MRC PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

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TRUSTEE AND ADVISERS

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Professor Kelvin Cain PhD*
Geoff Der* (resigned 30 November 2023)
Hugh Dunlop
Louise McFarlane
Kevin Moreton PhD
Professor Ian Jackson PhD*
Carole Walker
David Brittain*
Allan MacLean PhD* (appointed 1 December 2023)
* Member Nominated Trustee Director

Investment committee
John Preston (Chair)
Professor Kelvin Cain PhD
Professor Howard Cooke PhD# (resigned 30 November 2023)
Hugh Dunlop
Geoff Der (resigned 30 November 2023)
Professor Ian Jackson (appointed 1 December 2023)
Jayne Atkinson#
Peter Morgan PhD#
#Co-opted member of the Committee

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Jim Clerkin FPMI, FCII, Dip-IEB (resigned 30 June 2023)
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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 Mercer in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries. Subsequent to the year end, the Mercer Limited UK pension administration business was acquired by Aptia UK Limited. As a result of the acquisition, Mercer Limited has transferred the pension administration service for the Scheme to Aptia UK Limited, effective from 1 January 2024.

As detailed further on page 10 with effect from 1 April 2018, the Medical Research Council (MRC) was absorbed into United Kingdom Research and Innovation (UKRI) and UKRI replaced Medical (MRC) as principal sponsoring employer. There are nine Directors of M.R.C. Pension Trust Limited, collectively referred to as "Trustee Directors", or "the Board". The Board is referred to as "The Trustee" in this report. Five Trustee Directors are appointed and can be removed by the principal sponsoring employer, including the Chair. The other four Trustee Directors are nominated by the members of the Scheme and are known as Member Nominated Trustee Directors. The nomination and election process for these Trustee Directors 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.

The Board has considered the guidance issued by The Pension Regulator on 28 March 2023 on improving Equality, Diversity and Inclusion (EDI) on the governing bodies of pension schemes, insofar as it can within the Scheme membership.

The retirement benefits of the Scheme for members joining prior to 1 April 2018 are generally an annual pension comprising 1/80th 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 have been receiving pension benefits on career average pensionable salary and retirement age linked to State pension age. The annual accrual rate is 1/60th for each year of service, with a lump sum available through pension commutation.

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 with the MRC 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. For members entitled to a career average pension, the equivalent contingent pension for an adult dependent is 1/160th for each year of service, which is the same rate of accrual for members with service prior to 1 April 2018.

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 with the MRC 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 Utmost Life and Pensions Services Limited (formerly Equitable Life) and Standard Life Assurance Limited. The option to buy additional years of service was withdrawn with effect from March 2014, however, members who selected the option prior to this date are able to continue to contribute. Since April 2006, members have the option to take some of or the entire AVC fund as a tax-free lump sum on retirement.

TRUSTEE'S REPORT (CONTINUED)

Annual pensions in payment (or preserved in the Scheme) are eligible for increases awarded by Pension Increases (Review) Orders which historically 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, as part of UKRI, 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 the office of the Secretary to the Trustee as given on page 2, or on the member website at www.mrcps.co.uk. 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 Universities Section within the Scheme with effect from January 2014, which is funded by participating universities and UKRI 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.

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

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 M.R.C. Pension Trust Limited whose Directors are listed on page 2.

The Trustee Company

The Trustee met on 3 occasions during the year and the Investment Subcommittee (now Investment Committee) met on 6 occasions during the year.

Scheme specific Trustee training took place in January 2023, 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.

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.

TRUSTEE'S REPORT (CONTINUED)

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 Trustee 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 2022. This was the sixth actuarial valuation that was the subject to the Scheme Specific Funding Requirements of the Pensions Act 2004.

The Trustee set up a Valuation Working Group in 2022 to consider the implications of Scheme maturity, future cashflow needs and funding guidance issued by the Pensions Regulator. On the basis of discussions held by the Valuation Working Group with the Actuary and approved by the Trustee, the preferred approach to the Statutory Funding Objective was to adopt a new discount rate Methodology.

The new discount rates are set with reference to the market implied yields on UK government bonds plus a premium to allow for returns from growth assets such as equities and property held by the Trustee. This premium differs for pre-retirement and post-retirement for the Technical Provisions. Both the MRC and Universities Sections follow this approach, with the premia chosen prudently for each section depending on its investment strategy and maturity.

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, the discount rate has been set as 2.5% p.a. above pre-retirement and 0.5% p.a. above post-retirement for the MRC Section, and 0.6% p.a above pre-retirement and 0.25% p.a above post-retirement for the Universities Section. It has been assumed that general salary increases will exceed consumer price inflation (CPI) by 1.5% p.a. These assumptions will be reviewed as part of the 2025 valuation.

The results of the 2022 valuation were agreed by the Trustee and the Employer in December 2023 and showed that the MRC Section had a surplus of assets over liabilities of £582.7m and the Universities Section had a surplus of £24.5m. These surpluses corresponded to funding levels of 148% and 124% for the MRC and Universities Sections respectively.

The value of the whole Scheme's assets as at 31 December 2022 was £1,917.9m (compared with the previous valuation as at 31 December 2019, which was £1,762.0m). This reflects the significant upturn in global investment markets during the period since the last valuation.

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

	31 December 2022			31 December 2019
	MRC Section	Universities Section	Scheme Total	Scheme Total
	£m	£m	£m	£m
Liabilities	1,208.3	102.4	1,310.7	1,406.2
Assets	1,791.0	126.9	1,917.9	1,762.0
Total Scheme Surplus	582.7	24.5	607.2	355.8
Percentage	148%	124%	146%	125%

The Trustee recognises the strength of the employer covenant and the commitment UKRI has to the Scheme and considers that it is able to take a long-term view when reviewing funding levels and setting investment objectives.

The Trustee and MRC signed a Statement of Funding Principles for each section in March 2024.

TRUSTEE'S REPORT (CONTINUED)

The results of the next triennial valuation due as at 31 December 2025 are expected to be published towards the end of 2026.

If the Scheme was wound up on 31 December 2022, the actuary estimated the funding level for both the MRC Section and the Universities Section would have been 113%. Inclusion of this information does not imply that UKRI is planning to wind up the Scheme.

Actuarial Assumptions

The 2022 Actuarial Valuation was carried out by the Scheme Actuary (Mr John Coulthard of Aon) at 31 December 2022. 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 the Technical Provisions of each section of the Scheme for the 2022 valuations and for the previous valuations of each section are summarised below.

	MRC Section		Universities Section	
	31 December 2022	31 December 2019	31 December 2022	31 December 2019
	SFO[1] % p.a.	SFO % p.a.	SFO % p.a.	SFO% p.a.
Discount Rate	Pre-retirement: Aon's Gilts Prices Only gilt yield curve plus 2.5% p.a. Post-retirement: Aon's Gilts Prices Only gilt yield curve plus 0.5% p.a.	CPI inflation plus 2.2% p.a. initially reducing to plus 0% p.a. over 18 years. This equated to a discount rate of 4.2% p.a. initially reducing to 2% p.a. over 18 years	Pre-retirement: Aon's Gilts Prices Only gilt yield curve plus 0.6% p.a. Post-retirement: Aon's Gilts Prices Only gilt yield curve plus 0.25% p.a.	In line with assumed future CPI inflation, i.e. 2.0% p.a.
RPI	Aon's Gilts prices Only break-even RPI curve with no inflation risk premium deduction	N/A	Aon's Gilts prices Only break-even RPI curve with no inflation risk premium deduction	N/A
CPI	RPI inflation less 1.0% p.a. up to 2030 and RPI inflation less 0.1% p.a. thereafter	2.0	RPI inflation less 1.0% p.a. up to 2030 and RPI inflation less 0.1% p.a. thereafter	2.0
Rate of pay increase (excluding promotional increases)	CPI inflation plus 1.5% p.a.	3.5%	CPI inflation plus 1.5% p.a.	3.5%
Rate of increases to pension in payment in excess of GMPs[2]	In line with CPI	In line with CPI	In line with CPI	In line with CPI
Rate of deferred pension increases (on benefits in excess of GMPs)	In line with CPI	In line with CPI	In line with CPI	In line with CPI
Post-retirement mortality	S3PMA / S3PFA_M – CMI2021	S3NXA x-1 – ONS 18	S3PMA / S3PFA_M – CMI2021	S3NXA x-1 –ONS 18

[1]Statutory funding objective (Technical Provisions)

[2]Guaranteed Minimum Pension

[3]At the 2019 valuation, an age rating of minus 1 year was applied, and post-retirement mortality improvement assumptions were in line with the ONS 2018 population projections. At the 2022 valuation, best estimate scaling factors were applied to the mortality tables with no age rating, and post-retirement mortality improvement assumptions were in line with the CMI 2021 model.

TRUSTEE’S REPORT (CONTINUED)

As the 2022 valuation did not disclose a shortfall between the Scheme’s assets and liabilities, the Trustee has not needed to agree with the Employer a recovery plan for making good a shortfall.

The Trustee monitors continuously the funding position of the Scheme with the help of the Scheme Actuary and its investment advisers and publishes an annual summary funding statement that is sent to all members each year. In addition, a summary of the results of the 2022 actuarial valuation has been sent to all members in Q2 2024.

The Financial Statements set out on pages 30 to 48 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 56 and 57.

Contributions

Employers’ contributions

The Trustee and UKRI considered the valuation results very carefully, together with the advice given by the Scheme Actuary. They concluded that it would be appropriate for MRC (now UKRI) to continue making employer contributions to the MRC Section at a rate of 16% of pensionable salary. All other participating employers will contribute at a rate of 16.9% of pensionable salary.

Following the 2022 valuation, UKRI changed its contribution rate to the Universities Section from 27.1% of pensionable salary to 13.3% with effect from 13 March 2024 to reflect the cost of new benefits accruing.

During the year to 31 December 2023, UKRI made an additional payment of £3.5m in March 2023 into the Universities Section, on top of their regular quarterly payments in accordance with the Schedule of Contributions in force at the time.

