



Trustees' annual report 2022

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Welcome to the

Dear Members

I am very pleased to send you this summarised Report for 2022 which sets out the key details of your Scheme's position for the year ended 31 December 2021.

The key role of the Trustee Board continues to be to ensure that the Scheme will 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) which is available on our website at www.mrcps.co.uk.

As detailed in later pages, I am pleased to report that the Scheme was able to take advantage of strong market conditions during the year including a rebound in equity markets following the disruption caused by Covid in the early part of 2020. 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, and climate change in particular, in mind.

Trustees' Annual Report 2022

During the year, following a formal tender process, Aon were appointed as the Scheme's independent actuarial advisers taking over from the Government Actuary's Department. The next triennial valuation of the Fund is due as of 31 December 2022. The primary purpose of the formal triennial valuation, which will be conducted by Aon, 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.

The 2019 valuation showed that on a statutory funding basis the Scheme was in a strong financial position with the main section of the Scheme being 125% funded and the Universities Section being 127% funded. In between formal valuations, the Scheme's appointed Actuary is required by legislation annually to conduct an interim exercise. I am pleased to report that both Sections of the Scheme remained well funded as at the year end.

Another issue of great importance to the Trustee is that our members receive a high quality and efficient administration service. Accordingly, it was pleasing to note

that, despite the pressures resulting from the ongoing pandemic during the year, the available data indicates service levels overall remained high during the year.

As I have mentioned in previous years, our 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. Once again, I encourage all members who have not yet done so already 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 16 and also to Jim Clerkin, Pensions Manager and 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 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 £2.127 billion as at 31 December 2021

MONEY IN	£'000
Contributions	30,035
Transfers in	0
Other Income	0
Income from investments	40,541
Total	70,576

MONEY OUT	
Payment of benefits	44,672
Refunds and Transfers out	263
Administration costs	2,325
Investment Management Fees	7,434
Total	54,694

Fund Value at 31 December 2020	1,887,749
Money in less money out	15,882
Change in value of investments	223,519
Fund Value at 31 December 2021	2,127,150

Who is in the Scheme?

3,366 Pensioner members

5,364 Deferred members

1,664 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 3.1%.

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 17. Each manager is set a target or benchmark, against which performance is measured. The Trustee Board are 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 2021.

	1 year	3 years (pa)	5 years (pa)	10 years (pa)
Fund	15.4%	12.1%	9.8%	10.4%
Benchmark	12.4%	9.7%	7.7%	8.7%

Where are the Scheme's assets invested?



The total value of the Scheme's assets on 31 December 2021 was over £2.127 billion. The chart below shows how the assets were invested:

Asset class holding	(%)
UK Fixed Interest	6.4
Index Linked Securities	2.5
UK Equities	15.4
Overseas Equities	21.5
Property (Direct)	10.8
Pooled investment vehicles	(%)
UK Equities	0.0
Overseas Equities	14.1
UK Fixed Interest	0.3
Private Equity & Private Debt	12.7
Property	11.2
Infrastructure	3.3
Cash and other	1.8

In focus-topical items of interest

Member Nominated Trustees (MNTs) election 2022

Professor Kelvin Cain has been re-elected for a third and final term and Mr David Brittain has been elected as an MNT. Each term of office will run for four years with effect from 1 December 2022.

Pension scams – be on your guard

Members 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 investment returns
- Early access to benefits
- Pressure to act quickly

Scammers can be very plausible, appear knowledgeable and use sophisticated websites, marketing tools 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 deferred pension is not frozen

If you leave service before reaching normal pension age and 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. And when it is put into payment, your pension is also increased in line with CPI. Monitoring transfer requests

Monitoring transfer 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 industry practice, members are asked to alert Mercer if they have made a transfer request because of a cold call or feel they are being pressured into transferring benefits. Under certain circumstances, transfer requests will be blocked if they trigger concerns and are deemed to be suspicious.

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 together with other useful pension information at www.thepensionsregulator.gov.uk.

MoneyHelper

The government's new information service, MoneyHelper, is an easy way to get free and impartial help about your pension choices. It combines the services provided previously by the Money Advice Service, the Pensions Advisory Service and Pension Wise. Contact: www.moneyhelper.org.uk.

Moving home – keep in touch

Each year, Mercer loses contact with members that have left the Scheme because of out-of-date address details. Whilst Mercer spends time and money trying to trace former members, both in the UK and abroad, there are limits on the types of enquiries Mercer can reasonably undertake.

The Scheme rules stipulate all payments, including lump sums, returns of contributions, and pension payments which are due will be forfeited if unclaimed for OVER Six years.

Minimum pension age

The Finance Act 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 in the Scheme with the right to retire before age 57 on 4 November 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.

continued

In focus continued

Commutation

The flat rate 14:1 pension commutation factor for tax-free cash has been replaced by age related factors.

Age	55	60	65	70
Rate	29.3	25.1	21.0	17.1

Mercer will advise the tax-free lump sum available at retirement as factors will be kept under review.

Pensions dashboards

Pensions dashboards are digital services — apps, websites or other tools — which savers will be able to use to see their pension information in one place. This will include information on State pension entitlement, but will not show pensions that are already in payment.

Members of pension schemes will be able to use dashboards to search the records of all their pension arrangements to confirm whether or not they are a member. They will be able to see information themselves or can authorise a qualified third party to see it.

