

MRC PENSION SCHEME ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

Registrar of Occupational and Personal Pension Schemes Registration Numbers 19017402 and 19017401

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TABLE OF CONTENTS

TRUSTEE AND ADVISERS	2
TRUSTEE'S REPORT	4
Report On Actuarial Liabilities	6
Statement of Trustee's Responsibilities	15
Investment Report	16
SUMMARY OF CONTRIBUTIONS	22
INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS	23
INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF THE MRC PENSION SCHEME	24
FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017	26
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31 DECEMBER 2017	27
NOTES TO THE FINANCIAL STATEMENTS	28
ACTUARIAL CERTIFICATES	45

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE AND ADVISERS

Trustee of the Scheme

MRC Pension Trust Limited

Registered address
2nd Floor
David Phillips Building
Polaris House
North Star Avenue
Swindon, SN2 1FL

Correspondence address
14th Floor
One Kemble Street
London, WC2B 4AN

Trustee Directors

William Rayner (Chairman)
Professor Howard Cooke PhD*
Professor Kelvin Cain PhD*
Geoff Der *
Hugh Dunlop (appointed 1 March 2018)
Rebecca Leigh
Professor James Leiper PhD (resigned 31 October 2017)
Kevin Moreton PhD (appointed 1 March 2017)
Peter Morgan PhD*
Mrs Sally-Louise Smith (resigned 28 February 2017)
Mrs Carole Walker

* Member Nominated Trustee

Investment Subcommittee

William Rayner (Chairman)
Professor Kelvin Cain PhD
Professor Howard Cooke PhD
Hugh Dunlop# (co-opted until 1 March 2018)
Geoff Der
Peter Morgan PhD
Grant Ballantine#
#Co-opted member of the Subcommittee

Secretary to the Trustee

Jim Clerkin FPML, FCII, Dip IEB
MRC Pension Trust Limited
14th Floor
One Kemble Street
London, WC2B 4AN

Scheme Actuary

Sue Vivian FIA
The Government Actuary's Department
Finlaison House
15-17 Furnival Street
London, EC4A 1AB

Scheme Administrators

JLT Employee Benefits
Leatherhead House
Station Road
Leatherhead
Surrey, KT22 7ET

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors

DLA Piper UK LLP
India Buildings
Water Street
Liverpool, L2 0NH

AVC Providers

Equitable Life
PO Box 177, Walton Street
Aylesbury
Bucks, HP21 7YH

Standard Life Assurance Limited
30 Lothian Road
Edinburgh, EH1 2DH

Bankers

National Westminster Bank plc
15 Bishopsgate
London, EC2P 2AP

Royal Bank of Scotland (appointed 11 August 2017)
62/63 Threadneedle Street
PO Box 412
London, EC2R 8LA

Custodians

State Street Bank and Trust Company
525 Ferry Road
Edinburgh, EH5 2SW

Internal Auditors

Moore Stephens LLP
150 Aldersgate Street
London, EC1A 4AB

Investment Consultants

Conduent HR Services
160 Queen Street
London, EC4V 4AN

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE AND ADVISERS (CONTINUED)

Investment Managers

Ares Management Limited (appointed September 2017)
10 New Burlington Street
London, W1S 3BE

Aviva Investors Jersey Unit Trust Management Limited
Lime Grove House
Green Street
St Helier
Jersey, JE1 2ST

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh, EH1 3AN

BlackRock Investment Management (UK) Limited
Murray House
1 Royal Mint Court
London, EC3N 4HH

First State Investment Management (UK) Limited
23 St Andrew Square
Edinburgh, EH2 1BB

GAM Fund Management Limited
George's Court
54-62 Townsend Street
Dublin 2, Ireland

Hg Pooled Management Limited
2 More London Riverside
London, SE1 2AP

Infracapital
M&G Investment Management Limited
Laurence Pountney Hill
London, EC4R 0HH

Invesco Asset Management Limited (appointed March 2018)
43-45 Portman Square
London W1H 6LY

Legal and General Assurance (Pensions Management) Limited
1 Coleman Street
London, EC2R 5AA

Liontrust Investment Partners LLP (appointed March 2018)
2 Savoy Court
London WC2R 0EZ

Mirabaud Asset Management Limited (closed March 2018)
10 Bressenden Place
London, SW1E 5DH

Montanaro Asset Management Limited (closed March 2018)
53 Threadneedle Street
London, EC2R 8AR

Morgan Stanley Investment Management Inc
25 Cabot Square
Canary Wharf
London, E14 4QA

M&G (Guernsey) Limited
PO Box 105
Trafalgar Court, Admiral Park
St Peter Port
Guernsey, GY1 3EP

Partners Group Management IX Limited
Tudor House, 2nd Floor
St Peter Port
Guernsey, GY1 1BT

Royal London Asset Management Limited
55 Gracechurch Street
London, EC3V 0UF

TH Real Estate
201 Bishopsgate
London, EC2M 3AE

Principal Employer (to 31 March 2018)
Medical Research Council
2nd Floor, David Phillips Building
Polaris House
North Star Avenue
Swindon, SN2 1FL

Principal Employer (from 1 April 2018)
United Kingdom Research & Innovation (UKRI)
2nd Floor, David Phillips Building
Polaris House
North Star Avenue
Swindon, SN2 1FL

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT

A brief outline of the Scheme's status, administration and provisions

MRC Pension Scheme ("the Scheme") is governed by Trust Deeds and Rules which establish it as a registered pension Scheme for the purposes of the Finance Act 2004. Up to 6 April 2016 the Scheme was contracted out of the earnings related part of the State Second Pension Scheme (S2P).

The Scheme is a defined benefit scheme and is administered by JLT Employee Benefits in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

Each section has its own Pension Scheme Registration Number. The registration number of the Principal Section is 19017402 and of the Universities Section is 19017401.

There are nine Directors of MRC Pension Trust Limited. The Trustee Directors are referred to as "Trustees" in this report. Five of the Trustees are appointed and can be removed by the Medical Research Council ("MRC") as 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. The selection process for these Trustees is subject to the regulations issued under the Pensions Act 2004 and the normal term of office is 4 years. The first election took place in 2007 and subsequently have occurred on a rolling basis at the end of each term of office. With effect from 1 April 2018 UK Research and Innovation ("UKRI") replaced MRC as principal sponsoring employer.

Medical Research Foundation became a participating employer with effect from 1 December 2017. London School of Hygiene and Tropical Medicine became a participating employer in the university section with effect from 1 February 2018.

The retirement benefits of the Scheme are generally an annual pension comprising $\frac{1}{80}$ th of pensionable salary for the last year of service multiplied by the years (including fractions) of service, and a lump sum retiring allowance of three times annual pension. From 6 April 2006, members have the option to exchange some of their pension for additional tax-free cash at retirement. From 1 April 2018 new members will receive pension benefits on career average pensionable salary and retirement age linked to State pension age. The annual accrual rate will be $\frac{1}{60}$ th for each year of service.

For the majority of married members, there is provision for a spouse's pension of one half the member's pension payable on death. From December 2005, registered civil partners became legally entitled to equivalent death benefits, but only in respect of service accrued since 6 April 1988. Following the merger of the supplementary section, cover for registered civil partners was extended to include all current service and an adult dependant's pension was introduced from 1 April 2006 in respect of unmarried and unregistered active members with nominated long-term adult partners. Cover has also been extended in accordance with the Marriage (Same Sex Couples) Act 2013.

There are also provisions for benefits covering death in service and early retirement on grounds of ill-health. In most cases these are calculated as for normal retirement benefits but with enhanced service to normal retiring age. Following the merger of the supplementary section, a discretionary lump sum death benefit of four years' pensionable salary is payable in respect of members who die in service.

The Scheme contains provisions which permit additional contributions to be made to purchase additional pension from the Additional Voluntary Contributions (AVC) Schemes operated in conjunction with Equitable Life and Standard Life Assurance Limited. The option to buy additional years of service was withdrawn with effect from March 2014. Since April 2006, members have the option to take some of or the entire AVC fund as a tax-free lump sum.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Annual pensions in payment (or preserved in the Scheme) are eligible for increases awarded by Pension Increases (Review) Orders which normally increase pensions in line with the index of retail prices. From April 2011, the Government has adopted the Consumer Price Index (CPI).

Office accommodation expenses and staff costs relating to the secretariat are fully reimbursed to MRC by the Scheme; other running costs, investment management costs, and fees to professional advisers, including the administrator, are met directly by the Scheme.

More details of the provisions of the Scheme are given in the explanatory booklet issued to members, who may also examine the rules at MRC head office or on the member website at www.mrcps.co.uk (access code 672785). A member booklet is made available to both new and active members of the Scheme.

A Deed of Sectionalisation and Amendment was completed in December 2013. This created a separate University Section within the Scheme with effect from January 2014, which is funded by participating universities and MRC as principal sponsoring employer. In order to comply with the provisions in respect of workplace pensions and auto enrolment, the minimum entry age was changed to 16 and the maximum entry age is the prevailing State Pension Age.

A Deed of Participation and Substitution took effect from 1 April 2018, so that UKRI could replace MRC as principal sponsoring employer. A Deed of Amendment and Flexible Apportionment was effected from the same date and reflected the agreement reached following the cessation of MRC as a participating employer.

Appointment and removal of Trustees/management of the Scheme

During the year under review the Trustee of the Scheme has been MRC Pension Trust Limited whose Directors are listed on page 2.

Professor James Leiper, Professor of Molecular Medicine at Imperial College, resigned his position and stepped down as a Trustee on 31 October 2017. On 1 March 2018 Hugh Dunlop was appointed as an employer nominated Trustee. Mr Dunlop is the Chief Operating and Finance Officer at MRC.

Dr Kevin Moreton, Chief Operating Officer at the MRC Laboratory of Molecular Biology in Cambridge, replaced Mrs Sally-Louise Smith, HR Director at MRC, with effect from 1 March 2017.

Professor Kelvin Cain's current term of office as MNT is due to end in November 2018 and he has indicated that he wishes to stand for re-election. An election will be held in August 2018, should any other candidates come forward for election.

The Trustee Company

The Trustees met on 4 occasions during the year and the Investment Subcommittee met on 6 occasions during the year.