Employees’ contributions

Most active members will contribute to the MRC or Universities Sections of the Scheme either at the rate of 6.5% of Salary (Normal Retirement Age 65 members) or at a rate of 6.25% of Salary (Normal Retirement Age 60 members). A small minority of members have reserved rights to contribute to the Scheme at the rate of 5.25%, 5.5% or 6% of Salary. These rates are set out in the Rules of the Scheme.

Governance

The Trustee, through its Board of Trustee Directors, take the management of the Scheme very seriously and endeavour to follow best practice in their approach to Scheme governance, subject to justifiable fees and costs.

The Trustee produces an annual business plan against which Scheme performance can be measured. The Chair 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.

Subsequent to the year end, the Mercer Limited UK pension administration business was acquired by Aptia UK Limited. As a result of the acquisition, Mercer Limited has transferred the pension administration service for the Scheme to Aptia UK Limited, effective from 1 January 2024.

There has been no change to the strength of the principal employer's covenant or commitment to the Scheme, which is regularly monitored and reviewed by the Trustee, and its external Covenant Advisor, PwC, who considers the covenant to be “Strong”. Members have the additional protection of the PPF should UKRI, as principal sponsoring employer, ever fall into financial difficulty.

TRUSTEE'S REPORT (CONTINUED)

Internal Controls

The Trustee maintains a register of key risks and BDO 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. The current Risk Register is scheduled for a further substantive review to take account of a continuously changing regulatory landscape by the end of 2024.

Bribery Act 2011 and Conflicts of Interest

The Trustee's conflicts of interest policy consists of the Bribery Act 2011 in relation to gifts and hospitality. The policy was updated in June 2023. The Trustee also maintains a register of interests, which is reviewed by the Secretary each year. Trustee Directors are required to declare any conflicts arising from agenda items at the start of every Trustee Board and Investment Committee meeting.

Inflation

The Trustee is aware of the rising cost of living and the implication it has for the funding of the Scheme. The effects of inflation were given consideration during formal discussions about the 2022 Actuarial Valuation, from both a funding and investment policy perspective.

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 May 2018 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 Trustee and certain professional advisers including the Government Actuary's Department, Aon and Mercer 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. Leaving the European Union has not affected GDPR in the UK. The Trustee and its 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, which was updated in November 2021.

UK Research and Innovation

The Higher Education and Research Act 2017 paved the way for the creation of United Kingdom 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.

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.

The Trustee works closely with UKRI, particularly in regard to the most recent triennial actuarial valuation as at 31 December 2022.

TRUSTEE'S REPORT (CONTINUED)

Membership

Details of the membership of the Scheme as at 31 December 2023 are given below:

Members can be included in both the Main Section and the Universities Section.

	MRC Section 2023	**Universities Section 2023**	**Total 2023**	Total 2022
ACTIVE MEMBERS				
Active members at the start of the year	**1,222**	**391**	**1,613**	1,664
Adjustments from prior year**	**(4)**	**(23)**	**(27)**	17
New entrants in the year*	**189**	**-**	**189**	171
Retirements	**(31)**	**(13)**	**(44)**	(50)
Death in service	**(4)**	**(1)**	**(5)**	(4)
Members leaving with preserved benefits	**(85)**	**(10)**	**(95)**	(134)
Leavers with benefits pending	**(39)**	**-**	**(39)**	(30)
Members leaving with a refund/set to no liability	**(23)**	**-**	**(23)**	(21)
ACTIVE MEMBERS AT THE END OF THE YEAR	**1,225**	**344**	**1,569**	1,613
PENSIONERS				
Pensioners at the start of the year	**3,275**	**171**	**3,446**	3,366
Adjustments from prior year**	**34**	**5**	**39**	21
Members retiring during the year	**128**	**15**	**143**	132
New spouse and dependent pensioners	**22**	**-**	**22**	46
Pensions ceased (including deaths)	**(79)**	**(1)**	**(80)**	(119)
PENSIONERS AT THE END OF THE YEAR	**3,380**	**190**	**3,570**	3,446
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS				
Number at the start of the year	**4,498**	**644**	**5,142**	5,111
Adjustments from prior year**	**(14)**	**9**	**(5)**	(5)
Leavers during the year with preserved benefits	**85**	**10**	**95**	134
Pension sharing order	**3**	**-**	**3**	-
Deferred pensioners becoming pensioners	**(97)**	**(2)**	**(99)**	(82)
Transfers out during the year	**(6)**	**(1)**	**(7)**	(8)
Commutations	**(3)**	**-**	**(3)**	(4)
Deaths	**(1)**	**(2)**	**(3)**	(4)
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS AT THE END OF THE YEAR	**4,465**	**658**	**5,123**	5,142
*Pending members** **(as shown on the following page)**	**264**	**14**	**278**	267
TOTAL MEMBERSHIP AT THE END OF THE YEAR	**9,334**	**1,206**	**10,540**	10,468

Pensioner members include 479 (2022: 464) beneficiaries and dependants 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.

*New entrants to the Scheme are shown net of auto-enrolled members who opt out within three months of joining.

** Adjustments from prior year include members for whom the status relating to the prior year was changed after the membership data was extracted and cleansed. There are 5 adjusted pensioners from preserved and 27 adjusted to actives.

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 1 July; 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 by Aptia (formerly Mercer) process all leavers who left between 1 July and the date when the salary increase was agreed are processed. The 2023 pay award was implemented by UKRI in December 2023.

The impact is dependent on the length of delay in settling the pay review.

	MRC Section 2023	**Universities Section 2023**	**Total 2023**	Total 2022
PENDING MEMBERS*				
At the start of the year	**252**	**15**	**267**	253
Adjustments from prior period	**(7)**	**-**	**(7)**	(1)
New leavers with benefits pending	**39**	**-**	**39**	43
Leavers with refunds	**(5)**	**(1)**	**(6)**	(21)
Transfer out	**(15)**	**-**	**(15)**	(7)
Total	**264**	**14**	**278**	267

*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.

Financial development of the Scheme

The financial statements on pages 30 to 48 show that the value of the Scheme's assets increased during the year by £85.0m to £2,005.2m as at 31 December 2023. The increase was comprised of net withdrawals from dealings with members of £30.5m and a net increase in investment returns of £115.5m. 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.

Benefits paid

The benefits paid during the year to retiring members and to relatives and dependants of deceased members are shown in note 5 of the financial statements.

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 Trustee accepted the actuarial advice and adopted the new tables for Club transfers. The Trustee also adopted revised non-Club transfers.

In 2010, the Trustee 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.

TRUSTEE'S REPORT (CONTINUED)

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

The Trustee and Aptia have signed up to the Pension Regulator's pledge to protect members from pension scams.

Pension Increases

The increase awarded in April 2023 was 10.1%. There were no discretionary increases.

Deferred pensions were increased in line with statutory requirements.

Additional voluntary contributions

Additional voluntary contributions (AVCs) shown in note 4 of the financial statements 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 Trustee's behalf by Utmost Life and Pensions Services Limited and Standard Life Assurance Limited. Members' contributions to the money purchase AVC schemes are deducted from salary and paid direct to Utmost Life and Pensions 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 38 (2022: 37) members contributed to money purchase AVCs as at 31 December 2023; the total value of the accumulated AVC funds held by Utmost Life and Pensions and Standard Life at that date was £2.5million (2022: £2.4million).

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 Utmost Life and Pensions 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 Mercer.

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

Scheme administration

During 2023, Mercer produced Benefit Statements for active members of the Scheme and these were distributed during June 2023. Pension Savings Statements covering the 2022/2023 tax year were issued in July 2023. Copies of the summarised version of the 2022 Annual Report were circulated in September 2023. These are annual communication exercises undertaken by the Director of MRC Pensions and facilitated by Mercer on behalf of the Trustee. Subsequent to the year end, the Mercer Limited UK pension administration business was acquired by Aptia UK Limited. As a result of the acquisition, Mercer Limited has transferred the pension administration service for the Scheme to Aptia UK Limited, effective from 1 January 2024.

Aptia works closely with the staff at UKSBS, UKRI'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, Aptia also works 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 Trustee, with the assistance of Mercer, has taken the necessary steps to deal with the administration changes necessitated by the 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)

TRUSTEE'S REPORT (CONTINUED)

of 1 April to 31 March. The annual allowance of £50,000 was reduced to £40,000 with effect from April 2014. The tapering of the annual allowance, introduced in 2016 for high earners, was relaxed from April 2020. The standard annual allowance for the 2023/24 tax year is £60,000. However, the annual allowance is tapered (reduced) for higher earners.

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 LTA was index-linked from April 2018, but has been frozen at £1,073,100, the rate for the 2020/2021 tax year, until its abolition from 6 April 2024.

The Trustee will work with Aptia to ensure compliance with the tax changes, including abolition of the Lifetime Allowance (LTA) which came into effect from 6 April 2024, following the Spring Budget and Finance (No2) Bill 2023.

The Pensions Act 2008 requires 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 and again in March 2018, which coincided with the change of principal employer from MRC to UKRI. UKRI carried out a re-enrolment exercise on 1 April 2021.

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. The proposed changes, in particular the proposed transitional arrangements, had been the subject of legal challenge. In July 2020, the Government issued a consultation on the implications of the Public Sector Pension Schemes Act 2013. The MRC Pension Scheme moved to career average for new entrant on and after 1 April 2018. There is no action required by the Trustee while the implications of the Public Service Pensions and Judicial Offices Act 2022 is being considered by UKRI. The Trustee is not aware of any plans to close the Scheme to new entrants or future accrual.

Internal Auditors

The internal Auditor provided three updates to the Trustee during the Scheme year.

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 audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

(i) 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 the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

TRUSTEE'S REPORT (CONTINUED)

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is are also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer 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 of contributions received in respect of any active member of the Scheme and for monitoring that contributions are made to the Scheme in accordance with the schedule.