Dashboards aim to help members plan for retirement by:

- finding their various pensions and reconnecting them with any lost pension pots;
- understanding the value of their pensions in terms of an estimated retirement income.

It is expected that pension schemes, starting with master trusts, will be required to connect to dashboards from August 2023. Mercer is one of a small number of alpha testers for the development of pensions dashboards. The MRC Pension Scheme is expected to have an onboarding date during 2024.



State pension

The full State pension is currently £185.15 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 many service providers operate, including Mercer, with the admin team based in Leatherhead, Surrey working from home for part of the week. Although a gradual return to new offices in Leatherhead is planned for later this year, please continue to keep this in mind when contacting Mercer.

Mercer is looking at new initiatives to improve and expand the ways members can contact the wider admin support team, including recruitment of additional staff to its Customer Service Centre in Edinburgh and investing further in staff training and use of technology. Calls received by Mercer are answered as quickly as possible, although waiting times can be longer during busy periods. Bereavement calls are always given priority.

Contact Mercer Admin

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

KPMG – Scheme auditors

KPMG audited both the Scheme and the accounts for the year to 31 December 2021, in accordance with its role as statutory auditor. 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. The full set of audited accounts is available from the member website at www.mrcps.co.uk.

Scheme governance – review of key Trustee advisers

As part of a governance initiative, which started at the end of 2020 with a formal review of the statutory auditor, reviews of both the investment consultant and actuarial adviser were also undertaken during the past year.

Following a competitive tender exercise and successful contract negotiations, Redington was appointed to replace Buck Consultants as investment

continued

In focus continued

adviser in 2021. A competitive tender exercise to review the actuarial adviser completed in January 2022 and Aon was appointed to replace the Government Actuary's Department (GAD). GAD will continue to provide actuarial advice to MRC and UKRI.

Mr John Coulthard has replaced Mrs Sue Vivian as Scheme Actuary and is thanked for her contribution to the success of the Scheme over the past ten years.

The investment consultant and Scheme actuary are pivotal appointments in helping the Trustee Board plan how it will tackle the requirements of new legislation and new regulation which will focus on sustainable investment, funding levels and asset management generally.

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 relatively 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. An updated SIP is planned for later this year.

New investment 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.

The Trustee Board, with the help of its management team and Redington, as investment adviser, is undergoing the required training and undertaking the necessary preparation to meet the new governance and reporting requirements, which will be included in the annual report and accounts for 2022, which will be published in July 2023. The Trustee Board, supported by its Investment Subcommittee, has set a long-term net zero target by 2050 and an interim target of 50% reduction in portfolio emissions by 2030.



Summary Funding Statement - September 2022

The Trustee 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 of 31 December 2021 by Aon, who were appointed as actuarial advisers in January 2022.

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.

Scheme's financial position

The Trustee commissions an in-depth review of the Scheme's financial position (known as an actuarial valuation) at least every three years. The most recent actuarial valuation was carried out as 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 of 31 December 2021.

The results of the 2019 actuarial valuation and the 2021 annual funding review are shown for each section of the Scheme. The results show the financial position of the Scheme using assumptions set for the Scheme's 'Statutory Funding Objective'.

The 2021 annual funding review continues to show a positive funding position with a higher surplus compared to the 2019 actuarial valuation on the Statutory Funding Basis. This increase in surplus is primarily due to actual investment returns being higher than expected, offset to some extent by contributions being lower than the estimated cost of accruing benefits over the period.

Liabilities associated with university employments are provided from a separate section created within the Scheme on 1 January 2014. The benefits provided to members are unaffected by the internal funding arrangement.

MRC Pension Scheme Principal section	Review 31/12/21	Valuation 31/12/19
Assets	£1,957m	£1,647m
Liabilities	£1,372m	£1,315m
Surplus	£585m	£332m
Ongoing Funding Level	143%	125%

MRC Pension Scheme Universities section	Review 31/12/21	Valuation 31/12/19
Assets	£168m	£115m
Liabilities	£119m	£91m
Surplus	£49m	£24m
Ongoing Funding Level	141%	127%

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 Ltd

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 reappointed as Chairman in 2022. Kevin Moreton was also reappointed in 2022.

Rebecca Leigh stepped down as a Trustee when she left UKRI. This position has been filled by Louise McFarlane, who stepped down as an MNT.

Grant Ballantine was replaced by Jayne Atkinson as a co-opted member of the Investment Subcommittee and is thanked for his significant contribution to the Scheme over many years.

Professor Howard Cooke and Dr Peter Morgan also serve as co-opted members of the Investment Subcommittee.

There will be another opportunity to stand as a Member Nominated Trustee in 2023.

TRUSTEE DIRECTORS

John Preston (Chairman)

Professor Kelvin Cain PhD^{†*}

Geoff Der^{†*}

Hugh Dunlop[†]

Professor 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	John Coulthard FIA (Aon)
Administrator	Mercer
Auditors	KPMG LLP
Investment Consultant	Redington
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
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP

Portal: <https://contact.mercer.com>
Phone: 01372 200275
Pensioner helpline: 020 7138 0908
Email: mrc_pensions@mercerc.com

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London EC4Y 0DS
Email: james.clerkin@mrc.ukri.org
Website: www.mrcps.co.uk



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