Scheme specific Trustee training took place in January 2017 and January 2018, covering legal, actuarial and investment activities.

Amendments to the Rules and Changes to the Scheme

The original Definitive Trust Deed and twenty three Deeds of Amendment implemented since 1978 were consolidated in the Second Definitive Trust Deed and Rules in December 2005.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

A number of changes in response to the Pensions Act 2004, Finance Act 2004 and Civil Partnership Act 2004 were introduced under an interim Deed of Amendment in March 2006.

A further consolidation exercise commenced in 2009 and was completed in December 2011, with the agreement of the Department of Business, Innovations and Skills and HM Treasury Department.

From 6 April 2016 the Scheme is no longer contracted out of the State Second Tier Pension as required by the Pensions Act 2014.

A Second Amending Deed was completed on 14 March 2018 to introduce retirement benefits on a career average basis for new members with effect from 1 April 2018.

Report On Actuarial Liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme (or section of a scheme) is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustees and the employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The latest actuarial valuation of each section of the Scheme was carried out as at 31 December 2016. This was the fourth actuarial valuation that was the subject of the Scheme Specific Funding Requirements of the Pensions Act 2004.

On the basis of discussions held by the Trustees with the Actuary, the preferred approach to the Statutory Funding Objective was to adopt a similar general approach to that used at the preceding actuarial valuation of each section of the Scheme. In broad terms, the preferred approach for the Principal Section was to assume an on-going commitment from the employer to the Scheme, with allowance in the basis for expected higher returns from growth investments. For the Universities Section, the approach adopted continues to seek to avoid a Section 75 Debt arising at a time a participating employer ceases to participate in the Scheme. Such a debt may arise in accordance with Section 75 of the Pensions Act 1995 if the assets of a scheme or section of a scheme are insufficient to meet the costs of securing members' benefits with an insurer. These approaches were agreed with MRC as principal employer and approved by the MRC Council in December 2017.

Assumptions are needed about the financial and demographic aspects of the expected future experience, including mortality assumptions, as part of the valuation process. Taking a prudent approach, a nominal investment return of 4.8% pa was assumed for the Principal Section and 2.6% for the Universities Section. If consumer price inflation is expected to average around 2.6% over the average lifetime of the membership to retirement, this will be equivalent to a real rate of return of 2.2% pa or zero for the Principal and Universities Sections respectively. It has been assumed that general salary increases will exceed price inflation by 1.5% pa.

The results of the valuation were discussed and agreed by the Trustees in November 2017 and showed that the Principal Section had a surplus of assets over liabilities of £260.1m and the Universities Section had a surplus of £21.0m. These surpluses corresponded to funding levels of 124% and 146% for the Principal and Universities Sections respectively.

The value of the whole Scheme's assets as at 31 December 2016 was £1,408.0m (compared with the previous valuation as at 31 December 2013, which was £1,054.2m). This reflects the significant upturn in global investment markets during the period since the last valuation. The value of the whole Scheme's liabilities at 31 December 2016 was £1,124.5m.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

The results of the valuation for each section are shown below:

	31 December 2016			31 December 2013
	Principal Section	Universities Section	Scheme Total	Scheme Total
Liabilities	1,078.6	45.9	1,124.5	894.1
Assets	1,338.7	66.9	1,405.6	1,055.5
Total Scheme Surplus	260.1	21.0	281.1	160.1
Percentage	124%	146%	125%	118%

The Trustees recognise the strength of the employer covenant and the commitment MRC has to the Scheme and consider that they are able to take a long term view when reviewing funding levels and setting investment objectives.

If the Scheme was wound up on 31 December 2016, the actuary estimated the funding level for the MRC Section would have been 67% and the Universities Section 108%. Inclusion of this information does not imply that MRC is planning to wind up the Scheme. The valuation method adopted is the Projected Unit method and the principal assumptions are set out in the table below.

The Trustees and MRC signed a Statement of Funding Principles in December 2017.

The results of the next triennial valuation due as at 31 December 2019 are expected to be published towards the end of 2020.

Actuarial Assumptions

The actuarial method used in the valuation was the Projected Unit method.

The 2016 Actuarial Valuation was carried out by the Scheme Actuary (Mrs Sue Vivian of GAD) as at 31 December 2016. Statements of Funding Principles include details of the actuarial assumptions used to assess the Scheme's liabilities (known as the Technical Provisions). The Pensions Regulator has issued a Code of Practice for the scheme specific funding regime and reviews valuations against this Code. The key actuarial assumptions adopted for each section of the Scheme for the 2016 valuations and for the previous valuations of each section are summarised below.

	Principal Section		Universities Section	
	31 December 2016	31 December 2013	31 December 2016	31 December 2013
	SFO ¹ % pa	SFO ¹ % pa	AFO ² % pa	% pa
Discount Rate*	4.8	5.6	2.6	3.6
Rate of pay increase (excluding promotional increases)	4.1	4.1	4.1	5.0
RPI	3.5	3.5	3.5	3.5
CPI	2.6	2.6	2.6	2.6
Rate of increases to pension in payment in excess of GMPs#	2.6	2.6	2.6	3.5
Rate of deferred pension increases (on benefits in excess of GMPs)	2.6	2.6	2.6	3.5
Post-retirement mortality	S2NXA – 14 x-1	S1NXA –12 (U=2013)	S2NXA –14 x-1	S1NXA-12 (U=2013)

¹Statutory funding objective

*A discount rate is used to determine the current value of payments expected to be made in the future. In setting a discount rate it is reasonable to consider the rate of return expected to be earned on assets being held to meet the future payments.

Guaranteed Minimum Pension;

S2NXA-14 are the mortality tables used in the valuation.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

As the 2016 valuation did not disclose a shortfall between the Scheme's assets and liabilities, the Trustees have not needed to agree with the Employer a recovery plan for making good a shortfall.

The Trustees monitor continuously the funding position of the Scheme with the help of the Scheme Actuary and their investment advisers and publish an annual summary funding statement that is sent to all members each year. In addition, a summary of the results of the 2016 actuarial valuation was sent to all members in January 2018.

The Financial Statements set out on pages 26 to 44 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of each section of the Scheme, these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of each section of the scheme and the level of contributions payable.

The formal actuarial certificates required by statute to be included in this Annual Report from the Scheme Actuary appear on pages 45 and 46.

Contributions

Employers' contributions

The Trustees and MRC considered the valuation results very carefully, together with the advice given by the Actuary. They concluded that it would be appropriate for MRC to make employer contributions to the Principal Section at a rate of 15% (increased from 14%) with effect from 1 April 2018. All other participating employers will contribute at a rate of 15.9%.

Following the 2016 valuation MRC increased its contribution rate to the Universities Section from 21.4% to 23.6% with effect from 1 April 2018.

MRC made a payment of £5m in March 2017 and £6m in March 2018 towards cash flow and in anticipation of a gradual increase in the employer contribution rate of the Principal section of the Scheme.

During the year MRC has made payments of £5m (2016: £8.75m) towards the funding of the Universities section and in accordance with the schedule of contributions.

Employees' Contributions

Members' contributions from new entrants to the Scheme to both the Principal and Universities sections were unchanged during 2017 at 6.5% of pensionable salary. For historical reasons, some members pay 6% and those formerly in the maintenance grades pay 5%. In addition, those in the former supplementary section with a pension age of 60 paid an additional 0.25% and those with a pension age of 65 paid an additional 0.50%.

Governance

The Trustees take the management of the Scheme very seriously and always seek to follow best practice in their approach to Scheme governance.

In addition to undergoing Scheme specific Trustee training each year, the Trustees maintain a governance manual which combines the important documents needed to administer the Scheme. Key Scheme documents are also held electronically on a secure website which is hosted by JLT.

The Trustees produce an annual business plan against which Scheme performance can be measured. The Chairman conducts regular one-to-one interviews to help individual Trustee Directors to assess their personal and collective contribution to the effective management of the Scheme. MNPA was the chosen professional partner to run the day to day administration of the Scheme since 2001. MNPA changed its name for branding purposes to Ensign Pensions

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Administration and was subsequently purchased by JLT. JLT Employee Benefits is the current third party administrator for the Scheme.

The Trustees have accepted that the Scheme must contribute towards the cost of the Pension Protection Fund (PPF). HM Treasury made it clear that where a body in any part of the public service sector, including a non-departmental government body such as MRC, offers a funded, trust based pension scheme; the requirement is that the pension scheme will be subject to the same legislative and regulatory framework as an equivalent private sector pension scheme.

There has been no change to the funding basis of the Scheme and no weakening of the strength of the principal employer's covenant or commitment to the Scheme. Members now have the additional protection of the PPF should MRC, as principal sponsoring employer, ever fall into financial difficulty.

Internal Controls

The Trustees maintain a register of key risks and Moore Stephens LLP act as internal auditor to monitor internal controls relating to the financial security and efficient running of the Scheme including the monitoring of the internal controls of each investment manager, with particular focus on the indirect property portfolio and private equity portfolio.

Bribery Act 2011 and Conflicts of Interest

The Trustees have amended their conflicts of interest policy in order to meet the requirements of the Bribery Act 2011 in relation to gifts and hospitality. The policy was reviewed by the Trustee Board in March 2017. The Trustees also maintain a register of interests, which is reviewed by the Secretary each year. Trustees are required to declare any conflicts arising from agenda items at the start of every Trustee and Investment Subcommittee meeting. A register of interests is also maintained.

Brexit

Following the outcome of the referendum on 23 June 2016 and the triggering of Article 50 of the Lisbon Treaty, the Trustees acknowledge that the UK is expected to leave the EU by 29 March 2019. The Trustees are not confined to investing in the UK or Europe, but invest globally and continue to take a long term view on asset allocation and investment strategy. The Trustees and the Investment Subcommittee work closely with their investment advisers in the monitoring of both tactical and strategic asset allocation.

General Data Protection Regulations

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. Until recently the use of this data was regulated under the Data Protection Act 1998, which places certain responsibilities on those who exercise control over the data. Data controllers include MRC, UKRI, the Trustees and certain professional advisers including the Government Actuary's Department and JLT as scheme administrator.