The Trustee is 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, and has a general responsibility for ensuring that adequate 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.

The Trustee is responsible for the maintenance and integrity of the Scheme and for the financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 was to achieve an investment return of at least 2.2% above the rate of consumer price inflation. The strategy adopted to achieve that objective was 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 UKRI, as principal sponsoring employer, accept that this strategy may result in some volatility of return in the short term. Given the Scheme's strong accumulation of surplus over recent years, the investment strategy has been reviewed following the 2022 valuation to consider more closely the performance of both its assets and liabilities. The revised 2022 valuation basis and evolution towards two-gilts-based measures will influence the Scheme's strategy to gradually reduce its allocation to return seeking assets such as equities and manage more closely the sensitivity of the funding level to both interest rate and inflation movements through investments into fixed income assets including gilts.

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. Proper consideration is given to climate change and sustainable investment.

The mandates awarded to active managers exclude investment in tobacco. Investment managers that track an index or hold pooled funds may hold tobacco securities from time to time and this exposure is monitored by Redington. At 31 March 2023, less than 0.1% (2022: less than 0.1%) of total assets were held in tobacco securities.

TRUSTEE'S REPORT (CONTINUED)

The Trustee has taken steps since June 2011 to manage currency risk by moving assets held with State Street Global Advisers to currency hedged funds. The Trustee currently applies a 100% hedge of US Dollar denominated assets and 100% 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.

The Investment Committee ("IC") (see page 2 for membership) meet 6 times during the year to discuss and review investment performance.

The year began with prevailing themes of inflation concerns and higher interest rates but markets began to price in a 'goldilocks' scenario – falling inflation combined with resilient growth – resulting in a rally in risk assets. The positive market environment was interrupted by banking sector volatility in March 2023, following the failure of several US banks and subsequently the acquisition of Credit Suisse by UBS. This spurred a risk-off interlude, sending Treasury yields and stock prices lower in tandem, although this turmoil was shrugged off relatively quickly and the end of Q1 saw a rally in risk assets which drove an increase in the Scheme's funding level. Risk assets saw a more challenging Q3, as markets digested the risk of a 'higher for longer' inflationary environment, but both fixed income and equities performed strongly over Q4 as inflation fell more than expected. Over the year, the funding level strengthened and the annual return for 2023 was a positive return of 7.1%, net of fees.

With the help of its investment adviser, Redington, the Trustee continues to monitor investment risk closely and comply with new statutory requirements on sustainable investment and a new disclosure framework relating to the management of climate change risk. The Trustee's Task Force on Climate-related Financial Disclosures (TCFD) statement can be found on the member website at www.mrcps.co.uk.

The total investment return for the three years to 31 December 2023 was 4.9% per annum net of fees, compared to the benchmark return of 3.6%.

The Statement of Investment Principles ("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. A combined SIP covering both sections was produced in June 2020 and was reviewed on an interim basis in 2022, pending a comprehensive review scheduled for 2024.

The Trustee also follows a medium term asset allocation which gives the Investment Committee flexibility to move outside of the strategic benchmark for tactical reasons. The ranges of tactical allocation for each asset class are included in the Summary of Investment Arrangement document 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 2023 and 31 December 2022 are noted in the table below (MRC Section only):

	31 Dec 2023	31 Dec 2022
	%	%
UK Corporate Bonds	**6.8**	7.4
Index linked securities	**2.8**	2.7
UK Equities	**8.4**	14.5
Overseas Equities	**11.0**	17.9
Property (Direct)	**9.8**	10.5
Pooled investment vehicles:		
Overseas Equity	**16.5**	11.2
Private Equity	**12.1**	11.9
Private Debt	**5.6**	5.3
Infrastructure	**4.5**	4.5
Property	**9.4**	10.5
Bonds	**6.3**	0.3
Credit fund	**4.3**	-
Cash	**1.0**	1.3
AVC Funds	**0.1**	0.2
Cash deposits and other investment balances	**1.4**	1.8
	100.0	100.0

TRUSTEE'S REPORT (CONTINUED).

At the year end, the Universities Section was 71% (2022: 72%) invested in UK Pooled Investment bonds and 29% (2022: 28%) in UK Pooled Investment equities.

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 11 of the Financial Statements.

Employer related investments

There were no employer related investments held at the year-end (2022: nil).

Custodial arrangements

The Trustee has appointed State Street as custodian for RLAM, First Sentier, Invesco, and State Street Investments. For directly owned property, DLA Piper UK LLP is used for England and Wales and Brodies LLP for property owned in Scotland.

The other fund managers have appointed their own custodians and these have not been appointed by the Trustee. BDO LLP do an annual reconciliation of segregated assets held by State Street to the asset values reported by the respective segregated managers.

The custodians are responsible for the safekeeping of share certificates and other documents relating to the ownership of listed investments. Other than some directly managed property investments with Nuveen. 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 ESG and ethical investments

The Trustee attaches high importance to environmental, social and governance (ESG) 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.

The Pensions Schemes Act 2021 requires pension schemes with assets above £1bn to make additional disclosures about climate change and sustainable investment from 2023. In 2023, the Scheme produced its first Task Force on Climate-related Financial Disclosures ("TCFD") report for the scheme year ending 31 December 2022 and is currently drafting its second annual report which will be published on the Scheme's website once completed.

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. The Trustee's investment advisor, Redington, monitoring the exercising of rights (including voting rights) and reports on this to the Trustee regularly (see also information on Page 20).

TRUSTEE'S REPORT (CONTINUED)

The Trustee's policy in relation to the kinds of investments to be held

The Trustee has full regard to its investment powers as set out in the Trust Deed and Rules.

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities.
- Fixed interest and index-linked bonds.
- Cash.
- Property.
- Infrastructure.
- Private equity.
- Hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

The Trustee has considered the attributes of the various asset classes (including derivative instruments), these attributes being:

- Security (or quality) of the investment.
- Yield (expected long-term return).
- Spread (or volatility) of returns.
- Term (or duration) of the investment.
- Exchange rate risk.
- Marketability/liquidity (i.e. the tradability on regulated markets).
- Taxation.

The Trustee considers all of the stated classes of investment to be suitable to the circumstances of the Scheme. Given the size and nature of the Scheme, the Trustee has decided to invest through a combination of segregated mandates and pooled funds; any such investment is effected through a direct agreement with an investment manager.

The Trustee's policy in relation to the balance between different kinds of investments

The appointed investment managers will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major asset class each manager will maintain a diversified portfolio of investments. The relative importance placed on diversification will vary based on the nature of the investment (for example, whether it is held for liability matching or return-seeking purposes).

The Trustee's policy in relation to the expected return on investments

The Trustee anticipates the expected return of the investment strategy to at least meet the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to maintain a fully funded status under the agreed assumptions.

The Trustee's policy in relation to the realisation of investments

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustee requires the investment managers to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of the assets are not expected to take an undue period of time to liquidate.

The Trustee's policy in relation to financially material considerations

The Trustee expects its investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process. The Trustee reviews the investment managers' policy in respect of financially material considerations on an annual basis to satisfy it that it itself consistent with the above approach.

TRUSTEE'S REPORT (CONTINUED)

The Trustee's policy in relation to the extent to which non-financial matters are taken into account

The Trustee's approach is that the financial interests of the Scheme members are its first priority when choosing investments. The Trustee will take members' preferences into account if it considers it appropriate to do so.

Non-financial matters may be taken into account if the Trustee has good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members' financial interests.

If the Trustee appoints investment managers to manage a segregated portfolio of equities or bonds, the managers have been given specific instructions not to invest in the shares of those companies whose predominant business revenues come from tobacco related products. Subject to that specific exclusion, the Trustee has delegated to the investment managers the selection of individual assets and the exercise of responsible ownership of the assets selected.

Risk capacity and risk appetite

The Trustee, after seeking appropriate investment advice, has selected a strategic asset allocation benchmark for the Scheme including control ranges for each asset class and or geographic region.

Subject to their respective benchmarks and guidelines, the investment managers are given full discretion over the choice of securities and are expected to maintain a diversified portfolio.

The Trustee is satisfied that the investments selected are consistent with its investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

The Trustee's policy in relation to risks

The Trustee considers the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. The Trustee has assessed the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Scheme's Technical Provisions, and with the need to avoid undue contribution rate volatility.

In determining its investment strategy, the Trustee received advice from the investment consultant as to the likely range of funding levels for strategies with differing levels of investment risk relative to the Scheme's liability profile. Taking this into account, along with the expected returns underlying the most recent actuarial valuation, the strategy is then adopted.

Although the Trustee acknowledges that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustee recognises other contributory risks, including the following. Namely the risk:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Scheme having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Of a lack of diversification of investments.
- Of failure of the Scheme's Sponsoring Employer to meet its obligations.

The Trustee manages and measures these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

The Trustee undertakes monitoring of the investment managers' performance against their targets and objectives on a regular basis.

Each fund or mandate in which the Trustee invests has a stated performance objective against which investment performance is measured. Within each asset class, the investment managers are expected to maintain a portfolio of assets (or funds), which ensures that the risk being accepted in each type of market is broadly diversified. The divergence of the actual distribution of the investments from the benchmark weighting is monitored by the Scheme's investment managers. Any deviation from the target asset allocation is discussed periodically with the investment consultant.

TRUSTEE'S REPORT (CONTINUED)

Stewardship in relation to the Scheme's assets

The Trustee has a fiduciary duty to consider its approach to the stewardship of the investments and to generate returns at an appropriate level of risk for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long term success through monitoring, engagement and/or voting, either directly or through its investment managers.

Over 2023, the Scheme updated its Stewardship Policy which now sits in a stand-alone document, separate from the SIP. This Policy articulates how the Trustee practises effective stewardship through the oversight and challenge of investment managers, rather than the Trustee itself operating directly as stewards of the underlying assets in which the Scheme invests.

