



# Trustees' annual report 2019

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# Welcome to the

I am pleased to be able to send you this summarised report for 2019, which sets out the salient details on the Scheme's position for the year ending 31st December, 2018.

As always, the Trustees' primary focus has been on ensuring prompt payment of benefits from the Scheme, as required under the rules. While the visibility to its members of the workings of the Scheme is usually limited to the deduction of contributions from salary, reviewing annual illustrations of benefit entitlement, and receipt of benefits when they fall due, much more happens behind the scenes to ensure that the Scheme runs well.

In particular, the Trustees have to ensure that the accumulated assets and future contributions (from members and employers) are sufficient to cover the benefit promises set out in the rules. In striving to meet this objective, the Trustees monitor the performance of the Scheme's investments and seek

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advice from the Scheme Actuary about how the assets of the Scheme compare with the capital value of the benefit obligations.

So far as the management of the Scheme's investments is concerned, the Trustees continue to adopt a disciplined approach to how assets are allocated across different types of investments across global markets, delegating day to day management of the various portfolios to a range of investment managers, each instructed to focus on specialist areas.

From time to time, if the Trustees take the view either that performance can be improved, or the same performance can be achieved for lower investment fees, then the appointment of an investment manager is reviewed and, if appropriate, changed.

The last full actuarial valuation of the Scheme was completed as at 31st December 2016, and subsequent annual interim updates have confirmed that, on the

basis of approximate calculations, the actuarial position of the Scheme has remained satisfactory.

In anticipation of the next full actuarial valuation due as at 31st December 2019, and as is normal practice for the diligent financial management of the Scheme, the Trustees will engage in brief discussions with the employer, to exchange views on the approach to be adopted in future for the financial management of the Scheme.

I am confident that those discussions will be conducted in the same spirit as in the past, namely one of strong partnership focussed on ensuring that the Scheme is well-run for its members.

The full set of audited accounts can be found along with other key documents at [www.mrcps.co.uk](http://www.mrcps.co.uk).

**William Rayner**  
**Chairman of Board of Trustees**

# Financial highlights

This page gives a summary of the financial information contained in the full Report & Accounts, which have been audited by our independent auditor, PriceWaterhouseCoopers LLP. 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](http://www.mrcps.co.uk) or you can request a copy from JLT Employee Benefits.

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The Scheme had more than 10,000 members and assets of over £1.556 billion as at 31 December 2018

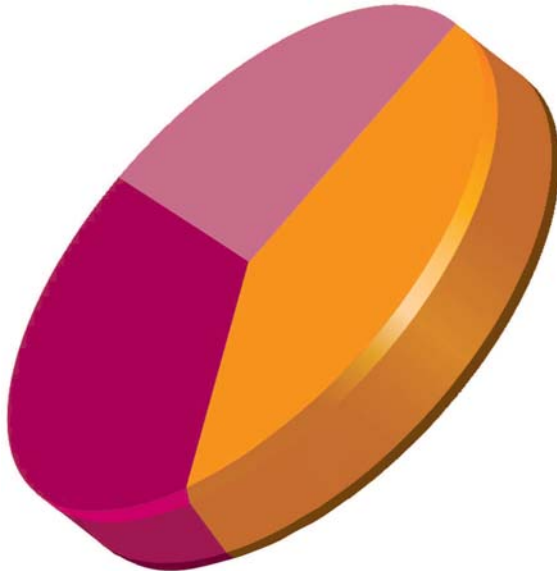
<b>MONEY IN</b>	<b>£'000</b>
Contributions	31,694
Transfers in	0
Other Income	0
Income from investments	43,997
<b>Total</b>	<b>75,691</b>

<b>MONEY OUT</b>	
Payment of benefits	39,613
Refunds and Transfers out	795
Administration costs	2,035
Investment Management Fees	6,758
<b>Total</b>	<b>49,201</b>

<b>Fund Value at 31 December 2017</b>	<b>1,602,573</b>
Money in less money out	26,490
Change in value of investments	(72,925)
<b>Fund Value at 31 December 2018</b>	<b>1,556,138</b>

# Who is in the Scheme?

3,070 Pensioner members  
5,051 Deferred members  
2,234 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 2.4%.