In May 2018, a new European legal framework for the protection of personal data called the General Data Protection Regulations (GDPR) came into effect in the UK. The decision to leave the European Union has not affected the introduction of GDPR. The Trustees and their advisers have reviewed how the new requirements affect the way in which personal data is held and processed, and have produced a privacy statement and data protection policy document.

UK Research and Innovation

The Higher Education and Research Act 2017 paved the way for the creation of UK Research and Innovation (UKRI) with effect from 1 April 2018. As a result of the legislation, MRC forms part of this new consolidated research body, along with the other six research councils.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Although MRC continues to exist within UKRI with a significant degree of control over its funding, it has ceased to be an employing body and its Royal Charter has been revoked. UKRI has assumed MRC's role as Principal Sponsoring Employer of the MRC Pension Scheme. MRC worked closely with the Department for Business, Energy and Industrial Strategy (BEIS), its sponsoring government department, and HM Treasury to ensure that UKRI replaced MRC and to this end the legislation was amended during its passage through the House of Commons to enable UKRI to operate a number of staff pension schemes.

The Trustees and MRC have worked closely together regarding the 31 December 2016 actuarial valuation, the transition of Principal Sponsoring Employer from MRC to UKRI, and the introduction of benefits on a career average basis for new members with effect from 1 April 2018.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Membership

Details of the membership of the Scheme as at 31 December 2017 are given below: -

	Principal Section 2017	Universities Section 2017	Total 2017	Total 2016
ACTIVE MEMBERS				
Active members at the start of the year	1,972	572	2,544	2,782
New entrants in the year	204	140	344	421
TUPE transfer from UKSBS to Cambridge	(60)	60	-	-
Retirements	(38)	(15)	(53)	(58)
Death in service	(1)	-	(1)	(1)
Members leaving with preserved benefits	(166)	(42)	(208)	(349)
Leavers with benefits pending	(82)	(8)	(90)	(153)
Members leaving with a refund/set to no liability	(34)	(6)	(40)	(98)
ACTIVE MEMBERS AT THE END OF THE YEAR	1,795	701	2,496	2,544
PENSIONERS				
Pensioners at the start of the year	2,872	48	2,920	2,817
Members retiring during the year	121	17	138	161
New spouse and dependent pensioners	15	-	15	25
Pensions ceased (including deaths)	(71)	-	(71)	(83)
PENSIONERS AT THE END OF THE YEAR	2,937	65	3,002	2,920
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS				
Number at the start of the year	4,301	287	4,588	4,365
Leavers during the year with preserved benefits	166	42	208	355
Deferred pensioners becoming pensioners	(83)	(2)	(85)	(103)
Transfers out during the year	(10)	(2)	(12)	(21)
Reversal to active	-	-	-	(1)
Commutations	(1)	-	(1)	(2)
Deaths	(3)	-	(3)	(5)
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS AT THE END OF THE YEAR	4,370	325	4,695	4,588
<i>Pending members* (as shown on the following page)</i>	103	6	109	130
TOTAL MEMBERSHIP AT THE END OF THE YEAR	9,205	1,097	10,302	10,182

Pensioner members include 378 (2016: 363) beneficiaries and dependents who are receiving a pension.

Individual members can have more than one pension entitlement under the Scheme, due to separate periods of service, including being in receipt of a pension and accruing additional pensionable service.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Membership Figures Adjustments

MRC membership movements are further influenced by the pay award process as pay awards are agreed a number of months after the annual pay review date of April; for leavers this is referred to as 'Pay After Date of Leaving' (PADL). The approved procedure is that deferred leavers are not processed until the pay award is agreed, so that information issued to members includes the benefit of the salary increase. Once the pay award is implemented JLT process all leavers who left between April and the date when the salary increase was agreed. MRC staff were subject to a pay freeze in both April 2010 and April 2011. The April 2012 pay award was capped at 1% and implemented in April 2013. The April 2013 2014, 2015 and 2016 pay awards were also capped at 1% and implemented in September 2013, July 2014, July 2015 and February 2017. The 2017 pay award was 1% and was implemented by MRC in November 2017.

There is no pattern to the above as the impact is dependent on the length of delay in settling the pay review.

	Principal Section 2017	Universities Section 2017	Total 2017	Total 2016
PENDING MEMBERS*				
At the start of the year	124	6	130	138
Adjustment from no liability	-	-	-	6
Reversal to active status	-	-	-	(1)
New leavers with benefits pending	82	8	90	153
Leavers with refunds	(85)	(8)	(93)	(147)
Transfer out	(14)	-	(14)	(17)
Leavers opting for deferred pension	-	-	-	(2)
No liability	(4)	-	(4)	-
Total	103	6	109	130

*These are members who have, in the past, withdrawn from the Scheme with less than two years qualifying service. They have no entitlement to a preserved pension under the Scheme rules and have not yet decided upon either a refund of contributions or a transfer to another occupational pension scheme which are the only options available to such members.

MRC's staging date under auto-enrolment was 1 July 2013. Since that date, all new MRC staff have been enrolled in the Scheme automatically on appointment. Eligible staff not in the Scheme prior to 1 July 2013 can join the Scheme at any time, but were not auto-enrolled until 1 October 2017, in line with transitional arrangements. A re-enrolment exercise for staff that joined MRC after 1 July 2013, but chose to opt out of the Scheme, took place during May 2016.

Financial development of the Scheme

The financial statements on pages 26 to 44 show that the value of the Scheme's assets increased by £194.5m to £1,602.6m as at 31 December 2017. The increase was comprised of net withdrawals from dealings with members of £10.8m and a net increase in investment returns of £205.3m. The financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Benefits paid

The benefits paid during the year to retiring members and to relatives and dependants of deceased members are shown in note 6 of the financial statements on page 31.

Transfer values

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pensions Schemes Act 1993 and do not include discretionary benefits.

New Public Sector Transfer Club tables came into effect from January 2011. Following discussions with the Scheme Actuary, the Trustees accepted the actuarial advice and adopted the new tables for Club transfers. The Trustees also adopted revised non-Club transfers.

In 2010, the Trustees introduced a one year rule that applies to all transfers into the Scheme. This brought all transfers into line with the one year rule that applies to transfers under the Public Sector Transfer Club. The new rule provided a consistent approach in the treatment of Club and Non-Club transfers and provide greater control in the management of Scheme liabilities.

From December 2012, the Scheme only accepts transfers from other schemes that participate in the Public Sector Transfer Club.

Pension Increases

The increase awarded in April 2017 was 1%, with the exception of the pre 1988 GMP element, which received no increase. There were no discretionary increases.

Additional voluntary contributions

Additional voluntary contributions (AVCs) shown in note 4 of the financial statements for 2017 represent the combined total of contributions made to purchase additional service under the rules of the Scheme and those made to money purchase AVC facilities administered on the Trustees' behalf by Equitable Life and Standard Life Assurance Limited. Members' contributions to the money purchase AVC schemes are deducted from salary and paid direct to Equitable Life and Standard Life. The contributions are invested on behalf of the individuals concerned to provide additional pension benefits within the overall limits laid down by HMRC.

A total of 27 members contributed to money purchase AVCs as at 31 December 2017; the total value of the accumulated AVC funds held by Equitable Life and Standard Life at that date was £2.2 million.

From 6 April 2006, members are able to make additional contributions of up to 15% above their normal contributions to the Scheme. Members also have the option to take some of or their entire AVC fund with Equitable Life and Standard Life as a tax free lump sum on retirement.

It is the responsibility of members to ensure that AVCs are deducted from salary by submitting requests to JLT.

From April 2015 members have the right to transfer out their AVC pot prior to retirement and independently of main Scheme benefits.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Scheme administration service provided by JLT

During 2017 JLT produced Benefit Statements for active members of the Scheme and these were distributed during June 2017. Pension Savings Statements covering the 2017/2018 tax year will be issued in July 2018. Copies of the summarised version of the 2016 Annual Report were circulated in September 2017. These are annual communication exercises undertaken by JLT on behalf of the Trustees.

JLT works closely with the staff at UKSBS, MRC's payroll service provider, in Swindon to ensure the delivery of timely and accurate HR and payroll data for MRC staff in the Scheme. In addition, JLT also work closely with the Francis Crick Institute and the Universities payroll departments to ensure the delivery of timely and accurate data for benefit entitlements and administration.

Legislation

The Trustees, with the assistance of JLT, have taken the necessary steps to deal with the administration changes necessitated by the new annual tax limit on pension contributions, which took effect from April 2011. Annual Benefit Statements have been revised to provide additional information to members. The Scheme has adopted a Pension Input Period (PIP) of 1 April to 31 March. The annual allowance of £50,000 was reduced to £40,000 with effect from April 2014.

The Lifetime Allowance (LTA) reduced from £1.8m to £1.5m with effect from 6 April 2012. The LTA was reduced to £1.25m with effect from April 2014 and was further reduced to £1m with effect from April 2016. The new LTA will be index-linked from April 2018.

The Pensions Act 2008 will require employers to auto enrol eligible staff in a qualifying pension scheme, starting with the largest employers from October 2012. The Department for Work and Pensions (DWP) gave MRC a staging date of 1 July 2013. Other employers that participate in the MRC Scheme may have a different staging date. As the Scheme is considered by the DWP to be a qualifying final salary pension Scheme that is still open to new members, MRC followed transitional arrangements and delayed the introduction of auto enrolment of existing staff until September 2017. MRC carried out a re-enrolment exercise in June 2016 in respect of staff recruited after the staging date that had opted out in the previous three years.

The Trustees have taken appropriate steps to comply with workplace pensions and auto enrolment and the Marriage (Same Sex Couples) Act 2013.

Hutton Commission

The Hutton Commission, set up in 2010 to review public sector pension provision, issued its final recommendations in March 2011. The recommendations have been the basis of Government consultation with national Trade Unions. It is expected that changes to public sector pension provision will be introduced by April 2019, at the earliest.

Internal Auditors

The Internal Auditors visited JLT three times in order to audit the interaction of the processes between MRC and JLT.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

HMRC approval

The Scheme is a 'registered pension scheme' for tax purposes.

Statement of Trustee's Responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis, unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Investment Report

Investment policy and management

The Trustee is not licensed to invest directly and therefore appoints investment managers to carry out this function.