The updated Stewardship Policy has raised the expectation for managers' stewardship activities, including outlining the significance of stewardship in the selection and monitoring of investment managers, expectations for investment managers' engagement activities, and expectations for investment managers' voting activities where relevant.

As per the DWP's suggestions, the Trustee has selected a stewardship theme which the Trustee will use to channel its stewardship efforts. The Trustee recognises there is a spectrum of sustainability-related challenges that are potentially financially material but believes it will be most effective in its oversight of investment managers by focussing on one area initially. The chosen stewardship theme is "Climate Change".

Specific actions the Trustee has taken over 2023 to implement the updated Stewardship Policy are explained in the Implementation Statement on pages 49 to 53.

Significance of stewardship in appointment and monitoring of investment managers

When selecting and monitoring the Scheme's investment managers, the Trustee considers a manager's ESG and Stewardship capabilities. This information is provided by the Scheme's investment consultant and through direct conversations with investment managers.

The Trustee will not appoint new investment managers that cannot demonstrate the standards to which the Trustee holds existing investment managers. These expectations can be summarised as:

- Effective processes for and delivery of stewardship activity, alignment with leading standards, and evidence of positive engagement outcomes related to our key themes;
- Provision of tailored reporting on stewardship activities and outcomes;
- Participation as appropriate in public policy debates and the development of best practices.

Engagement

The Trustee delegates responsibility for engaging with individual issuers to the Scheme's investment managers. The Trustee expects investment managers to engage with issuers to maintain or enhance long-term value of its investments and limit negative externalities on the planet and society. The Trustee recognises that there is no 'one-size-fits-all' stewardship approach and instead encourages investment managers to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies. This can be based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other asset.

Investment managers are expected to have robust ESG, climate change, and stewardship policies and processes in place. These are used to define how underlying companies are monitored and engaged with, how progress is measured, and when escalation is required. The Trustee expects manager engagement with companies to be underpinned by engagement on public policy matters where relevant. The Trustee expect that these assessments and progress in stewardship activities are tracked over time, to maintain continuity of activity and to assess the effectiveness of stewardship delivery.

TRUSTEE'S REPORT (CONTINUED)

Voting

The Trustee delegates responsibility for the exercise of rights (including voting rights) attaching to investments to the Scheme's investment managers.

Whereas voting responsibilities are outsourced to our investment managers, the Trustee recognise they have a fiduciary and regulatory responsibility to retain agency in the process. Investment manager oversight is the key mechanism for this, and the Trustee holds its investment managers accountable not only for voting activity as a whole, but also for how they have voted in significant votes.

The Trustee deems a significant vote to be described as meeting some or all of the following criteria, in addition to being climate change-related:

- *Votes relating to an issuer to which the Scheme has a large £ exposure;*
- *Votes which may be inconsistent between investment managers (while recognising manager views may differ, votes in opposite directions may neutralise our voting influence); and*
- *Votes identified due to potential controversy, which may be driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.*

The Trustee's policy in relation to its investment managers

In detailing below the policies on the investment manager arrangements, the overriding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment managers, the Trustee considers how well each investment manager meets the Trustee's policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustee's policies**

  The Trustee has delegated the day to day management of the Scheme's assets to investment managers. Both the MRC and Universities Sections' assets are invested in a mixture of pooled funds and segregated mandates. Both pooled funds and segregated mandates have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

  The Trustee, in conjunction with its investment consultant, appoints its investment managers to meet specific Scheme policies. It expects that its investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

TRUSTEE'S REPORT (CONTINUED)

- **How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustees' investment policies**

  The Trustee expects its investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in its appointment documentation. The Trustee reviews the investment managers periodically. These reviews incorporate benchmarking of performance and fees. The time horizon for the Trustee when reviewing performance will depend on the Trustee's investment beliefs and overall objectives for investing in the specific funds or mandates when the initial investment decision was made.

  If the Trustee determines that the investment manager is no longer managing the assets in line with the Trustee policies, it will make its concerns known to the investment manager and may ultimately disinvest.

  The Trustee pays its investment managers a management fee which is a fixed percentage of assets under management. Some investment managers also receive a performance incentive fee.

  Prior to agreeing a fee structure, the Trustee, in conjunction with its investment consultant, considers the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

  The Trustee, in conjunction with its investment consultant, has processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustee receives a report which includes the turnover costs incurred by the investment managers used by the Scheme.

  The Trustee expects turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

  The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover.

  In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers**

  The Trustee does not in general enter into fixed long-term agreements with its investment managers and instead retains the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee's policies. The Trustee may also change its investment manager if the original purpose of investing in a specific fund or mandate is no longer appropriate to meet the Trustee's overall strategic objectives.

  However, the Trustee expects its manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

TRUSTEE'S REPORT (CONTINUED)

Investment Performance

The Trustee adopts a Total Scheme Benchmark as the relevant measure of investment performance. The benchmark is derived by aggregating, and weighting accordingly, the strategic benchmarks for each portfolio manager.

The table below notes the investment returns achieved by the Scheme's investments, by asset category (excluding cash), for the year to 31 December 2023.

	Year ended 31 December 2023	
	Scheme Return	**Total Scheme Benchmark**
	%	**%**
UK Corporate Bonds	8.1	6.9
UK Index-Linked Gilts	0.4	0.2
Equities	13.1	12.5
Property	-1.7	-0.2
Infrastructure	-0.6	6.9
Direct Lending	1.5	13.3
Private Equity	4.7	16.8
Total Scheme	**7.1**	**10.0**
3 years ended 31 December 2023	4.9	3.6
5 years ended 31 December 2023	7.1	5.5
10 years ended 31 December 2023	7.8	6.5

*The performance figures above exclude funds that were not invested for the full 12-month period (Baillie Gifford Global Equity mandate, Liontrust Equity mandate, Ninety One Global Equity Fund, ICG Total Credit Fund and Royal London Index Linked Fund)

As the table above shows, the overall return for the year was 7.1% after fees, which was slightly below the Total Scheme Benchmark. The Scheme's performance is above the benchmark when measured over the last 3 years, 5 years and 10 years.

For Nuveen, 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 outperformance achieved compared to the relevant MSCI benchmark. During 2023 Nuveen did outperform the relevant MSCI benchmark sufficiently to trigger a performance fee. An additional performance fee has been agreed with First Sentier (previously First State), based on performance from March 2010, which was triggered in each of the years 2014 to 2023.

TRUSTEE'S REPORT (CONTINUED)

Further information

Members are entitled to inspect copies of certain 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.

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.

Any member who has a general request for information or guidance concerning pension arrangements can contact MoneyHelper or the Money & Pensions Service (MaPS) at 120 Holborn London EC1 2TD.

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

The Trustee of MRC Pension Scheme (the 'Scheme') care of Mercer Limited (Service transferred to Aptia Group Limited) The Square, Randalls Way, Leatherhead, Surrey, KT22 7TW.

mrc_pensions@mercer.com

Or via the member portal at: Contact Mercer Admin (to be renamed in due course)

Acknowledgements

The Trustee wishes to record its thanks to Mr Geoff Der, Professor Howard Cooke, and Mr Jim Clerkin for their services to the Scheme.

This report was approved by the Trustee and signed on its behalf by:

JD PRESTON (Jul 5, 2024 15:35 GMT+1)
....
Chair

05/07/2024
....
Date

SUMMARY OF CONTRIBUTIONS

Trustee's Summary of Contributions payable under the Schedules in respect of the year ended 31 December 2023

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 employee contributions payable to the Scheme under the Schedules of Contributions certified by the actuary on 16 December 2020 for the MRC Section, and on 16 December 2020 for the Universities Section.

Contributions payable under the Schedules

	MRC Section £000	Universities Section £000	Total £000
Employer:			
Normal contributions	8,228	11,055	**19,283**
Employee:			
Normal contributions	3,308	1,116	**4,424**
Contributions payable under the Schedules (as reported on by the Scheme auditor)	**11,536**	**12,171**	**23,707**

Reconciliation of Contributions Payable under the Schedules of Contributions to Total Contributions reported in the Financial Statements			
Contributions payable under the Schedules (as above)	**11,536**	**12,171**	**23,707**
Contributions payable in addition to those due under the Schedules (and not reported on by the Scheme auditor):			
Employer:			
Augmentation contributions	1,296	-	**1,296**
Employee:			
Additional voluntary contributions	192	-	**192**
Added years contributions	71	41	**112**
Total contributions reported in the financial statements	**13,095**	**12,212**	**25,307**

Approved by the Trustee and signed on its behalf by:

JD PRESTON (Jul 5, 2024 15:35 GMT+1)
Chair

05/07/2024
Date

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

Statement about contributions

We have examined the Summary of Contributions payable under the Schedules of Contributions to MRC Pension Scheme in respect of the Scheme year ended 31 December 2023 which is set out on page 24.

In our opinion contributions for the Scheme year ended 31 December 2023 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the actuary on 16 December 2020 for the MRC section, and on 16 December 2020 for the Universities section.

Scope of work

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 at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 13, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised Schedules of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

G. Broom

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

Date 09/07/2024

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MRC PENSION SCHEME

Opinion

We have audited the financial statements of MRC Pension Scheme ("the Scheme") for the year ended 31 December 2023 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2023 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 Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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, made under the Pensions Act 1995.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee as to the Scheme's high-level policies and procedures to prevent and detect fraud as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee and Investment sub-committee meeting minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates including the Scheme administrator) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of investments. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed Schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared and unusual journal entries to cash.
- Assessing whether the judgement made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards), and discussed with the Trustee and its delegates the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the Schedules of Contributions in our statement about contributions on page 25 of the annual report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's Report (including the Report on Actuarial Liabilities, Implementation Statement, the TCFD report and the Summary of Contributions) and the actuarial certification of the Schedules of Contributions. 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 conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in its statement set out on page 13, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; 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; 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 it either intends to wind up the Scheme, or has no realistic alternative but to do so.

