPMG was appointed to replace PwC at the end of 2020. As newly appointed auditors, KPMG thoroughly audited both the Scheme and the accounts for the year to 31 December 2020, in order to establish its audit framework going forward. Not only were the accounts unqualified, as in previous years, but KPMG found nothing of concern to report on how the Scheme is being managed.

Scheme governance – review of key Trustee advisers

As part of a governance initiative, which started at the end of last year with a formal review of the statutory auditor, reviews of both the investment consultant and actuarial adviser are also being undertaken currently.

Following a competitive tender exercise, and subject to successful contract negotiations, a new investment adviser will be appointed shortly. A competitive tender exercise to review the actuarial adviser is currently underway and is expected to be completed by the end of November.

The investment consultant and actuarial adviser are pivotal appointments in helping the Trustee Board to continue its work in respect of Environmental, Social and Governance (ESG) factors, and plan how it will tackle the requirements of new legislation and new regulation which will focus on sustainable investment.

New investment disclosure requirement

In addition to producing a formal Statement of Investment Principles (SIP), which is available from the Scheme website at www.mrcps.co.uk, this year's annual accounts included an implementation statement, which is a new investment disclosure requirement. The implementation statement is essentially a commentary on how the SIP has been applied in respect of investment management, including any changes made to the published SIP during the year.

New disclosure requirements in respect of climate change

The Pension Schemes Act 2021 provides for regulations that will require trustees of occupational pension schemes to introduce effective governance of its investments with specific regard to the impact of climate change.

In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), new mandatory governance and reporting requirements will be introduced and monitored by the Pensions Regulator.

Although the reporting timetable is considered by most observers to be challenging, the Trustee Board, with the help of its management team and appointed advisers, is undergoing the required training and undertaking the necessary preparation in order to meet the new governance and reporting requirements.

Summary Funding Statement - September 2021

The Trustee of the MRC Pension Scheme provides regular information on the financial position of the Scheme to help you understand more about how your pension is paid for and to explain the state of the Scheme's finances. This Summary Funding Statement has been prepared following the completion of the annual funding review as at 31 December 2020.

As explained in previous years, there is no need for you to do anything as a result of receiving this update. The details it provides are for your information only and should help you to keep track of the financial health of the Scheme from year to year.

The Scheme's financial position

The estimated cost of providing the benefits that you and other members have built up in the Scheme is known as the Scheme's 'liabilities'. To meet these liabilities members and the employers pay contributions into the Scheme. All contributions are invested in a communal fund, not in separate funds for each individual, and make up the Scheme's 'assets'. The Scheme Actuary compares the assets and liabilities:

- if the value of the Scheme's assets is less than the value of the liabilities, it is said to have a 'shortfall'.
- if the value of the Scheme's assets is more than the value of the Scheme's liabilities there is said to be a 'surplus'.

The Trustee commissions an in-depth review of the Scheme's financial position (known as an actuarial valuation) at least once every 3 years. The most recent actuarial valuation was at 31 December 2019. The financial position is also reviewed annually between valuations and this statement has been prepared following the completion of the most recent annual review which was carried out as at 31 December 2020. The results of the 2019 actuarial valuation and the 2020 annual funding review are given on the next page.

The results show the financial position of the Scheme using assumptions set for the Scheme's 'Statutory Funding Objective'. As for the previous valuation the Trustee continues to set an Alternative Funding Objective for the Scheme which aims to protect benefits which have already accrued with greater

security. The surplus under the Alternative Funding basis was £115m at 31 December 2020 (funding level of 106%) compared to £212m at the 2019 valuation (funding level of 114%).

The 2020 annual funding review continues to show a positive funding position with a higher surplus compared to the 2019 actuarial valuation on the Statutory Funding Objective. This increase in surplus is primarily due to actual investment returns being higher than expected, offset to some extent by changing economic conditions over the year resulting in an expectation of lower investment returns.

As noted in the previous Summary Funding Statement, liabilities associated with university employments are now provided from a separate section created within the Scheme on 1 January 2014. The benefits provided to members are unaffected by the internal arrangement. The assets and liabilities shown below are for the whole

	Review 31/12/20	Review 31/12/19
Assets	£1,885m	£1,762m
Liabilities	£1,450m	£1,406m
Surplus	£435m	£356m
Ongoing Funding Level	130%	125%

scheme. The university employment section comprised around 8% of the total assets and liabilities as at 31 December 2020.

Legal disclosures

As part of this Summary Funding Statement we are required to say the following:

- The Scheme Actuary estimated that as at the 2019 valuation date the Scheme's assets would have been enough to meet approximately 74% of the full cost of securing members benefits with an insurance company. There is no intention to close or wind-up the Scheme, but we are required to let you know the financial position as at the last valuation date if this were to happen.
- There have not been any payments to any employer out of Scheme funds in the previous twelve months.
- The Scheme has not been modified under section 231(2)(a) of the Pensions Act 2004 or subjected to a direction under section 231(2)(b) of that Act, or bound by a schedule of contributions imposed under section 231(2)(c) of that Act.
- Key documents which provide further information are available from the member website at www.mrcps.co.uk.

MRC Pension Trust Limited

The Scheme is managed by a corporate trustee. There are nine Trustee Directors of MRC Pension Trust Ltd. Five are appointed by the Principal Sponsoring Employer, including the Chairman. The other four are nominated by the members of the Scheme and are known as Member Nominated Trustees (MNTs).

John Preston was appointed as Chairman in 2019.

Rebecca Leigh stepped down as a Trustee when she left UKRI. This position will be filled in 2022.

Professor Ian Jackson was elected to replace Dr Peter Morgan as an MNT. Dr Morgan continues his long association with the Scheme as a co-opted member of the Investment Subcommittee.

Grant Ballantine and Professor Howard Cooke also serve as co-opted members of the Investment Subcommittee.

There will be another opportunity to stand as a Member Nominated Trustee in 2022.

TRUSTEE DIRECTORS

John Preston (Chairman)[†]

Professor Kelvin Cain PhD^{†*}

Geoff Der^{†*}

Hugh Dunlop[†]

Ian Jackson PhD^{*}

Louise McFarlane^{*}

Kevin Moreton PhD

Carole Walker

* Member Nominated Trustee

† Member of Investment Subcommittee

SECRETARY TO THE TRUSTEE

Jim Clerkin FPMI, FCII, Dip IEB

Advisers

The Trustee Board appoints professional advisers to help in the day-to-day running of the Scheme:

Actuary	Sue Vivian FIA, Government Actuary's Department
Administrator	Mercer
Auditors	KPMG LLP
Investment Consultant	Buck
Investment Managers	
	Ares Management
	Aviva Investors Jersey
	Baillie Gifford
	First Sentier (previously First State)
	Hg
	Infracapital
	Invesco Asset Management
	Liontrust Investment Partners
	M&G Guernsey
	Morgan Stanley
	Nuveen
	Partners Group
	Royal London
	State Street Global Advisers
	Warburg Pincus
Bankers	Royal Bank of Scotland
Custodians	State Street Bank & Trust Company
Solicitors	DLA Piper UK LLP

Contacts

If you have any comments about the contents of this report, or would like more information, please contact us.

Any query about the Scheme, including requests from individuals for information about their benefits, should be addressed to Mercer's Post Handling Centre:

Mercer
Post Handling Centre
St James' Tower
7 Charlotte Street
Manchester
M1 4DZ
Phone: 01372 200275
Pensioner helpline: 020 7138 0908
Email: mrc_pensions@mercer.com

MRC Pension Trust Limited
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Email: james.clerkin@mrc.ukri.org
Website: www.mrcps.co.uk



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