All investment managers are appointed by or on behalf of the Trustee to manage the Scheme under section 34(4) of the Pensions Act 1995 and are appropriately authorised or exempt under the Financial Services and Markets Act 2000. The Trustee takes professional advice on making and reviewing the appointment of investment managers.

The Trustee's long term objective is to achieve an investment return of at least 2.2% above the rate of consumer price inflation. The strategy adopted to achieve that objective is to invest predominantly in return seeking assets such as equities and property, but with diversification of risk through investment in bonds and alternative asset classes. The Trustee and MRC, as principal sponsoring employer, accept that this strategy may result in some volatility of return in the short term.

The Trustee has continued to give careful consideration to the management and structure of the active and passive parts of the portfolio, the strategic asset allocation to UK and overseas equities, and diversification through alternative investments in order to reduce volatility, smooth investment returns and improve cash flow.

The mandates awarded to active managers exclude investment in tobacco. Investment managers that track an index or hold pooled funds will hold tobacco stocks from time to time and this exposure is monitored by Conduent HR Services. At 31 December 2017, less than 0.1% of total assets were held in tobacco stocks.

On the advice of Conduent, the Trustee has taken steps since June 2011 to manage currency risk by moving assets held with Legal & General to currency hedged funds. The Trustee currently applies a 50% hedge of US Dollar denominated assets and 50% hedge of Euro denominated assets. Both positions reflect a medium term outlook and remain under regular review, as does the wider equity portfolio in respect of currency exposure.

Since June 2012, the UK income derived from the portfolios managed by Mirabaud and RLAM have been redistributed to the Trustee bank account, each month, to cover the cash flow needs of the Scheme. In March 2016, the Investment Subcommittee, on the advice of Conduent, decided to also draw income from the portfolios managed by Aviva, Baillie Gifford and M&G. In May 2017 dividend income from Montanaro and from Q1 2017 rental income from the direct property portfolio managed by TH Real Estate was also redistributed for cash flow purposes.

In June 2016 and acting on the advice of Conduent, the Trustee realigned the portfolio with Legal & General in order to invest £40m in Japan on a fully hedged basis.

The Investment Subcommittee ("ISC") (see page 2 for membership) usually meets five times a year to discuss and review investment performance.

In June 2017, and acting on advice from Conduent, the ISC held a selection panel to appoint a manager to specialise in private markets direct lending and appointed Ares Management Ltd.

Following advice from Conduent, the Trustees agreed to rationalise the equity portfolio and replaced Mirabaud and Montanaro with Invesco and Liontrust, after a lengthy selection panel on 25 January 2018. Following discussions with MRC and advice from GAD and Conduent, Baillie Gifford was appointed additionally as an equity fund manager under the University Section in March 2018. The transition of all these investments took place in March 2018.

The Scheme has benefited from positive market conditions during the year. The annual return for 2017 was a return of 15.5%, net of fees, compared to the total Scheme benchmark return of 12.8%.

The total investment return for the three years to 31 December 2017 was 12.3% per annum net of fees, compared to the benchmark return of 10.4%.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

A revised Statement of Investment Principles (SIP) was adopted in November 2017 to reflect the appointment of Ares and strategic asset allocation. The SIP is required by Section 35 of the Pensions Act 1995 and a copy is available on request or from the member website at www.mrcps.co.uk (access code 672785). The SIP for the Universities section, dated 26 November 2013, was updated in March 2018 to reflect the change in asset allocation. The SIP for the Principal Section was also updated in March 2018 to reflect the changes in equity managers.

The Trustee also follows a medium term asset allocation which gives the Investment Subcommittee flexibility to move outside of the strategic benchmark for tactical reasons. The ranges of tactical allocation for each asset class are included in the SIP and the asset distribution in the table below fell within the ranges of tactical allocation at the year end.

The comparative asset distribution of the Scheme as at 31 December 2017 and 31 December 2016 are noted in the table below (Principal Section only):

	31 Dec 2017	31 Dec 2016
	%	%
UK Corporate Bonds	3.8	4.4
Index linked securities	3.6	3.9
UK Equities	11.2	11.1
Overseas Equities	18.5	17.0
Property (Direct)	11.7	12.9
Pooled investment vehicles:		
UK Equity	9.5	9.9
Overseas Equity	20.6	19.5
Private Equity*	2.5	3.2
Infrastructure	2.2	3.5
Property	10.1	11.0
Bonds	4.2	2.1
AVC Funds	0.1	0.2
Cash deposits and other investment balances	2.0	1.3
	100.0	100.0

* This includes Vesey Street holdings of £124k (0.1%) (2016: £113k, 0.1%)

At the year end the Universities Section was 100% invested in UK Pooled Investment Bonds. With effect from March 2018 the Trustees agreed to a request from MRC to allocate 20% to equities and Baillie Gifford was appointed to manage that part of the portfolio.

The Trustee has considered the nature, disposition and marketability of the Scheme's investments and considers them to be appropriate relative to the reasons for holding each class of investment. Details of the Investments are shown in note 12 of the Financial Statements.

Employer related investments

There were no employer related investments made during the year or held at the year end.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Custodial arrangements

The Trustee has appointed State Street as custodian for Mirabaud, Montanaro, RLAM, Baillie Gifford, First State, Invesco and Liontrust Investments. For directly owned property, DLA is used for England and Wales and Maclay, Murray & Spens for property owned in Scotland. A separate segregated portfolio with State Street was set up in March 2018, when Baillie Gifford was appointed as equity manager to the Universities Section.

The custodians listed below are those used by the fund managers and have not been appointed by the Trustee. Moore Stephens do an annual reconciliation of segregated assets held by State Street.

With regard to the other investment managers, the pooled investment managers make their own arrangements for custody of the underlying assets.

The custodians are responsible for the safekeeping of share certificates and other documents relating to the ownership of listed investments. Investments are held in the name of each custodian's nominee company, in line with common practice for pension scheme investments.

Trustee's policy on social and ethical investments

The Trustee attaches high importance to social, environmental and ethical considerations in relation to the selection of appropriate assets, and gives significant weight to these considerations both in determining investment policy and in selecting suitable investment managers. The investment managers appointed have been instructed to work proactively (using both formal and informal approaches) to promote the highest standards of:

- Socially responsible corporate behaviour;
- Environmentally responsible corporate behaviour;
- Corporate ethics; and
- Corporate governance.

Rights attached to investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attached to investments to the investment manager, subject to any specific instructions by the Trustee.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

The make-up of the Scheme's total investments of £1,601.1 million as at 31 December 2017 across investment managers is as follows:

Asset Class	Index Linked	Fixed Interest	Derivatives	UK Equities	Overseas Equities	Property	Pooled Investment Vehicles	AVCs	Cash, accrued income and outstanding trades	Total Assets- Principal Section	Pooled Investment Vehicles – Universities Section	Total Assets
BlackRock*	£000's						125		89	214		214
Hg	£000's						29,234			29,234		29,234
Mirabaud	£000's			128,634					1,456	130,090		130,090
First State	£000's				91,037				2,900	93,937		93,937
Morgan Stanley	£000's						91,686			91,686		91,686
RLAM	£000's	55,555				18	3,558		1,469	119,453	79,953	199,406
TH Real Estate	£000's	58,853					27,402	177,555	18,600	223,557		223,557
L&G	£000's						365,880		433	366,313		366,313
Montanaro	£000's			34,284	8,353				1,465	44,102		44,102
Aviva	£000's						60,037		660	60,697		60,697
M&G	£000's						66,377		649	67,026		67,026
Partners Group	£000's						16,638			16,638		16,638
Baillie Gifford	£000's			7,379	181,617				2,517	191,513		191,513
GAM	£000's						60,226			60,226		60,226
Infracapital	£000's						26,021			26,021		26,021
Other	£000's							2,226	33	2,259		2,259
Total	£000's	55,555	58,853	18	170,297	177,555	747,184	2,226	30,271	1,522,966	79,953	1,602,919
Principal												
Section only	%	3.6	3.8	0.0	11.2	11.7	49.1	0.1	2.0	100.0		
Total Assets	%	3.5	3.7	0.0	10.6	11.1	46.6	0.1	1.9	95.0	5.0	100.0

* This includes holdings with Vesey Street of £124k (2016: £113k).

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

Investment Performance

The Trustee adopted a Total Scheme Benchmark with effect from January 2008 as a more relevant measure of investment performance. The new benchmark is derived by aggregating, and weighting accordingly, the strategic benchmarks for each portfolio manager.

The Scheme's investment fund's performance for 2017 was measured by Conduent HR Services. The table below notes the investment returns achieved by the Scheme's investments, by asset category (excluding cash and insurance policies), for the year to 31 December 2017.

	Year ended 31 December 2017	
	Scheme Return	Total Scheme Benchmark
	%	%
UK Corporate Bonds	2.7	4.3
UK Index-Linked Gilts	1.9	2.3
Absolute Return Bonds	2.4	0.2
UK Equities	17.3	13.8
Overseas Equities	20.9	18.3
Property	10.6	10.9
Infrastructure	17.2	4.1
Private Equity	26.6	13.1
Total Scheme	15.5	12.8
3 years ended 31 December 2017	12.3	10.4
5 years ended 31 December 2017	12.0	10.8
10 years ended 31 December 2017	7.4	6.8

As the table above shows, the overall return for the year was 15.5% after fees, which was 2.7% above the Total Scheme Benchmark. The Scheme's performance is above the benchmark when measured over the last 3 years and 5 years and 10 years. The return on the fund for 2017 is above the Actuary's assumptions that the yield on investments would be 0.7% greater than the increase in earnings and 2.2% greater than the increase in pensions.

The performance of the segregated property portfolio (excluding cash) managed by TH Real Estate (formerly known as Henderson Global Investors), as measured by Conduent, showed a return of 12.4%. Portfolio performance was also measured by Investment Property Databank (IPD) who measures the performance of more than 60% of all institutionally held property. According to IPD, the TH Real Estate portfolio return was 12% which was above the 'Portfolios under £250m' median (the Fund's chosen segregated property benchmark) of 10.5%. The number of schemes within the benchmark universe has fallen to 29 in recent years. The longer term performance of property has been monitored by the ISC, together with the strategic asset allocation to property.