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

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

G. Broom

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
Date 09/07/2024

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	MRC Section £000	Universities Section £000	Total 2023 £000	MRC Section £000	Universities Section £000	Total 2022 £000
CONTRIBUTIONS AND BENEFITS							
Contributions							
Employers	4	**9,524**	**11,055**	**20,579**	8,567	14,090	22,657
Employee	4	**3,571**	**1,157**	**4,728**	3,338	1,300	4,638
Other income		**2**	**-**	**2**	-	-	-
		13,097	**12,212**	**25,309**	11,905	15,390	27,295
Benefits	5	**(50,889)**	**(1,297)**	**(52,186)**	(45,553)	(1,133)	(46,686)
Transfers out	6	**(1,074)**	**-**	**(1,074)**	(459)	-	(459)
Payments to and on account of leavers	7	**(45)**	**-**	**(45)**	(69)	-	(69)
Administrative expenses	8	**(2,362)**	**(115)**	**(2,477)**	(2,229)	(56)	(2,285)
		(54,370)	**(1,412)**	**(55,782)**	(48,310)	(1,189)	(49,499)
NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS		**(41,273)**	**10,800**	**(30,473)**	(36,405)	14,201	(22,204)
INVESTMENT RETURNS							
Investment income	9	**52,845**	**7**	**52,852**	45,359	1,005	46,364
Change in market value of investments	11	**58,664**	**9,405**	**68,069**	(168,224)	(55,755)	(223,979)
Investment management expenses	10	**(5,178)**	**(174)**	**(5,352)**	(6,650)	(390)	(7,040)
Taxation		**(76)**	**-**	**(76)**	(98)	-	(98)
NET RETURNS ON INVESTMENTS		**106,255**	**9,238**	**115,493**	(129,613)	(55,140)	(184,753)
NET INCREASE / (DECREASE) IN THE FUND DURING THE YEAR		**64,982**	**20,038**	**85,020**	(166,018)	(40,939)	(206,957)
NET ASSETS OF THE SCHEME AT 1 JANUARY		**1,793,314**	**126,879**	**1,920,193**	1,959,332	167,818	2,127,150
NET ASSETS OF THE SCHEME AT 31 DECEMBER		**1,858,296**	**146,917**	**2,005,213**	1,793,314	126,879	1,920,193

The notes on pages 32 to 48 form an integral part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31 DECEMBER 2023

	Note	MRC Section £000	Universities Section £000	Total 2023 £000	MRC Section £000	Universities Section £000	Total 2022 £000
INVESTMENT ASSETS							
Equities	11	**356,325**	**-**	**356,325**	576,326	-	576,326
Bonds	11	**176,192**	**-**	**176,192**	179,651	-	179,651
Pooled investment vehicles	11	**1,096,062**	**141,968**	**1,238,030**	801,758	118,944	920,702
Property	11	**180,800**	**-**	**180,800**	187,090	-	187,090
Derivatives	11	**22**	**-**	**22**	1	-	1
Other investment assets	11	**17,978**	**14**	**17,992**	14,126	23	14,149
AVC Investments	11	**2,538**	**-**	**2,538**	2,363	-	2,363
Cash	11	**13,601**	**8**	**13,609**	21,448	(1)	21,447
		1,843,518	**141,990**	**1,985,508**	1,782,763	118,966	1,901,729
INVESTMENT LIABILITIES							
Other investment liabilities	11	**(5,103)**	**-**	**(5,103)**	(4,046)	-	(4,046)
TOTAL INVESTMENTS		**1,838,415**	**141,990**	**1,980,405**	1,778,717	118,966	1,897,683
CURRENT ASSETS	13	**23,236**	**5,313**	**28,549**	17,048	8,099	25,147
CURRENT LIABILITIES	14	**(3,355)**	**(386)**	**(3,741)**	(2,451)	(186)	(2,637)
TOTAL NET ASSETS AT 31 DECEMBER		**1,858,296**	**146,917**	**2,005,213**	1,793,314	126,879	1,920,193

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 of the Trustee's Report and these Financial Statements should be read in conjunction with that Report.

The notes on pages 32 to 48 form an integral part of these financial statements.

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

JD PRESTON (Jul 5, 2024 15:35 GMT+1)
....

Chair

05/07/2024
....

Date

NOTES TO THE FINANCIAL STATEMENTS

1 IDENTIFICATION OF FINANCIAL STATEMENTS

The MRC Pension Scheme is a defined benefit pension scheme. The Scheme comprises two sections. The Universities Section was set up on 1 January 2014 and is funded alongside the MRC Section. The Scheme is established in UK under English Law and the registered address of the Trustee is 2nd Floor, David Phillips Building, Polaris House, North Star Avenue, Swindon, SN2 1FL.

2 BASIS OF PREPARATION

The financial statements have been prepared 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 Scheme" (revised June 2018) ("the SORP")

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustee considered the economic impact of economic events on the Scheme and the ability of the Sponsoring and Participating employers to continue to make contributions as they fall due.

The actuary prepares an annual funding update. The latest annual update as at 31 December 2022 shows a surplus of £583m for the MRC Section and a surplus of £24m for the Universities Section. Due to the funding levels no deficit contributions are due to the Scheme. The Trustee regularly monitors the strength of the employer covenant which it views as strong. The sponsoring employer UKRI is dependent on funding from the Department for Science, Innovation and Technology (formerly BEIS). The Trustee has no reason to believe that future funding will not be forthcoming from DSIT.

This assessment, together with income and capital growth from its assets gives the Trustee confidence to prepare the financial statements on a going concern basis.

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. Difference arising on the translation or conversion of cash are included in the investment income.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Employer 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.

3.4 Benefits

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

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

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.

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 (bonds) 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 the latest version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the "Red Book") as at 31 December 2023 by CBRE Ltd, Valuation Advisors who are members of The Institute of Chartered Surveyors. Their registered address is Henrietta House Henrietta Place London W1G 0NB.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 the investment consultant, 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 management expenses are accounted for on an accruals basis.

4 CONTRIBUTIONS

	MRC Section 2023	Universities Section 2023	Total 2023	MRC Section 2022	Universities Section 2022	Total 2022
	£000	£000	£000	£000	£000	£000
Employers’ Contributions						
Normal contributions	**8,228**	**11,055**	**19,283**	7,680	14,090	21,770
Augmentations	**1,296**	**-**	**1,296**	887	-	887
	9,524	**11,055**	**20,579**	8,567	14,090	22,657
Employees’ Contributions						
Normal contributions	**3,308**	**1,116**	**4,424**	3,083	1,258	4,341
Additional voluntary contributions	**192**	**-**	**192**	178	-	178
Added years contributions	**71**	**41**	**112**	77	42	119
	3,571	**1,157**	**4,728**	3,338	1,300	4,638
	13,095	**12,212**	**25,307**	11,905	15,390	27,295

MRC paid additional Employer Contributions of £3.5m in March 2023 (2022 £4.0m) towards the cashflow of the Universities section.

MRC also paid £4.7m (2022: £5.0m) to the Universities Section in 2023, and will continue to pay amounts quarterly, to meet the requirements of the Schedule of Contributions. These amounts are included within Employers’ normal contributions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 BENEFITS

	MRC Section 2023	Universities Section 2023	Total 2023	MRC Section 2022	Universities Section 2022	Total 2022
	£000	£000	£000	£000	£000	£000
Pension payments	**41,656**	**679**	**42,335**	38,065	504	38,569
Commutations and lump sum retirement benefits	**8,486**	**617**	**9,103**	6,418	629	7,047
Lump sums on death	**692**	**1**	**693**	679	-	679
Tax paid*	**55**	**-**	**55**	391	-	391
	50,889	**1,297**	**52,186**	45,553	1,133	46,686

*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.

6 TRANSFERS OUT

	MRC Section 2023	Universities Section 2023	Total 2023	MRC Section 2022	Universities Section 2022	Total 2022
	£000	£000	£000	£000	£000	£000
Individual transfers out to other schemes	**1,074**	**-**	**1,074**	459	-	459

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	MRC Section 2023	Universities Section 2023	Total 2023	MRC Section 2022	Universities Section 2022	Total 2022
	£000	£000	£000	£000	£000	£000
Refunds to members leaving service	**45**	**-**	**45**	69	-	69

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 ADMINISTRATIVE EXPENSES

	MRC Section 2023	Universities Section 2023	Total 2023	MRC Section 2022	Universities Section 2022	Total 2022
	£000	£000	£000	£000	£000	£000
Administration and processing	**765**	**35**	**800**	702	33	735
MRC head office recharge	**139**	**-**	**139**	142	-	142
Actuarial fees	**266**	**71**	**337**	146	20	166
External audit fee	**94**	**-**	**94**	74	-	74
Tax services	**2**	**-**	**2**	19	-	19
Legal fees	**138**	**-**	**138**	115	-	115
Regulatory fees	**491**	**9**	**500**	765	3	768
Trustee fees and expenses	**146**	**-**	**146**	126	-	126
Internal audit fees	**50**	**-**	**50**	50	-	50
Other professional	**250**	**-**	**250**	41	-	41
Communication costs	**14**	**-**	**14**	40	-	40
Other expenses	**7**	**-**	**7**	9	-	9
	2,362	**115**	**2,477**	2,229	56	2,285

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

9 INVESTMENT INCOME

	MRC Section 2023	Universities Section 2023	Total 2023	MRC Section 2022	Universities Section 2022	Total 2022
	£000	£000	£000	£000	£000	£000
Dividends from equities	**10,391**	**(1)**	**10,390**	14,735	357	15,092
Income from bonds	**6,811**	**-**	**6,811**	5,017	-	5,017
Income from pooled investment vehicles	**24,861**	**-**	**24,861**	14,384	-	14,384
Net rental income	**11,078**	**-**	**11,078**	10,320	-	10,320
Interest on cash deposits	**274**	**8**	**282**	36	2	38
Foreign currency (loss)	**(570)**	**-**	**(570)**	867	646	1,513
	52,845	**7**	**52,852**	45,359	1,005	46,364

Included within dividends from equities is overseas investment income which has been stated gross of withholding taxes totalling £76k (2023: £98k). This represents irrecoverable withholding taxes which have been reported under 'Taxation' within the Fund Account.

