



# Trustees' annual report 2020

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 — important news from Mercer	8
Summary Funding Statement	11
Trustee Directors	13
Advisers	14
Contacts	15

# Welcome to the

## *Hello!*

I was honoured to be appointed as Chair of the Trustee Board with effect from 1 October 2019. I am therefore delighted to send you this summarised Report for 2020, which sets out the key details of your Scheme's position for the year ended 31 December 2019.

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, and available on our website at [www.mrcps.co.uk](http://www.mrcps.co.uk). As detailed in later pages, I am pleased to report strong investment performance over the course of 2019.

So far in 2020, the Trustee Board's attention has been primarily focused on two issues, the impact of the Covid-19 pandemic and the formal actuarial valuation of the Scheme, which takes place every three years. The date of the latest valuation was as at 31 December 2019.

# Trustees' Annual Report 2020

The primary purpose of the formal triennial valuation, which is conducted by an independent actuary, 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. Formal valuations of schemes of our size often take more than a year to complete but, although ours is not yet fully completed, we are nearly there and the Board is confident that once finalised, it will confirm that the Scheme continued to be in a strong financial position at the year-end. I have been very pleased with the extremely constructive and collaborative approach we have been able to adopt in our discussions with UKRI, the principal sponsoring employer for our Scheme.

Inevitably, the value of our investments was negatively affected by the dramatic falls in asset values in the early part of 2020. However, I am encouraged to note that at the time of writing we have recovered much of that value and the information available to the Board indicates that we remain in a strong financial position overall. We will provide more detail in next year's report, which will look at the entirety of the year to 31 December 2020.

Another hugely significant function of the Trustee Board is to ensure that the Scheme is properly administered for the benefit of members. Our administration is outsourced to specialist service provider JLT, which was taken over and rebranded as Mercer. The Board has been delighted to note that despite the upheaval of a sudden shift to home working throughout much of 2020 caused by the lockdown, the available data suggests that the level of service provided to members generally remained at a high standard.

I would like to record my thanks to the members of the Trustee Board and to Jim Clerkin for the fantastic work he does on behalf of us all.

Finally, I'd like to convey the thanks of the Board to my predecessor, William Rayner, for his stewardship of the Board over several years.

**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 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 Mercer.

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The Scheme had more than 10,000 members and assets of over £1.764 billion as at 31 December 2019

<b>MONEY IN</b>	<b>£'000</b>
Contributions	26,147
Transfers in	0
Other Income	35
Income from investments	35,444
<b>Total</b>	<b>61,626</b>

<b>MONEY OUT</b>	
Payment of benefits	42,986
Refunds and Transfers out	745
Administration costs	2,119
Investment Management Fees	7,192
<b>Total</b>	<b>53,042</b>

<b>Fund Value at 31 December 2018</b>	<b>1,556,138</b>
Money in less money out	8,584
Change in value of investments	199,796
<b>Fund Value at 31 December 2019</b>	<b>1,764,518</b>

# Who is in the Scheme?

3,212 Pensioner members  
5,276 Deferred members  
1,876 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 1.7%.

# 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 14. 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 2019.

	1 year	3 years (pa)	5 years (pa)	10 years (pa)
Fund	15.1%	9.3%	9.8%	9.4%
Benchmark	13.3%	7.6%	8.2%	8.5%

# Where are the Scheme's assets invested?



The total value of the Scheme's assets on 31 December 2019 was over £1.764 billion. The chart below shows how the assets were invested:

<b>Asset class holding</b>	<b>(%)</b>
UK Fixed Interest	4.6
Index Linked Securities	3.2
UK Equities	8.3
Overseas Equities	22.1
Property (Direct)	11.5
<b>Pooled investment vehicles</b>	<b>(%)</b>
UK Equities	9.0
Overseas Equities	15.1
UK Fixed Interest	0.2
Private Equity & Private Debt	6.0
Property	12.9
Infrastructure	3.9
Cash and other	3.2

# In focus

## Mercer

The day to day administration of the Scheme is outsourced by the Trustees to Mercer, who purchased JLT in 2019. The team based in Leatherhead in Surrey is unchanged and have been working from home during lockdown.