There were several property transactions during the period of the report, which reflected market conditions in favour of selective activity. There was no change in holdings in the Scheme's indirect property investments in the Henderson Central London Office Fund and the Henderson UK Retail Warehouse Fund. The Scheme participates in indirect funds to gain exposure to large size property, offices and retail outlets. The Trustee also invests in property income funds with Aviva and M&G.

Investment fees due to Aviva, First State, Legal & General, M&G, Mirabaud, Montanaro, Morgan Stanley, Baillie Gifford and RLAM are paid quarterly in arrears and are based on annual percentage rates (agreed between the Trustee and the managers) applied to the market value of the respective portfolios at the quarter end.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT (CONTINUED)

In the case of TH Real Estate, the investment management fees are also paid quarterly and are based on an agreed percentage of the market value of the property at the previous 31 December, plus an additional element related to the out-performance achieved compared to the relevant IPD benchmark. However, during 2017 TH Real Estate did not manage to out-perform the relevant IPD benchmark sufficiently to trigger a performance fee. An additional performance fee has been agreed with First State, based on performance from March 2010, which was triggered during 2014, 2015, 2016 and 2017.

Further information

Members are entitled to inspect copies of documents giving information about the Scheme. In some circumstances copies of documents can be provided, but a charge may be made for hard copies of the trust documents (Deed and Rules) and of the Actuary's report.

All members are encouraged to use the website at www.mrcps.co.uk and using access code 672785.

Any member with a dispute about their pension entitlement, or a complaint, can use the "Internal Disputes Resolution Procedure" or, alternatively, they can obtain free advice or ask for a ruling from The Pensions Ombudsman who can be reached at 10 South Colonnade, Canary Wharf, London E14 4PU; enquiries@pensions-ombudsman.org.uk.

General requests for information or guidance concerning pension arrangements can be made through The Pensions Advisory Service (TPAS) at 11 Belgrave Road, London SW1V 1RB. www.pensionsadvisoryservice.org.uk.

Any query about the Scheme, including requests from individuals for information about their benefits, should be addressed to:

The Trustees of MRC Pension Scheme (the 'Scheme') care of JLT Employee Benefits, Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7ET.

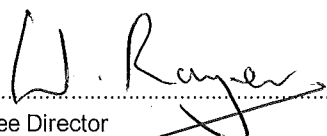
mrc_pensions@jltgroup.com

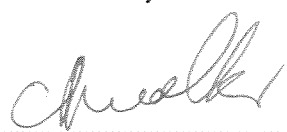
Acknowledgements

Professor James Leiper left the Trustee Board on 31 October 2017, following his resignation from MRC to take up a post with University of Glasgow.

Mrs Sally-Louise Smith, HR Director at MRC, stepped down as a Trustee with effect from 28 February 2017 owing to ill health. It was with great sadness that the Trustee Board learnt of her death in June 2017. Sally is remembered fondly by all those she worked with during her time at MRC and whilst serving as a Trustee.

This report was approved by the Trustees on 28 June 2018 and signed on its behalf by:


Trustee Director


Trustee Director

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

SUMMARY OF CONTRIBUTIONS

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 31 December 2017

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedules of Contributions certified by the actuary on 23 January 2014 and 7 December 2017 for the Universities Section, and on 10 December 2014 and 7 December 2017 for the Principal Section.

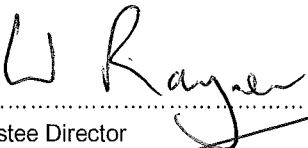
Contributions payable under the Schedules in respect of the Scheme

	Principal Section £000	Universities Section £000	Total £000
Employer:			
Normal contributions	9,243	8,999	18,242
Employee:			
Normal contributions	4,215	1,738	5,953
Contributions payable under the Schedules (as reported on by the Scheme auditors on the following page)	<u>13,458</u>	<u>10,737</u>	<u>24,195</u>

Reconciliation of Contributions Payable under the Schedules of Contributions to Total Contributions reported in the Financial Statements

Contributions payable under the Schedules (as above)	13,458	10,737	24,195
Contributions payable in addition to those due under the Schedules (and not reported on by the Scheme auditors on the following page):			
Additional Employer contribution	5,000	-	5,000
Augmentation contributions	1,691	-	1,691
Member additional voluntary contributions	148	-	148
Member added years	236	143	379
Total contributions reported in the financial statements	<u>20,533</u>	<u>10,880</u>	<u>31,413</u>

Approved by the Trustee on 28 June 2018 and signed on its behalf by:



 Trustee Director



 Trustee Director

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE MRC PENSION SCHEME

Statement about contributions

Opinion

In our opinion, the contributions payable under the Schedules in respect of the Scheme for the Scheme year ended 31 December 2017 as reported in MRC Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the Schedules of contributions certified by the Scheme Actuary on 23 January 2014 and 7 December 2017 for the Universities Section, and on 10 December 2014 and 7 December 2017 for the Principal Section.

We have examined MRC Pension Scheme's summary of contributions for the Scheme year ended 31 December 2017 which is set out on the previous page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedule of contributions and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



.....
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

Date: 28 June 2018

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF THE MRC PENSION SCHEME

Report on the audit of the financial statements

Opinion

In our opinion, MRC Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2017, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the statement of net assets available for benefits as at 31 December 2017; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF THE MRC PENSION SCHEME (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



.....
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

Date: 28 June 2018

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Principal Section £000	Universities Section £000	Total 2017 £000	Principal Section £000	Universities Section £000	Total 2016 £000
CONTRIBUTIONS AND BENEFITS							
Contributions							
Employer	4	15,934	8,999	24,933	14,216	11,724	25,940
Employee	4	4,599	1,881	6,480	5,337	1,420	6,757
Transfers in	5	-	-	-	119	-	119
		<u>20,533</u>	<u>10,880</u>	<u>31,413</u>	<u>19,672</u>	<u>13,144</u>	<u>32,816</u>
Benefits	6	(39,274)	(154)	(39,428)	(38,574)	(139)	(38,713)
Transfers out	7	(560)	-	(560)	(929)	(39)	(968)
Payments to and on account of leavers	8	(178)	-	(178)	(327)	-	(327)
Administrative expenses	9	(2,022)	(35)	(2,057)	(979)	(38)	(1,017)
		<u>(42,034)</u>	<u>(189)</u>	<u>(42,223)</u>	<u>(40,809)</u>	<u>(216)</u>	<u>(41,025)</u>
NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS		<u>(21,501)</u>	<u>10,691</u>	<u>(10,810)</u>	<u>(21,137)</u>	<u>12,928</u>	<u>(8,209)</u>
INVESTMENT RETURNS							
Investment income	10	43,696	183	43,879	40,360	124	40,484
Change in market value of investments	12	165,121	3,230	168,351	137,993	10,771	148,764
Investment management expenses	11	(6,667)	(156)	(6,823)	(6,908)	(123)	(7,031)
Taxation	10	(49)	-	(49)	(71)	-	(71)
NET RETURNS ON INVESTMENTS		<u>202,101</u>	<u>3,257</u>	<u>205,358</u>	<u>171,374</u>	<u>10,772</u>	<u>182,146</u>
NET INCREASE IN THE FUND DURING THE YEAR		<u>180,600</u>	<u>13,948</u>	<u>194,548</u>	<u>150,237</u>	<u>23,700</u>	<u>173,937</u>
NET ASSETS OF THE SCHEME AT 1 JANUARY		<u>1,341,131</u>	<u>66,894</u>	<u>1,408,025</u>	<u>1,190,894</u>	<u>43,194</u>	<u>1,234,088</u>
NET ASSETS OF THE SCHEME AT 31 DECEMBER		<u>1,521,731</u>	<u>80,842</u>	<u>1,602,573</u>	<u>1,341,131</u>	<u>66,894</u>	<u>1,408,025</u>

The notes on pages 28 to 44 form an integral part of these financial statements.

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2017


STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31
DECEMBER 2017

	Note	Principal Section £000	Universities Section £000	Total 2017 £000	Principal Section £000	Universities Section £000	Total 2016 £000
INVESTMENT ASSETS							
Equities	12	451,304	-	451,304	376,709	-	376,709
Bonds	12	114,408	-	114,408	112,567	-	112,567
Property	12	177,555	-	177,555	172,984	-	172,984
Pooled investment vehicles	12	747,184	79,953	827,137	659,125	66,335	725,460
Derivatives	12	18	-	18	-	-	-
Other investment assets	12	7,305	-	7,305	6,449	-	6,449
AVC Investments	12	2,226	-	2,226	2,476	-	2,476
Cash	12	28,506	-	28,506	14,779	-	14,779
		<u>1,528,506</u>	<u>79,953</u>	<u>1,608,459</u>	<u>1,345,089</u>	<u>66,335</u>	<u>1,411,424</u>
INVESTMENT LIABILITIES							
Derivatives	12	-	-	-	(107)	-	(107)
Other investment liabilities	12	(5,540)	-	(5,540)	(4,521)	-	(4,521)
		<u>1,522,966</u>	<u>79,953</u>	<u>1,602,919</u>	<u>1,340,461</u>	<u>66,335</u>	<u>1,406,796</u>
TOTAL INVESTMENTS							
CURRENT ASSETS	14	6,857	967	7,824	5,663	602	6,265
CURRENT LIABILITIES	15	(8,092)	(78)	(8,170)	(4,993)	(43)	(5,036)
TOTAL NET ASSETS AT 31 DECEMBER		<u>1,521,731</u>	<u>80,842</u>	<u>1,602,573</u>	<u>1,341,131</u>	<u>66,894</u>	<u>1,408,025</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on page 6 and these Financial Statements should be read in conjunction with that Report.

The notes on pages 28 to 44 form an integral part of these financial statements.

These financial statements were approved by the Trustee on 28 June 2018 and were signed on its behalf by:


Trustee Director


Trustee Director

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The MRC Pension Scheme is a defined benefit pension scheme, registered in UK at 14th Floor, One Kemble Street, London, WC2B 4AN.

2 BASIS OF PREPARATION

The individual financial statements of MRC Pension Scheme have been prepared, on a going concern basis, in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised November 2014) ("the SORP").

3 ACCOUNTING POLICIES

The following principal accounting policies have been adopted and consistently applied in the preparation of the financial statements.