Income from pooled investment vehicles has increased from last year due to income received from ICGE a new fund of £4.3m, and increased income of £4.9m from Ares, as the private equity funds mature they generate more income.

10 INVESTMENT MANAGEMENT EXPENSES

	MRC Section 2023	Universities Section 2023	Total 2023	MRC Section 2022	Universities Section 2022	Total 2022
	£000	£000	£000	£000	£000	£000
Administration, management & custody	**3,798**	**174**	**3,972**	5,376	390	5,766
Out-performance fee	**530**	**-**	**530**	536	-	536
Non-recoverable property expenses	**2,000**	**-**	**2,000**	1,140	-	1,140
VAT recovered	**(1,150)**	**-**	**(1,150)**	(402)	-	(402)
	5,178	**174**	**5,352**	6,650	390	7,040

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 INVESTMENTS

11.1 RECONCILIATION OF INVESTMENTS – MRC SECTION

Reconciliation of investments held at beginning and end of year:

	Value at 01 January 2023	Purchases at Cost and Derivative payments	Sales Proceeds and Derivative receipts	Change in market value	Value at 31 December 2023
	£000	£000	£000	£000	£000
Equities	576,326	83,099	(329,613)	26,513	356,325
Bonds	179,651	28,374	(38,375)	6,542	176,192
Pooled investment vehicles	801,758	290,431	(31,131)	35,004	1,096,062
Property	187,090	8,692	(5,400)	(9,582)	180,800
Derivatives - net	1	-	-	21	22
AVC investments	2,363	193	(184)	166	2,538
	1,747,189	410,789	(404,703)	58,664	1,811,939
Cash deposits	21,448				13,601
Accrued Income	10,512				14,352
Property debtors	3,498				3,278
Other investment assets	116				348
Property creditors	(4,015)				(4,552)
Other investment liabilities	(31)				(551)
	1,778,717				1,838,415

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. 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.

At 31 December 2023, the Scheme held private equity and infrastructure investments with Partners Group of £82.804m (2022: £85.925m); private equity investments with Hg Capital of £78.695m (2022: £65.032m) and Warburg Pincus £60.807m (2022: £61.083m), private debt with Ares of £102.298m (2022: £94.496m) and infrastructure with Infracapital of £82.702m (2022: £80.468m). These holdings total 20.3% (2022: 20.2%) of the Scheme's net assets.

During the year, the Scheme sold off the equity portfolios with Baillie & Gifford and Liontrust, the monies were invested into pooled vehicles. The Baillie Gifford fund was closed in March 2023 and the monies were invested into two new fund managers Ninety One and ICG Group. The Liontrust fund was closed in May 2023 and the monies invested into a new Royal London fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.2 RECONCILIATION OF INVESTMENTS – UNIVERSITIES SECTION

	Value at 01 January 2023	Purchases at Cost	Sales Proceeds	Change in market value	Value at 31 December 2023
	£000	£000	£000	£000	£000
Pooled Investment Vehicles	118,944	13,630	(11)	9,405	141,968
Cash	(1)				8
Accrued income	23				14
	118,966				141,990

11.3 CONCENTRATION OF INVESTMENTS

The following asset, within the MRC Section, accounts for more than 5% of the Scheme's total net assets at 31 December 2023.

	2023	2023	2022	2022
	£000	%	£000	%
Aviva Lime Property Fund	105,387	5.3	115,584	6.0
RLPPC index Linked Fund	110,822	5.5	-	-

11.4 TRANSACTION COSTS

Included within the purchases and sales figures are direct transaction costs of £501,000 (2022: £304,000). Direct transaction costs incurred are analysed below:

	Fees	Commission	Stamp Duty	Total 2023	Total 2022
	£000	£000	£000	£000	£000
Equities	96	140	-	236	304
Property	-	-	265	265	-
	96	140	265	501	304

There are no direct transaction costs associated with Bonds trading in the MRC 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.5 PROPERTY

	2023 £000	2022 £000
UK freehold property	**142,875**	149,390
UK leasehold property	**37,925**	37,700
	180,800	187,090

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 which 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.

11.6 POOLED INVESTMENT VEHICLES

	MRC Section 2023 £000	Universities Section 2023 £000	Total 2023 £000	MRC Section 2022 £000	Universities Section 2022 £000	Total 2022 £000
Equities	**303,325**	**41,612**	**344,937**	199,758	33,142	232,900
Bonds	**116,538**	**100,356**	**216,894**	5,303	85,802	91,105
Private equity	**222,306**	**-**	**222,306**	212,040	-	212,040
Private debt	**102,298**	**-**	**102,298**	94,496	-	94,496
Infrastructure	**82,701**	**-**	**82,701**	80,467	-	80,467
Property	**171,940**	**-**	**171,940**	186,936	-	186,936
Credit fund	**78,238**		**78,238**			
Cash	**18,716**	**-**	**18,716**	22,758	-	22,758
	1,096,062	**141,968**	**1,238,030**	801,758	118,944	920,702

11.7 DERIVATIVES

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

	2023 Assets £000	2023 Liabilities £000	2022 Assets £000	2022 Liabilities £000
Equity futures	**22**	**-**	1	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.8 DERIVATIVE CONTRACTS OUTSTANDING

Futures contract

Within the State Street Segregated Equity Portfolio there are futures contracts as follows:

Contracts	Expiration	Underlying Investment	Notional Value	2023 Asset Value £000	2023 Liability Value £000
Future x 11	Less than 1 year	FTSE 100 IDX	GBP853,215	22	-

Contracts	Expiration	Underlying Investment	Notional Value	2022 Asset Value £000	2022 Liability Value £000
Future x 7	Less than 1 year	FTSE 100 IDX	GBP522,620	1	-

11.9 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:

	2023 £000	2022 £000
Utmost		
– unit trusts	**319**	290
Standard Life		
– with profits	**55**	54
– unit trusts	**2,164**	2,019
	2,538	2,363

11.10 CASH DEPOSITS

	2023 £000	2022 £000
UK Cash	**13,141**	19,411
Overseas Cash	**460**	2,036
	13,601	21,447

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.11 FAIR VALUE HIERARCHY

The fair value of financial instruments has been determined using the following fair value hierarchy:

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

Assumptions used to value the assets and liabilities are as follows:

Properties, including property pooled funds, and Limited Partnership type funds, as well as with-profits AVCs, have been included in level 3 having no equivalent asset available in an open market and therefore requiring specialised valuation techniques. Directly held properties are valued as stated in note 3.6 on page 33 and using the assumptions stated in note 11.5.

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

MRC Section	**Level 1**	**Level 2**	**Level 3**	**Total 2023**
	£000	**£000**	**£000**	**£000**
Equities	**356,325**	**-**	**-**	**356,325**
Bonds	**-**	**176,192**	**-**	**176,192**
Pooled investment vehicles	**-**	**516,817**	**579,245**	**1,096,062**
Property	**-**	**-**	**180,800**	**180,800**
Derivatives – net	**-**	**22**	**-**	**22**
AVC investments	**-**	**2,483**	**55**	**2,538**
Cash	**13,601**	**-**	**-**	**13,601**
Other investment balances - net	**12,875**	**-**	**-**	**12,875**
	382,801	**695,514**	**760,100**	**1,838,415**

Universities Section	Level 1	Level 2	Level 3	Total 2023
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles	**-**	**141,968**	**-**	**141,968**
Cash and accrued income	**22**	**-**	**-**	**22**
	22	**141,968**	**-**	**141,990**

MRC Section	Level 1	Level 2	Level 3	Total 2022
	£000	**£000**	**£000**	**£000**
Equities	576,326	-	-	576,326
Bonds	-	179,651	-	179,651
Pooled investment vehicles	-	227,820	573,938	801,758
Property	-	-	187,090	187,090
Derivatives – net	-	1	-	1
AVC investments	-	2,309	54	2,363
Cash	21,448	-	-	21,448
Other investment balances - net	10,080	-	-	10,080
	607,854	409,781	761,082	1,778,717

Universities Section	**Level 1**	**Level 2**	**Level 3**	**Total 2022**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles	-	118,944	-	118,944
Cash and accrued income	22	-	-	22
	22	118,944	-	118,966

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.12 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 SORP recommends these risk disclosures are made for all investments.

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 and its investment advisor, Redington 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.

(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 total value exposed to this risk is shown in the table in notes 11.1 and 11.2. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk with the investment managers listed on page 3 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.

A summary of pooled investment vehicle by type of arrangement is shown in the table below.

POOLED INVESTMENT VEHICLES BY TYPE

	MRC Section 2023	Universities Section 2023	Total 2023	MRC Section 2022	Universities Section 2022	Total 2022
	£000	£000	£000	£000	£000	£000
Unit linked insurance policies	**268,754**	**141,968**	**410,722**	126,893	33,142	160,035
Property unit trusts	**116,318**	**-**	**116,318**	186,935	-	186,935
Limited partnerships	**407,306**	**-**	**407,306**	387,005	-	387,005
Open ended funds	**225,548**	**-**	**225,548**	28,061	85,802	113,863
Cayman exempted fund	**78,136**	**-**	**78,136**	72,864	-	72,864
	1,096,062	**141,968**	**1,238,030**	801,758	118,944	920,702

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.

Direct 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 these investments being predominantly held in investment-grade bonds.

The Trustee considers financial instruments to be investment grade if rated BBB or higher, using RLAM composite rating determined by taking the S&P rating first and, if unavailable, the Moody's rating; otherwise the Fitch rating is used.