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

## Customer Service Centre

Calls to the admin team or pensioner payroll will now be answered by staff at Mercer's Customer Service Centre in Edinburgh. This operating model is 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 01372 200275 has not changed and should still be used to contact Mercer. 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.

## Contact number for pensioners

The number to use to contact the payroll team at Mercer is 020 7138 0908.

## Pension decision service

Retirement is a pivotal life event that involves making important financial decisions. Mercer is providing 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 Mercer 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 Mercer 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).

### Pension scams

It is important that members are aware of the risk of taking incorrect advice, which could lead to the loss of

valuable pension benefits. Mercer has in place robust screening processes when it comes to dealing with transfer-out requests, particularly in respect of transfers to overseas pension arrangements.

The Scheme rules also have built-in protections which do not allow benefits to be transferred when they are already in payment, or if members are within twelve months of normal pension age.

It is important that members remain vigilant to unsolicited approaches or casual advice which suggests that it would be financially advantageous to transfer benefits out of the MRC Scheme.

### Covid-19

The Coronavirus pandemic has disrupted investment markets and negatively impacted the value of Scheme assets at the end of March. During this time of severe disruption and uncertainty the Trustee Board continued to take a long-term approach to investment strategy, which has seen equity values return to pre-pandemic levels. It is acknowledged that market volatility remains evident and the Investment Subcommittee continues to monitor investment returns and fund manager performance in view of economic uncertainty.

The Trustees have always paid close attention to liquidity and cashflow, but particularly during the pandemic, in order to ensure that pensions continue to be paid without recourse to selling assets when market values have fallen significantly.

### Brexit

The UK is scheduled to leave the European single market at the end of the year, although it is unclear if this will be with or without a formal trade agreement. The Trustees are not confined to investing in Europe or the UK and invest globally using different asset classes and fund managers in order to diversify the Scheme's investment portfolio. This long-term approach has served the Scheme well during periods of political and economic change.

### Statement of Investment Principles

The Trustees have updated their Statement of Investment Principles (SIP), which provides more details on the Scheme's approach to sustainable investment and important considerations relating to the environment, social change and corporate governance. A copy of the new SIP can be found on the member website at [www.mrcps.co.uk](http://www.mrcps.co.uk).

### Valuation 2019

The valuation as at 31 December 2019 is well underway and scheduled to be completed by the end of the year. The full valuation report will be posted to the member website and a summarised version will be sent to all members of the Scheme in January 2021.



# Summary Funding Statement - September 2020

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 2019 valuation is underway and the summarised results will be sent to members in 2021.

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).

John Preston replaced William Rayner as Chairman.

Rebecca Leigh stepped down as a Trustee when she left UKRI. This position will be filled in 2021.

Professor Ian Jackson was elected to replace Dr Peter Morgan as an MNT. Dr Morgan will continue 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<sup>†\*</sup>

Geoff Der<sup>†\*</sup>

Hugh Dunlop<sup>†</sup>

Louise McFarlane<sup>\*</sup>

Kevin Moreton PhD

Peter Morgan PhD<sup>†\*</sup>

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>	Mercer
<b>Auditors</b>	PriceWaterhouseCoopers LLP
<b>Investment Consultant</b>	Buck
<b>Investment Managers</b>	
	Ares Management
	Aviva Investors Jersey
	Baillie Gifford
	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
<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

Mercer

Leatherhead House

Station Road

Leatherhead

Surrey KT22 7ET

Phone: 01372 200275

Pensioner helpline: 020 7138 0908

Email: [mrc\\_pensions@mercer.com](mailto:mrc_pensions@mercer.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*