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

Foreign currency transactions are translated into sterling at the rate prevailing on the date of the transaction.

The market value of investments and other assets held and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end.

Differences arising on the translation or conversion of investments are included in changes in market value.

3.3 Contributions

Contributions are accounted for in the period in which they fall due.

Employee contributions, including AVCs and added years' contributions, are accounted for when deducted from member's pay, with the exception of contributions deducted from auto-enrolled members during the opt-out period, which are accounted for on the earlier of receipt or the expiry of the opt-out period. Employer normal contributions are accounted for on the same basis as employee contributions, save where contributions are paid in advance, in which case they are accounted for on a receipts basis.

Augmentations relate to the cost of augmenting benefits of certain retiring members, as advised by the Actuary, and are accounted for in accordance with the agreement under which they are paid.

Employer additional contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.4 Benefits

Benefits are accounted for in the period in which they fall due.

Where a member has a choice about the form of their benefit, the benefit is accounted for when the member notifies the Trustee of what form of benefit they will take. Where a member has no choice about the form of benefit, the benefit is accounted for in the period of when the liability arises.

Opt-outs are accounted for when the Scheme is notified of the opt-out.

Where the Trustee is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within benefits.

Pensions in payment are accounted for in the period to which they relate.

3.5 Transfers to and from other schemes

Transfer values have been included in the financial statements when received and paid. They do not take account of members who have notified the Scheme of their intention to transfer.

Individual transfer values to and from other pension arrangements represents the amounts received and paid during the year for members who either joined or left the Scheme and are accounted for when a member exercises their option to transfer their benefit.

3.6 Valuation of investments

Investments are valued at fair value.

The majority of listed investments are stated at the bid price at the date of the Statement of Net Assets.

Listed investments are stated at bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the statement of net assets.

Fixed interest and index linked securities are stated at their clean prices. Accrued income is accounted for separately within investments.

Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

Unquoted private equity unit trust investments have been valued at the closing value as at the accounting date, as advised by the investment managers.

AVC investments are held in insurance policies and are valued at the closing surrender value of the policies as at the accounting date, as advised by the AVC providers.

Properties are recorded at the cost of the property at the time of purchase, including any capitalised stamp duty paid. Purchases also include subsequent capitalised improvement costs. Properties are subsequently revalued every year on an open market value basis. The properties were valued in compliance with RICS on 31 December 2017 by CB Richard Ellis Valuation Advisors who are members of The Institute of Chartered Surveyors. Their registered address is St Martins Court, 10 Paternoster Row, London, EC4M 7HP.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

The Trustee does not hold annuity policies in the name of the Trustee within the Scheme.

Each investment manager has a separate fee agreement. These fees are accounted for on an accruals basis.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.7 Investment income

Investment income is recognised as follows:

Dividend income from equity shares is recognised when the Scheme becomes entitled to the dividend. In the case of UK quoted shares this will be from the ex-dividend date.

Income from Bonds is accounted for on an accruals basis. Interest purchased and sold on investment transactions is recognised as income in the Fund account.

Rents are earned in accordance with the terms of the lease.

Income from cash deposits is accrued on a daily basis.

Investment income is reported net of attributable tax credits, but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

Investment Income arising from the underlying investments of the pooled investment vehicles is rolled up and either reinvested within the pooled investment vehicles and therefore is reflected in the unit price and reported within change in market value of investments, or, as agreed by the Investment Committee and on the advice of Conduent, is paid into the Scheme bank account for cashflow purposes and accounted for on an accruals basis when declared.

3.8 Expenses

Administrative expenses, insurance premiums and investment expenses are accounted for on an accruals basis.

4 CONTRIBUTIONS

	Principal Section 2017 £000	Universities Section 2017 £000	Total 2017 £000	Principal Section 2016 £000	Universities Section 2016 £000	Total 2016 £000
Employers' Contributions						
Normal contributions	9,243	8,999	18,242	10,644	11,724	22,368
Augmentations	1,691	-	1,691	1,072	-	1,072
Additional contributions	5,000	-	5,000	2,500	-	2,500
Members' Contributions						
Normal contributions	4,215	1,738	5,953	4,850	1,289	6,139
Additional voluntary contributions	148	-	148	153	-	153
Added years	236	143	379	334	131	465
	20,533	10,880	31,413	19,553	13,144	32,697

MRC paid additional Employer contributions of £5m in March 2017 and £6m in March 2018 towards the cashflow of the Principal Section. MRC paid £1.25m to the Universities Section quarterly in March, June, September and December 2017 and March 2018, and will continue to pay amounts quarterly, to meet the requirements of the Schedule of Contributions. These amounts are included within Employers' normal contributions.

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 TRANSFERS IN

	Principal Section 2017 £000	Universities Section 2017 £000	Total 2017 £000	Principal Section 2016 £000	Universities Section 2016 £000	Total 2016 £000
Individual transfers in	-	-	-	119	-	119

6 BENEFITS

	Principal Section 2017 £000	Universities Section 2017 £000	Total 2017 £000	Principal Section 2016 £000	Universities Section 2016 £000	Total 2016 £000
Pension payments	32,929	81	33,010	31,957	47	32,004
Commutations and lump sum retirement benefits	5,666	73	5,739	6,315	92	6,407
Purchase of annuity	-	-	-	26	-	26
Lump sums on death	629	-	629	276	-	276
Tax paid*	50	-	50	-	-	-
	39,274	154	39,428	38,574	139	38,713

*Taxation may arise on benefits paid or payable in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

7 TRANSFERS OUT

	Principal Section 2017 £000	Universities Section 2017 £000	Total 2017 £000	Principal Section 2016 £000	Universities Section 2016 £000	Total 2016 £000
Individual transfers out to other schemes	560	-	560	929	39	968

8 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Principal Section 2017 £000	Universities Section 2017 £000	Total 2017 £000	Principal Section 2016 £000	Universities Section 2016 £000	Total 2016 £000
State scheme payments	25	-	25	92	-	92
Refunds to members leaving service	153	-	153	235	-	235
	178	-	178	327	-	327

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 ADMINISTRATIVE EXPENSES

	Principal Section 2017	Universities Section 2017	Total 2017	Principal Section 2016	Universities Section 2016	Total 2016
	£000	£000	£000	£000	£000	£000
Administration and processing	768	33	801	713	32	745
MRC head office recharge	92	-	92	122	-	122
Actuarial fees	142	-	142	48	1	49
External audit fee	59	-	59	60	-	60
Tax services	4	-	4	8	-	8
Legal fees	99	-	99	48	-	48
Regulatory fees*	737	2	739	(148)	5	(143)
Trustee fees and expenses	55	-	55	55	-	55
Internal audit fees	45	-	45	35	-	35
Communication costs	16	-	16	32	-	32
Other expenses	5	-	5	6	-	6
	2,022	35	2,057	979	38	1,017

*Regulatory fees are negative for 2016 due to the PPF levy refund of £1.06m, which was received during the year. Three quarters of the original levy of £1.6m was recognised during the prior year.

Administrative expenses are only recognised in the Universities Section where these expenses are specifically invoiced to that section.

10 INVESTMENT INCOME

	Principal Section 2017	Universities Section 2017	Total 2017	Principal Section 2016	Universities Section 2016	Total 2016
	£000	£000	£000	£000	£000	£000
Dividends from equities	8,310	-	8,310	12,132	-	12,132
Income from bonds	3,039	-	3,039	3,204	-	3,204
Income from pooled investment vehicles	21,979	183	22,162	14,631	123	14,754
Rental income	10,488	-	10,488	10,417	-	10,417
Interest on cash deposits	18	-	18	69	1	70
Foreign currency (loss)/gain	(138)	-	(138)	(93)	-	(93)
	43,696	183	43,879	40,360	124	40,484

Included within dividends from equities is overseas investment income which has been stated gross of withholding taxes totalling £49k (2016: £71k). This represents irrecoverable withholding taxes which have been reported under 'Taxation' within the Fund Account.

11 INVESTMENT MANAGEMENT EXPENSES

	Principal Section 2017	Universities Section 2017	Total 2017	Principal Section 2016	Universities Section 2016	Total 2016
	£000	£000	£000	£000	£000	£000
Administration, management & custody	4,643	156	4,799	3,923	123	4,046
Performance measurement	125	-	125	693	-	693
Non-recoverable property expenses*	2,266	-	2,266	2,893	-	2,893
VAT recovered	(367)	-	(367)	(601)	-	(601)
	6,667	156	6,823	6,908	123	7,031

* Non recoverable property expenses are higher in 2016 due to some service charge void fees from previous years being recognised in 2016.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS

12.1 RECONCILIATION OF INVESTMENTS – PRINCIPAL SECTION

Reconciliation of investments held at beginning and end of year:

	Value at 01 January 2017	Purchases at Cost and Derivative payments	Sales Proceeds and Derivative receipts	Change in market value	Value at 31 December 2017
	£000	£000	£000	£000	£000
Equities	376,709	141,941	(143,907)	76,561	451,304
Bonds	112,567	42,473	(42,896)	2,264	114,408
Pooled investment vehicles	659,125	83,578	(71,497)	75,978	747,184
Property	172,984	9,332	(14,700)	9,939	177,555
Derivatives - net	(107)	5,795	(5,796)	126	18
AVC investments	2,476	148	(651)	253	2,226
	<u>1,323,754</u>	<u>283,267</u>	<u>(279,447)</u>	<u>165,121</u>	<u>1,492,695</u>
Cash deposits	14,779				28,506
Accrued Income	3,291				4,557
Property debtors	2,619				1,900
Other investment assets	539				848
Property creditors	(2,245)				(3,302)
Other investment liabilities	<u>(2,276)</u>				<u>(2,238)</u>
	<u>1,340,461</u>				<u>1,522,966</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

The liquidity of the underlying investments of the Scheme varies across asset classes and according to market conditions. For example, the property portfolio is, by its nature, less liquid than the equity holdings. Where the investments are held in pooled vehicles, contract terms can also restrict realisation. The exceptions are investments held in the alternatives portfolio, where some specialist investment managers have an initial lock up on money of up to three years, with liquidity thereafter occurring only on specific monthly, quarterly or annual dates.