The credit ratings of the segregated bond funds are as follows:

Source of credit risk	**Investment Grade**		**Non-Investment Grade**		**Unrated**		**Total**	
2023	**£'000**	%	**£'000**	%	**£'000**	%	**£'000**	%
RLAM Main Section Segregated Bond Portfolio	**169,497**	96.2	**6,695**	3.8	**-**	-	**176,192**	100.0

Source of credit risk	**Investment Grade**		**Non-Investment Grade**		**Unrated**		**Total**	
2022	**£'000**	%	**£'000**	%	**£'000**	%	**£'000**	%
RLAM Main Section Segregated Bond Portfolio	167,434	93.2	3,773	2.1	8,444	4.7	179,651	100.0

Indirect credit risk arises through the bond and cash pooled investment vehicles. The pooled investment vehicles and cash held are all unrated.

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

MRC Section

Source of credit risk	**Exposure at start of year (£'000)**	**Exposure at end of year (£'000)**	**% of section's net assets at year end**
RLAM Corporate Bonds (direct, segregated)	131,714	125,575	6.8
RLAM Index-Linked Gilts (direct, segregated)	47,937	50,617	2.7
RLAM Sterling Extra Yield Bonds (indirect, pooled)	5,303	5,715	0.3
RLCM Cash Plus Fund (indirect, pooled)	22,758	18,716	1.0
RLPPC Index-Linked Funds S Acc (indirect,pooled)	-	110,822	6.0
ICG Multi-Class Credit (indirect, pooled)	-	78,238	4.2

Universities Section

Source of credit risk	**Exposure at start of year (£'000)**	**Exposure at end of year (£'000)**	**% of section's net assets at year end**
RLAM UK Corporate Bonds (indirect, pooled)	25,841	31,866	21.7
RLAM Index Linked Bonds (indirect, pooled)	59,961	68,490	46.6

The corporate bond allocations in the MRC Section and Universities 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In the past, UK government bonds were assumed to be risk-free. However, since the credit worthiness was downgraded to AA from AAA, this is included 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.

(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.

(iii) 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. Some equity, private equity, debt and infrastructure funds are unhedged and therefore indirect currency risk occurs as a result of the underlying assets of the fund.

The segregated funds net unhedged exposed to currency risk (after allowing for this hedging and including uncommitted cash) are as follows:

MRC Section

Source of currency risk	USD exposure (£'000)	EUR exposure (£'000)	JPY exposure (£'000)	Other exposure (£'000)	Total non-sterling exposure at 2023 (£'000)	Total non-sterling exposure at 2022 (£'000)
Segregated equities	52,204	16,472	11,849	119,445	199,969	188,716
Segregated credit	670	229	-	247	1,145	265
Total					**201,115**	188,981

The pooled investment funds exposed to direct currency risk (after allowing for this hedging) at the year-end are:

MRC Section

Source of currency risk	USD exposure (£'000)	EUR exposure (£'000)	JPY exposure (£'000)	Other exposure (£'000)	Total non-sterling exposure at 2023 (£'000)	Total non-sterling exposure at 2022 (£'000)
Pooled equities	34,302	10,243	-	97,594	142,139	71,772
Pooled credit	221	7	-	1,371	1,600	-
Pooled private equity/debt/infrastructure	84,026	101,581	-	34,865	220,472	228,340
Total					**364,211**	300,112

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Universities Section

Source of currency risk	**USD exposure (£'000)**	**EUR exposure (£'000)**	**JPY exposure (£'000)**	**Other exposure (£'000)**	**Total non-sterling exposure at 2023 (£'000)**	**Total non-sterling exposure at 2022 (£'000)**
Segregated equities	-	-	-	-	-	-
Pooled equities	25,604	3,450	2,713	8,381	40,148	33,196
Pooled credit	-	-	-	-	-	25
Total					**40,148**	33,221

(iv) 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 within the pooled funds.

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.

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

MRC Section

Source of interest rate risk	**Exposure at start of year (£'000)**	**Exposure at end of year (£'000)**	**% of section's net assets at year end**
RLAM Corporate Bonds (segregated)	131,714	125,575	6.8
RLAM Index-Linked Gilts (segregated)	47,937	50,617	2.7
RLAM Sterling Extra Yield Bonds (pooled)	5,303	5,715	0.3
RLCM Cash Plus Fund (pooled)	22,758	18,716	1.0
RLPPC Index-Linked Funds S Acc (pooled)	-	110,822	6.0
ICG Multi-Class Credit (indirect, pooled)	-	78,238	4.2

Universities Section

Source of interest rate risk	**Exposure at start of year (£'000)**	**Exposure at end of year (£'000)**	**% of section's net assets at year end**
RLAM Index Linked Bonds (pooled)	59,961	68,490	46.6
RLAM UK Corporate Bonds (pooled)	25,841	31,866	21.7

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(v) 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 arrangements. 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.

MRC Section

Source of other price risk	Exposure at start of year (£'000)	Exposure at end of year (£'000)	% of section's net assets at year end
Equity segregated investments	576,326	356,325	19.2
Equity pooled fund investments	199,758	303,325	16.3
Property segregated investments	187,090	180,800	9.7
Property pooled fund investments	186,936	171,940	9.3
Infrastructure pooled fund investments	80,467	82,701	4.5
Private equity pooled fund investments	212,040	222,306	12.0
Private debt pooled fund investments (indirect)	94,496	102,298	5.5

The Universities Section is invested in UK government and corporate bonds and global equities via pooled investment vehicles therefore there is indirect other price risk with respect to the global equities of £41.6m (2022: £33.1m).

12 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.

13 CURRENT ASSETS

	MRC Section 2023 £000	Universities Section 2023 £000	Total 2023 £000	MRC Section 2022 £000	Universities Section 2022 £000	Total 2022 £000
Cash balance	**18,658**	**3,873**	**22,531**	13,224	6,555	19,779
Contributions due						
- from employers	**834**	**1,352**	**2,186**	637	1,452	2,089
- in respect of employees	**343**	**87**	**430**	262	92	354
Pensions paid in advance	**3,010**	**-**	**3,010**	2,694	-	2,694
Vat receivable	**35**	**-**	**35**			
Other debtors	**356**	**1**	**357**	231	-	231
	23,236	**5,313**	**28,549**	17,048	8,099	25,147

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 CURRENT LIABILITIES

	MRC Section 2023	Universities Section 2023	Total 2023	MRC Section 2022	Universities Section 2022	Total 2022
	£000	£000	£000	£000	£000	£000
Unpaid benefits	**584**	**-**	**584**	414	-	414
Accrued expenses	**2,767**	**107**	**2,874**	1,935	117	2,052
VAT payable	**-**	**-**	**-**	70	-	70
Other creditors*	**4**	**279**	**283**	32	69	101
	3,355	**386**	**3,741**	2,451	186	2,637

* Other creditors in the Universities Section are amounts due to the MRC Section in relation to benefits paid by the MRC Section to or on behalf of members who were accruing benefits in both sections.

15 RELATED PARTY TRANSACTIONS

Key Management Personnel

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 2023 five active members and three pensioner members served as Trustee Directors.

During the year, the Scheme paid £2,825 (2022: £4,033) of Trustee Director expenses for replacement equipment and travelling to meetings. This amount is included within Trustee fees and expenses in Note 8, on page 36.

In addition, each pensioner Trustee Director is paid an allowance per meeting attended of £750 per meeting by the Scheme. Furthermore, the Scheme paid an attendance allowance of £750 per meeting attended to Mr Cooke and Mr Morgan as co-opted members of the Investment Subcommittee. Jayne Atkinson also a cop-opted member of the Investment Subcommittee receives an allowance of £1,667 per month. The Chairman receives remuneration from UKRI which is reimbursed by the Scheme on receipt of a quarterly invoice.

At the year-end there were £16,174 (2022: £nil) of Trustee fees outstanding.

These amounts are included within the Trustee fees and expenses in Note 8, on page 36.

16 TRANSFERS BETWEEN SECTIONS

During the year cash was transferred from the Universities Section to the MRC Section in relation to benefits which were paid in total from the MRC Section but derived in part in the Universities Section.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 CAPITAL COMMITMENTS

The Scheme had the following capital commitments at 31 December 2023:

Fund	CCY	Total Commitment ‘000	Outstanding Commitment 2023 ‘000	Outstanding Commitment 2022 ‘000
Hg Capital 7 C LP private equity	**GBP**	**12,861**	**185**	185
Hg Capital 8 C LP private equity	**GBP**	**14,933**	**1,547**	882
Hg Capital 9 C LP private equity	**EUR**	**17,800**	**4,088**	6,527
Hg Capital Mercury C LP Limited Partners	**GBP**	**4,620**	**272**	272
Hg Capital Mercury 2 A LP private equity	**GBP**	**7,500**	**630**	630
Hg Capital Mercury 3 A LP private equity	**EUR**	**17,800**	**5,324**	10,711
Hg Saturn A LP private equity	**GBP**	**10,000**	**1,458**	2,072
Infracapital Fund II infrastructure	**GBP**	**60,000**	**1,928**	2,950
Infracapital Greenfields	**GBP**	**30,000**	**2,733**	4,338
Infracapital Fund III infrastructure	**GBP**	**25,000**	**4,035**	4,570
Partners Group Value 2011 private equity	**EUR**	**12,000**	**1,677**	1,677
Partners Group Infra 2015 infrastructure	**USD**	**31,000**	**4,967**	6,204
Partners Group Value 2017 private equity	**EUR**	**56,600**	**15,591**	15,591
Partners Group Direct Infrastructure III	**USD**	**30,000**	**13,940**	20,839
Ares Capital Europe IV (G) Levered	**GBP**	**30,000**	**7,597**	6,117
Ares Capital Europe V (G) Levered	**GBP**	**90,000**	**17,720**	25,988
Warburg Pincus Global Growth E	**USD**	**63,200**	**3,666**	7,616

18 SUBSEQUENT EVENTS

UKRI paid £1.1m in February 2024 to the Universities Section and will continue to pay amounts quarterly, to meet the requirement of the Schedules of Contributions certified by the Actuary on 16 December 2020 and subsequently on the 13 March 2024.