# Investment update

The Trustee Board is responsible for setting and managing the Scheme's investment strategy. An Investment Subcommittee and specialist advisers help the Trustees 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 13. Each manager is set a target or benchmark, against which performance is measured. The Trustees are required to produce a Statement of Investment Principles, which is updated on a regular basis.

## Investment strategy

The Trustee's 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 2018.

	1 year	3 years (pa)	5 years (pa)	10 years (pa)
Fund	-1.8%	9.2%	8.6%	9.6%
Benchmark	-2.8%	7.9%	7.5%	9.1%

# Where are the Scheme's assets invested?



The total value of the Scheme's assets on 31 December 2018 was over £1.556 billion. The chart below shows how the assets were invested:

Asset class holding	(%)
UK Fixed Interest	4.8
Index Linked Securities	3.5
UK Equities	7.6
Overseas Equities	20.3
Property (Direct)	12.6
<b>Pooled investment vehicles</b>	<b>(%)</b>
UK Equity	8.8
Overseas Equity	17.2
UK Fixed Interest	0.5
Private Equity	3.9
Property	12.3
Infrastructure	3.3
Cash and other	5.2

# In focus

## JLT Employee Benefits

The day to day administration of the Scheme is outsourced by the Trustees to JLT and the team based in Leatherhead in Surrey has been calculating benefits and paying pensions since 2001.

If you are a pensioner or member with deferred benefits it is important that you keep JLT informed of any change of address as and when you move home. Payment of your benefits might be delayed if you do not notify JLT in writing when you change address.

## New contact number for pensioners

The number to use to contact the payroll team at JLT has changed to 020 7138 0908.

## Customer Service Centre

Calls to the admin team or pensioner payroll will now be answered by staff at JLT's Customer Service Centre in Edinburgh. This is a change in operating model intended to improve the day to day client experience and allow the admin team more time to concentrate on processing paperwork.

The admin telephone number of 01372 200275 has not changed and should still be used to contact JLT.

The person answering the call will have the same access to member records as the admin team based in Leatherhead. Only in exceptional circumstances will a call be referred to the admin team to deal with.

## BenPal

JLT's online service platform, BenPal, will be made available by the end of the year. This will be an upgrade on the current website and will give members the scope to view their personal data using secure connectivity. Active members will be able to obtain retirement forecasts and members with deferred pensions will be able to run transfer quotes and download supporting paperwork. Pensioners will be able to view payslips online.

JLT will write to members in the coming weeks to introduce BenPal and explain the steps to be followed to gain access to the new site.

## Pension decision service

JLT is set to provide a new service whereby retiring members will be given access to an individual Retirement Relationship Manager, who will offer guidance about the retirement process, options on retirement and completion of forms.



There is no charge for this service, but the Retirement Relationship Manager is not able to provide financial advice.

### Independent Financial Advice

If you find yourself in need of financial guidance it is recommended that you take advice from an impartial source.

Your Retirement Relationship Manager will be able to put you in touch with someone within JLT who can offer financial advice on a fee-paying basis.

### Protecting your personal data

In order to manage the Scheme and pay correct benefits at the right time to members and their dependents, some personal data is required. This data includes name, address, date of birth and National Insurance number. Data controllers include MRC, UKRI, the Trustees and certain professional advisers including the Government Actuary's Department and JLT as scheme administrator.

Following the introduction of the Data Protection Act 2018 and a new European framework for the protection

of personal data called the General Data Protection Regulation, the Trustees and their advisers reviewed how these new requirements affect the way in which data is held and processed. The Trustees have produced a privacy statement and data protection policy, which is available from the member website at [www.mrcps.co.uk](http://www.mrcps.co.uk).

### JLT and Mercer

JLT is now part of Mercer, which is a Marsh & McLennan company.

### Open Forum

The next open forum, which is an opportunity to meet the Advisers to the Scheme, will be held at 2.00 pm on Tuesday, 22 October at the MRC Laboratory of Molecular Biology.

If you are not based at the Institute but would like to attend this event please contact Jim Clerkin at [james.clerkin@mrc.ukri.org](mailto:james.clerkin@mrc.ukri.org) by midday on 18 October to reserve a place.

# Summary Funding Statement - September 2019

The Trustees provide regular updates 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 2018.

As explained in previous years, there is no need for you to do anything as a result of receiving this Statement. 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 member, and make up the Scheme's assets.