During the year the Scheme maintained its holdings of private equity and infrastructure. By 31 December 2017, the Scheme held private equity investments with Partners Group of £16,638,000 (2016: £14,618,000); BlackRock of £125,000 (2016: £179,000), Hg Capital of £29,234,000 (2016: £28,413,000) and infrastructure with Infracapital of £26,021,000 (2016: £46,699,000). These holdings total 4.5% (2016: 6.4%) of the Scheme's net assets.

12.2 RECONCILIATION OF INVESTMENTS – UNIVERSITIES SECTION

	Value at 01 January 2017	Purchases at Cost and Derivative payments	Sales Proceeds and Derivative receipts	Change in market value	Value at 31 December 2017
	£000	£000	£000	£000	£000
Pooled investment vehicles	66,335	10,388	-	3,230	79,953

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.3 CONCENTRATION OF INVESTMENTS

The following assets account for more than 5% of the Scheme's net assets at 31 December 2017

	2017	2017	2016	2016
	£000	%	£000	%
L&G FTSE All-Share ex Tob Equ Ind	145,029	9.0	132,301	9.4
L&G Europe (Ex-UK) Index – Hedged	98,147	6.1	84,447	6.0
Morgan Stanley Global Equity index	91,686	5.7	73,392	5.2

12.4 TRANSACTION COSTS

Included within the purchases and sales figures are direct transaction costs of £2,116,000 (2016: £3,350,000). Direct transaction costs incurred are analysed below:

	Fees	Commission	Stamp Duty	Total	Total
	£000	£000	£000	2017 £000	2016 £000
Equities	246	38	330	614	876
Property	1,220	-	282	1,502	2,474
	1,466	38	612	2,116	3,350

There are no direct transaction costs associated with Bonds trading in either section as these are accounted for by a price adjustment. Costs are also borne by the Scheme in relation to transactions in pooled investment vehicles. These are accounted for by an adjustment of the bid/offer spread of units. It has not been possible for the Trustee to quantify such indirect transaction costs.

Details of investments held at year end

12.5 PROPERTY

	2017	2016
	£000	£000
UK freehold property	162,030	158,629
UK leasehold property	15,525	14,355
	177,555	172,984

During the year the Scheme purchased an office property in Chelmsford for £5,850,000 and sold a retail unit in Bracknell for £14,700,000.

The properties are stated at open market value determined by CBRE Ltd, a member of the Royal Institute of Chartered Surveyors, which is independent of the Trustee and Employer, and who have experience in the areas in which the properties are located. Valuations are performed as at 31 December each year. The principal assumptions on which the valuations are based are rental income from the current tenants, the remaining term of current leases and market rents by area for the locations in which the properties are based.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.6 POOLED INVESTMENT VEHICLES

	Principal Section 2017 £000	Universities Section 2017 £000	Total 2017 £000	Principal Section 2016 £000	Universities Section 2016 £000	Total 2016 £000
Equity	457,567	-	457,567	393,240	-	393,240
Bonds	63,784	79,953	143,737	28,673	66,335	95,008
Private equity	45,997	-	45,997	43,529	-	43,529
Infrastructure	26,021	-	26,021	46,699	-	46,699
Property	153,815	-	153,815	146,984	-	146,984
	747,184	79,953	827,137	659,125	66,335	725,460

12.7 DERIVATIVES

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme.

	2017 Assets £000	2017 Liabilities £000	2016 Assets £000	2016 Liabilities £000
Forward foreign exchange	18	-	-	(107)

12.8 DERIVATIVE CONTRACTS OUTSTANDING

Forward Foreign Exchange Contracts

The Scheme enters into Forward Foreign Exchange contracts to hedge against future currency fluctuations with regard to the holdings in foreign currencies.

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	2017 Asset £000	2017 Liability £000
Forward (OTC)	8 March 2018	GBP1,691	JPY 257,359	14	-
Forward (OTC)	8 March 2018	GBP 876	USD 1,188	4	-
				18	-

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	2016 Asset £000	2016 Liability £000
Forward (OTC)	9 March 2017	GBP 648	AUD 1,110	-	(2)
Forward (OTC)	9 March 2017	GBP 504	CAD 836	-	(10)
Forward (OTC)	9 March 2017	GBP 1,823	JPY 262,245	-	(11)
Forward (OTC)	9 March 2017	GBP 2,782	USD 3,443	-	(66)
Forward (OTC)	9 March 2017	EUR 45	GBP 38	-	(18)
				-	(107)

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.9 AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main fund to secure additional benefits on a money purchase basis for those members who have elected to pay Additional Voluntary Contributions.

Members participating in this arrangement receive an annual statement made up to 31 December each year, confirming the amounts held to their account and movements during the year.

The amount of AVC investments held at the year-end are as follows:

	2017 £000	2016 £000
Equitable Life	491	448
Standard Life	1,735	2,028
	<u>2,226</u>	<u>2,476</u>

12.10 CASH DEPOSITS

	2017 £000	2016 £000
UK Cash	27,663	13,912
Overseas Cash	843	867
	<u>28,506</u>	<u>14,779</u>

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.11 FAIR VALUE HEIRARCHY

In March 2016, an amendment was made to FRS 102 revising the fair value disclosure requirements for retirement benefit schemes. This amendment applies for accounting periods commencing 1 January 2017 as set out below:

- Level 1 The unadjusted quoted price for an identical asset in an active market
- Level 2 Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 Inputs are unobservable for the asset or liability

For the purposes of this analysis daily priced funds have been included in Level 1, weekly priced funds in Level 2, and monthly net asset values for Private Equity funds in Level 3.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3	Total 2017
	£000	£000	£000	£000
Bonds	114,054	354	-	114,408
Equities	451,304	-	-	451,304
Pooled investment vehicles*	-	601,303	225,834	827,137
Property	-	-	177,555	177,555
Derivatives – net	-	18	-	18
AVC investments	-	2,226	-	2,226
Cash	28,506	-	-	28,506
Other investment balances - net	1,765	-	-	1,765
	595,629	603,901	403,389	1,602,919

	Level 1	Level 2	Level 3	Total 2016
	£000	£000	£000	£000
Bonds	111,318	1,249	-	112,567
Equities	376,709	-	-	376,709
Pooled investment vehicles*	-	488,248	237,212	725,460
Property	-	-	172,984	172,984
Derivatives – net	-	(107)	-	(107)
AVC investments	-	2,476	-	2,476
Cash	14,779	-	-	14,779
Other investment balances - net	1,928	-	-	1,928
	504,734	491,866	410,196	1,406,796

*Pooled investment vehicles include those held by the Universities Section

The SORP also requires analysis of direct property by category in paragraph 11.27 of FRS102. Direct property included above is included at a fair value determined by a valuation technique (category c) as explained in note 12.5.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.12 INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment manager agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposure to credit and market risks is set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(i) Credit Risk

The Scheme is subject to credit risk because of the direct investments in bonds and has cash balances through its segregated mandates. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in respect of the pooled fund units held and indirectly exposed to credit risks from the underlying assets held within the pooled funds.

Direct credit risk is mitigated either by the underlying assets of the pooled arrangements being ring-fenced from the assets of the investment manager or, in the case of insurance policies, by capital requirements and the Prudential Regulatory Authority's regulatory oversight. The table below sets out the types of pooled fund and segregated mandates used within the Scheme.

Principal Section:

Investment Manager	Fund/Portfolio name	Fund type
LGIM	UK Equity (ex-Tobacco) Index Fund	Unit-Linked Insurance Policy
	North America Equity Index Fund – GBP Hedged	Unit-Linked Insurance Policy
	Europe (ex UK) Equity Index Fund	Unit-Linked Insurance Policy
	Europe (ex UK) Equity Index Fund – GBP Hedged	Unit-Linked Insurance Policy
	Japan Equity Index Fund – GBP Hedged	Unit-Linked Insurance Policy
Mirabaud	UK Equity Portfolio	Segregated Portfolio
Montanaro	UK and European Equity Small Cap Portfolio	Segregated Portfolio
First State	Asia Pacific Equity Portfolio	Segregated Portfolio
Morgan Stanley	Emerging Markets Offshore Fund	Unregistered Private Placement
Baillie Gifford	Global Alpha Equity Portfolio	Segregated Portfolio
TH-Real Estate	Segregated Property Portfolio (and Pooled Investments)	Segregated Portfolio
Aviva	Lime Property Fund Unit Trust	Jersey Property Unit Trust
M&G	Secured Property Income Fund	Guernsey Property Unit Trust
Infracapital	Partners II	English Limited Partnership (AIF)
	Greenfield Partners I	English Limited Partnership (AIF)
	Direct Infrastructure 2015	Closed-Ended LP structure
Partners Group	Global Value 2011	Closed-Ended LP structure
	MUST 3, Hg5, Hg6, Hg7 and Mercury TMT	Limited Partnership
HgCapital	Private Equity (Vesey Street)	Closed-Ended LP structure
BlackRock	Absolute Return Bond (and Defender)	UCITS
GAM	Bond Portfolio	Segregated Portfolio
RLAM		

Universities Section

Investment Manager	Fund name	Fund type
RLAM	Index Linked	Unit-Linked Insurance Contract
	UK Long Corporate Bond	Unit-Linked Insurance Contract

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In addition, investments are made only with suitably regulated investment managers. The Trustee carries out due diligence checks when appointing new investment managers to ensure the credit risk to which the Scheme will be exposed through the appointment is appropriate. The auditor is also authorised to carry out any checks required on this as part of the audit process.

Indirect credit risk arises primarily through the bond assets held and is mitigated by the use of suitably diversified segregated mandates and pooled funds, and by some of these investments being held in investment-grade bonds.