To check the Scheme's financial position the Trustees ask the Scheme Actuary to compare the value of the

Scheme's liabilities with its assets:

- \* if the value of the Scheme's assets is less than the value of the liabilities, it has a shortfall.
- \* if the value of the Scheme's assets is more than the value of the liabilities there is a surplus.

The Trustees commission an in-depth review of the Scheme's financial position, known as an actuarial valuation, at least once every three years. The most recent valuation was carried out as at 31 December 2016.

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 2018. The results of the 2018 annual funding review and the 2016 actuarial valuation are given opposite.

The results show the financial position of the Scheme using assumptions consistent with the Trustees additional funding objective, which aims to protect benefits which have already been accrued in the event of unknown future events. At the 2018 annual funding

review another result was also disclosed under the Scheme's Statutory Funding Objective which showed a surplus of £330 million, which compares to a corresponding surplus of £281 million determined as at the 2016 actuarial valuation.

The 2018 annual funding review continues to show a positive funding position with a higher surplus compared to the 2016 actuarial valuation. This increase in surplus is primarily due to higher than expected investment returns over the year.

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 above are for the whole scheme. The university employment section comprised

	Review 31/12/18	Review 31/12/16
Assets	£1,554m	£1,406m
Liabilities	£1,361m	£1,245m
Surplus	£193m	£161m
Ongoing Funding Level	114%	113%

around 6% of the total assets and liabilities as at 31 December 2018.

### Legal disclosures

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

- The actuary estimated that as at the 2016 valuation date the Scheme's assets would have been sufficient to meet approximately 68% 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.
- Detailed documents which provide further information are available from the member website at [www.mrcps.co.uk](http://www.mrcps.co.uk)

# Trustees

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

Geoff Der was recently re-elected as an MNT to serve a third and final four year term.

Louise McFarlane was elected to replace Professor Howard Cooke as an MNT. Professor Cooke will continue his long association with the Scheme as a co-opted member of the Investment Subcommittee.

Grant Ballantine also serves as a co-opted member of the Investment Subcommittee.

There will be another opportunity to stand as a Member Nominated Trustee in 2020.

## TRUSTEE DIRECTORS

William Rayner<sup>†</sup> (Chairman)

Professor Kelvin Cain PhD<sup>†\*</sup>

Professor Howard Cooke PhD<sup>†\*</sup>

Geoff Der<sup>†\*</sup>

Hugh Dunlop<sup>†</sup>

Rebecca Leigh

Peter Morgan PhD<sup>†\*</sup>

Kevin Moreton PhD

Carole Walker

\* Member Nominated Trustee

† Member of Investment Subcommittee

## SECRETARY TO THE TRUSTEE

Jim Clerkin FPMI, FCII, Dip IEB

# Advisers

We appoint professional advisers to help in the day-to-day running of the Scheme:

<b>Actuary</b>	Sue Vivian FIA, Government Actuary's Department
<b>Administrator</b>	JLT Employee Benefits
<b>Auditors</b>	PriceWaterhouseCoopers LLP
<b>Investment Consultant</b>	BUCK (previously known as Conduent)
<b>Investment Managers</b>	
	Ares Management
	Aviva Investors Jersey
	Baillie Gifford
	BlackRock
	First State
	Hg
	Infracapital
	Invesco Asset Management
	Legal & General
	Liontrust Investment Partners
	M&G Guernsey
	Morgan Stanley
	Nuveen (formerly TH Real Estate)
	Partners Group
	Royal London
<b>Bankers</b>	Royal Bank of Scotland
<b>Custodians</b>	State Street Bank & Trust Company
<b>Solicitors</b>	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 the Scheme Administrators:

MRC Pension Scheme  
JLT Employee Benefits  
Leatherhead House  
Station Road  
Leatherhead  
Surrey KT22 7ET  
Phone: 01372 200275  
Pensioner helpline: 020 7138 0908  
Email: [mrc\\_pensions@jltgroup.com](mailto:mrc_pensions@jltgroup.com)

MRC Pension Trust Limited  
3rd floor, 58 Victoria Embankment  
London EC4Y 0DS  
Email: [james.clerkin@mrc.ukri.org](mailto:james.clerkin@mrc.ukri.org)  
Website: [www.mrcps.co.uk](http://www.mrcps.co.uk)



*investing in your future*