The key sources of credit risk at year-end are set out below – all of these funds are treated as being 100% exposed to indirect credit risk:

Principal Section

Source of credit risk	Exposure at start of year (£'000)	Exposure at end of year (£'000)	% of section's assets at year end
RLAM Corporate Bonds (direct, segregated)	59,506	58,852	3.7
RLAM Index-Linked Gilts (direct, segregated)	53,606	55,555	3.5
RLAM Sterling Extra Yield Bonds (indirect, pooled)	3,110	3,558	0.2
GAM Absolute Return Bonds (indirect, pooled)	25,563	60,226	3.8

Universities Section

Source of credit risk	Exposure at start of year (£'000)	Exposure at end of year (£'000)	% of section's assets at year end
RLAM UK Corporate Bonds (indirect, pooled)	15,613	19,582	24.5
RLAM Index Linked Bonds (indirect, pooled)	50,722	60,371	75.5

The corporate bond allocations in the Principal Section and University Section listed above invest predominantly in investment grade assets, whilst the RLAM Sterling Extra Yield Bond Fund (an allocation within RLAM's Segregated Bond Portfolio) invests mainly in sub-investment grade or unrated bonds and GAM's Absolute Return Bond Funds invest in a wide range of corporate and government bonds, and derivative instruments.

In the past, UK government bonds were assumed to be risk-free. However, since the credit worthiness was downgraded to AA from AAA, we have now included this in the tables above, even though it is widely accepted that UK government bonds are still deemed to be broadly risk-free.

The return expected from all of the above assets is believed to be sufficient to compensate for the level of credit risk involved.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Scheme is subject to currency risk as a number of the underlying investments held through its segregated mandates and pooled fund arrangements are held in non-Sterling denominated securities. Currency hedging is applied at the total pooled fund level for some of the Scheme's holdings. The Trustee actively hedges some of the currency exposure within its passive regional equity funds; however no overall currency overlay applies.

The net unhedged exposures (after allowing for this hedging) at the year-end are:

Principal Section

Source of currency risk	USD exposure (£'000)	EUR exposure (£'000)	JPY exposure (£'000)	Other exposures (£'000)	Total non-sterling exposure at 2017 (£'000)	Total non-sterling exposure at 2016 (£'000)
Segregated equities	116,733	24,485	24,264	113,113	278,595	225,229
Pooled equities	18,610	39,155	-	86,934	144,699	148,104
Pooled private equity	10,324	7,868	-	5,242	23,434	23,513
Pooled infrastructure	6,396	521	-	324	7,241	5,525
Total Scheme	152,063	72,029	24,264	205,613	453,969	402,371

The University Section is solely invested in UK government and corporate bonds via pooled investment vehicles therefore there is no related currency exposure.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Scheme is primarily subject to interest rate risk from the bond assets which it holds through its segregated mandate and pooled fund arrangements. This includes the use of gilts, corporate bonds and swaps to obtain interest rate exposure. The Scheme may also have some interest rate risk through its GAM Absolute Return Bond pooled fund investments. This has not been included below due to the nature of the vehicle and the varying degree of interest rate exposure at any one point in time (i.e. typically these funds are duration neutral).

The assets which are exposed to interest rate risk are primarily being held in order to offset the interest rate risks to which the Scheme would otherwise be exposed through its liabilities, as well as acting as a diversified asset class to equities. As such, these assets are viewed as risk-reducing for the Scheme overall.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The key sources of interest rate risk are set out below:

Principal Section

Source of interest rate risk	Exposure at start of year (£'000)	Exposure at end of year (£'000)	% of section's assets at year end
RLAM Index-Linked Gilts (segregated)	53,060	55,555	3.5
RLAM Corporate Bonds (segregated)	59,506	58,852	3.7
RLAM Sterling Extra Yield Bonds (pooled)	3,110	3,558	0.2

Universities Section

Source of interest rate risk	Exposure at start of year (£'000)	Exposure at end of year (£'000)	% of section's assets at year end
RLAM Index Linked Bonds (pooled)	50,722	60,371	75.5
RLAM UK Corporate Bonds (pooled)	15,613	19,582	24.5

(iv) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme is subject to other price risks (directly and indirectly) in relation to the equities and other assets held through its segregated mandates and pooled funds, respectively. This risk is managed through the Scheme's chosen investment strategy, by giving appropriate consideration to the size of the allocations to make to these types of investments. It is also managed through using segregated and pooled funds which invest in a suitably diversified manner, or which, when combined into the overall portfolio, provide this suitable level of diversification.

The key sources of other price risk are listed below.

Principal Section

Source of other price risk	Exposure at start of year (£'000)	Exposure at end of year (£'000)	% of section's assets at year end
Equity segregated investments	376,709	451,304	28.2
Equity pooled fund investments	393,240	457,567	30.0
Property segregated investments	172,984	177,555	11.1
Property pooled fund investments	146,984	153,815	9.6
Infrastructure pooled fund investments	46,699	26,021	1.6
Private equity pooled fund investments	43,351	45,997	2.8

The University Section is solely invested in UK government and corporate bonds via pooled investment vehicles therefore there is no other price risk.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 TAX

The MRC Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from income tax and capital gains tax except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

14 CURRENT ASSETS

	Principal Section 2017 £000	Universities Section 2017 £000	Total 2017 £000	Principal Section 2016 £000	Universities Section 2016 £000	Total 2016 £000
Cash balance	1,813	461	2,274	1,582	205	1,787
Contributions due						
- from employer	1,360	344	1,704	825	268	1,093
- in respect of employees	654	162	816	401	128	529
Pensions paid in advance	2,765	-	2,765	2,691	-	2,691
VAT receivable	46	-	46	-	-	-
Other debtors	219	-	219	164	1	165
	6,857	967	7,824	5,663	602	6,265

All contributions due at the year-end have been paid to the Scheme subsequent to the year end in accordance with the Schedule of Contributions.

15 CURRENT LIABILITIES

	Principal Section 2017 £000	Universities Section 2017 £000	Total 2017 £000	Principal Section 2016 £000	Universities Section 2016 £000	Total 2016 £000
Unpaid benefits	662	7	669	173	2	175
Due to employer*	5,534	-	5,534	2,691	-	2,691
Accrued expenses	1,893	45	1,938	1,984	41	2,025
VAT payable	-	-	-	145	-	145
Other creditors	3	26	29	-	-	-
	8,092	78	8,170	4,993	43	5,036

* Amounts due to the employer are in respect of pensions payroll for November and December 2017.

16 RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 102 the Trustee is deemed to be a "related party" of the Scheme. With the exception of the Chairman, the other Directors of the Trustee Company have an interest as either a pensioner or active member of the Scheme due to their service as an employee with the employer.

During the year ended 31 December 2017, payments totalling £30,000 (2016: £28,000) were paid by the Medical Research Council to the Chair of the Trustee and Investment Subcommittee and then re-charged to the Scheme. This amount is included within Trustee fees and expenses in Note 9, on page 32.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Scheme also pays an allowance of £3,000 per annum, payable quarterly in arrears, for three pensioner Trustee Directors regarding their attendances at both the Trustee and Investment Subcommittee meetings. Furthermore, the Scheme pays an attendance allowance of £5,000 per annum for Mr Ballantine as a co-opted member of the Investment Subcommittee. These amounts are included within the Trustee fees and expenses in Note 9, on page 32.

During the year, the Scheme also paid £11,275 (2016: £9,469) of Trustee Director expenses for attendances at both the Trustee and Investment Subcommittee meetings. This amount is included within Trustee fees and expenses in Note 9, on page 32.

The Medical Research Council have re-charged the Scheme for administration and processing fees of £122,210 (2016: £122,329). These amounts are included within the administration expenses in Note 9, on page 32.

Other than as disclosed elsewhere in these financial statements there were no other related party transactions during the year ended 31 December 2017.

There were no employer-related investments made during the year, or held at the year end.

17 TRANSFERS BETWEEN SECTIONS

There were no transfers between sections during the year.

18 CAPITAL COMMITMENTS

The Scheme had the following capital commitments at 31 December 2017

Fund	CCY	Commitment '000	Drawn down 2017 '000	Drawn down 2016 '000
HgCapital 5 LP private equity	GBP	6,000	4,651	4,651
HgCapital 6 LP private equity	GBP	10,000	9,373	9,612
Hg Capital 7 E LP private equity	GBP	15,000	14,122	11,587
HgCapital Mercury C LP Private equity	GBP	5,000	4,485	4,143
Infracapital infrastructure	GBP	60,000	38,933	31,257
Infracapital greenfields	GBP	30,000	2,517	-
Partners Group private equity	EUR	12,000	9,302	8,774
Partners Group private equity	USD	31,000	9,032	6,624

19 SUBSEQUENT EVENTS

MRC paid £6m in March 2018 to the Principal Section towards cash flow and in anticipation of a gradual increase in the employer contribution rate of the Scheme. MRC also paid £1.25m in March 2018 to the Universities Section and will continue to pay amounts quarterly, to meet the requirement of the Schedule of Contributions.

20 CONTINGENT ASSETS/LIABILITIES

As at 31 December 2017, the Scheme held no contingent assets or liabilities (2016: £nil).

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2017

ACTUARIAL CERTIFICATES

Principal Section

ACTUARIAL STATEMENT MADE FOR THE PURPOSES OF SECTION 225 OF THE
PENSIONS ACT 2004 & REGULATION 7(4a) OF THE OCCUPATIONAL PENSION
SCHEMES (SCHEME FUNDING) REGULATIONS 2005

Name of scheme: MRC Pension Scheme: MRC Section

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the scheme's Technical Provisions as at 31 December 2016 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the Statement of Funding Principles dated 10 November 2017

Signature:



Date: 7 December 2017

Name: Sue Vivian

Qualification: Fellow of the Institute of Actuaries

Address: Finlaison House,
15-17 Furnival St
London
EC4A 1AB

Name of employer: Government Actuary's Dept

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2017

ACTUARIAL CERTIFICATES

Universities Section

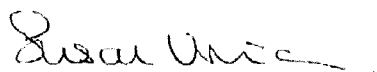
**ACTUARIAL STATEMENT MADE FOR THE PURPOSES OF SECTION 225 OF THE
PENSIONS ACT 2004 & REGULATION 7(4a) OF THE OCCUPATIONAL PENSION
SCHEMES (SCHEME FUNDING) REGULATIONS 2005**

Name of scheme: MRC Pension Scheme: University Section

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the scheme's Technical Provisions as at 31 December 2016 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the Statement of Funding Principles dated 30 November 2017

Signature:



Date: 7 December 2017

Name: Sue Vivian

Qualification: Fellow of the Institute of Actuaries

Address: Finlaison House,
15-17 Furnival St
London
EC4A 1AB

Name of employer: Government Actuary's Dept