19 CONTINGENT ASSETS/LIABILITIES

GMP equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. Following a further High Court ruling on 20 November 2020 further clarification was provided in respect of transfer value payments. The Trustee is reviewing, with their advisers, the implication of these rulings on the Scheme and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Scheme and the value of any liability. This review is ongoing. As soon as the review is finalised and any liability quantified, members affected will be contacted. The Scheme Actuary has advised that cost implications will not be material and has included a contingency of £4.4m in the 2022 actuarial valuation.

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2023 (forming part of the Trustee's Report)

Introduction

Under regulatory requirements covering occupational pension schemes, M.R.C. Pension Trust Limited (the 'Trustee'), on behalf of the MRC Pension Scheme (the 'Scheme'), is required to publish an annual Implementation Statement stating how the policy covered in the Statement of Investment Principles (the 'SIP') regarding the exercise of the rights (including voting rights) attaching to the investments and the undertaking of engagement activities in respect of the investments has been followed.

From 1 October 2022, further Department for Work and Pensions ('DWP') guidance on the reporting of stewardship activities through Implementation Statements came into effect. This statement aims to consider this guidance and outlines the actions the Trustee has taken in 2023 to meet the DWP's updated stewardship expectations, although the Trustee recognises this is an evolving area, where best practice develops over time.

This Statement, prepared by the Trustee on behalf of the Scheme, covers the period from 1 January 2023 to 31 December 2023. The Trustee is comfortable that the policies stated within the SIP have been adhered to over the period. Please note, this Statement does not disclose stewardship in relation to the Scheme's AVC investments.

Summary of Statement of Investment Principles updates over the period

There were no changes to the SIP (dated November 2022) required over the period.

The Trustee has made informed strategic investment decisions in accordance with its rights and responsibilities to enable the achievement of the Trustee's long-term investment objectives as set out in the SIP.

The Scheme's SIP can be found here.

The Trustee's Stewardship Policy

Over 2023, the Scheme updated its Stewardship Policy which now sits in a stand-alone document separate from the SIP. This Policy articulates how the Trustee practices effective stewardship through the oversight and challenge of investment managers, rather than the Trustee itself operating directly as steward of the underlying assets in which the Scheme invests.

The updated Stewardship Policy has raised the expectation for managers' stewardship activities, including outlining the significance of stewardship in the selection and monitoring of investment managers, expectations for investment managers' engagement activities, and expectations for investment managers' voting activities where relevant.

As per the DWP's suggestions, the Trustee has selected a stewardship theme which the Trustee will use to channel its stewardship efforts. The Trustee recognises there is a spectrum of sustainability-related challenges that are potentially financially material but believes it will be most effective in its oversight of investment managers by focusing on one area initially. The chosen stewardship theme is "Climate Change".

Specific actions the Trustee has taken over 2023 to implement the updated Stewardship Policy are explained in the subsequent sections of this Statement.

Significance of stewardship in appointment and monitoring of investment managers

When selecting and monitoring the Scheme's investment managers, the Trustee considers a manager's ESG and Stewardship capabilities. This information is provided by the Scheme's investment consultant and through direct conversations with investment managers.

Where the Trustee has appointed managers to manage segregated portfolios of equities or bonds, the Trustee has instructed managers not to invest in the shares of those companies whose predominant business revenues come from tobacco-related products.

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2023 (forming part of the Trustee's Report) (CONTINUED)

The Scheme receives an annual tobacco exposure report from the Scheme's investment consultant to monitor tobacco exposure within its pooled investments and assess whether this is in-line with expectations. A slight increase in exposure was identified in 2023 within the Universities Section following the disinvestment from Baillie Gifford Equity Mandate (which had a specific tobacco exclusion) and subsequent investment in State Street All World ESG Fund. Following this, since the start of Q3 2023, Tobacco and Thermal Coal screens now apply to all State Street pooled funds, in addition to the segregated State Street UK equity mandate in the MRC Section which already applied an exclusion.

To help in its monitoring, the Trustee also receives annual ESG analysis on its managers, such as carbon emission reporting. Through this reporting, the Trustee is able to track the carbon emission changes of each manager mandate and assess whether this is in-line with the Trustee's expectations. Where it is not, the Trustee may consider engaging with the relevant manager directly, or via the Scheme's investment consultant.

Engagement

The Trustee delegates responsibility for engaging with individual issuers to the Scheme's investment managers. The Trustee understands that engagements carried out by investment managers are likely to vary in nature by asset class. With that in mind, three examples across different asset classes are given in Appendix A.

In February 2023, the Trustee met with two of the Scheme's credit managers, Royal London Asset Management and Intermediate Capital Group, and engaged with the investment managers on the funds' performance, investment approach and ESG integration and stewardship. Overall, the Trustee was satisfied with the investment managers' activities and comfortable with their approach to ESG and stewardship.

The Trustee intends future engagements with the Scheme's investment managers as part of its manager monitoring, recognising its investment consultant also monitors the Scheme's investment managers.

Voting

The Trustee delegates responsibility for the exercise of rights (including voting rights) attaching to investments to the Scheme's investment managers. The Trustee is not aware of any material departures from the managers' stated voting policies and is comfortable voting by managers has been in line with the Trustee's policies and stewardship priority, as set out in its SIP and stewardship policy. Given the nature of these mandates and the fact that voting activities appear to be undertaken in line with the managers' voting policies, the Trustee is comfortable that the voting policies for the Scheme have been adequately followed over the period.

The Scheme's Stewardship Policy offers a definition of what the Trustee deems to be a significant vote. A significant vote is described as meeting some or all of the following criteria, in addition to being climate change-related:

- *Votes relating to an issuer to which the Scheme has a large £ exposure;*
- *Votes which may be inconsistent between investment managers (while recognising manager views may differ, votes in opposite directions may neutralise our voting influence); and*
- *Votes identified due to potential controversy, which may be driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.*

Voting statistics for each of the Scheme's relevant managers, as well as a selection of significant votes cast on behalf of the Scheme over the period are shown in Appendix B.

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2023 (forming part of the Trustee's Report) (CONTINUED)

Looking ahead

It is the Trustee's belief that the policies set out in the SIP regarding the exercise of rights attaching to investments and the undertaking of engagement activities in respect of the investments have been followed over 2023.

During 2024, the Trustee plans to continue to monitor the Scheme's managers from both a performance and stewardship perspective.

Appendix A

The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across the Scheme's investments and is not restricted to equity investments. With this in mind, below are three examples of engagement within the fixed interest, equity and property asset classes.

RLAM – Direct Engagement

Company: Electricite de France

Focus of the engagement: Commitment to Net Zero by 2050 and new emissions targets.

Details of the engagement: As part of the CA100+ collaborative engagement, RLAM met with Electricite de France's Chief Sustainability Officer and the team to discuss engagement priorities, including improving their scope 1 and 3 emissions targets, and improving offsetting, residual emissions, just transition and CAPEX disclosures.

Outcome of the engagement: Following this engagement, Electricite de France agreed to set new targets to reduce its scope 1 emissions from electricity generation by 80% in 2035, using 2017 levels as a baseline. Progress towards this has been made already, with scope 1 emissions lowered by 50% between 2017 and 2022. Electricite de France also clarified its Net Zero by 2050 target and confirmed this includes scope 3 emissions, which make up almost 80% of current emissions. This process entails reducing emissions by at least 90%, with the remaining 10% abated through quality carbon removal projects after 2030.

Ninety One – Direct Engagement

Company: NextEra Energy

Focus of the engagement: Ninety One carried out a joint engagement alongside a significant US based asset owner on Scope 3 emissions reporting and SBTi targets.

Details of the engagement: Following discussions, Ninety One met with NextEra's CEO to further engage on supply chain decarbonisation given the extent of these emissions which were not captured by NextEra's Net Zero targets. Ninety One highlighted the need explicitly to cover NextEra's extensive supply chain and discussed the importance of decarbonising upstream emissions as part of wider Scope 3 emissions, largely emanating from the use of steel. Ninety One emphasised to NextEra the opportunity to use the company's purchasing budget to drive acceleration to green steel, which is both useful in decarbonising our energy system and less energy intensive in production. The conversation focussed on pathways available to NextEra to decarbonise their steel supply chain.

Outcome of the engagement: NextEra understands targeting green steel would lead to further demand for hydrogen which could in turn be a key growth driver for NextEra. However, there is recognition that steel remains a hard-to-abate sector and that clarity on green hydrogen regulation from the US government will be a key determinant for NextEra's supply chain decarbonisation strategy. Green steel is a real opportunity for supply chain decarbonisation if US regulations allow. Ninety One will continue to engage with NextEra on decarbonisation of their supply chain and embedding of Scope 3 emissions targets into their Net Zero strategy as the regulatory landscape becomes clearer.

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2023 (forming part of the Trustee's Report) (CONTINUED)

Nuveen – Collaborative Engagement

Topic: Specific net zero carbon goals across operational activities and investments.

Details of the engagement: Nuveen signed the Better Buildings Partnership (BBP) Climate Change Commitment in 2019 and published a pathway to achieve net zero carbon (NZC) by 2040. The BBP Climate Commitment acknowledges the transformation that is required across the real estate sector to deliver net zero buildings by 2050.

The commitment requires signatories to publish net zero carbon pathways and delivery plans, disclose the energy performance of their assets and develop comprehensive climate resilience strategies. It has an overarching objective of delivering net zero buildings by 2050, incorporating both direct and indirect investments, operational and embodied carbon and Scope 1, 2 and 3 emissions.

Outcome of the engagement: Since becoming a BBP signatory, Nuveen has been actively participating in BBP's monthly forums and roundtable sessions across a range of ESG issues to stimulate discussion with industry peer groups to identify common sustainability challenges and new opportunities. In addition, Nuveen has successfully made a public commitment to reduce the energy intensity of its global equity portfolio by 30% by the year 2025, based on a 2015 baseline. Nuveen is also committed to transition its global real estate portfolio to Net Zero Carbon by 2040 and future-proof its investments through the active integration of ESG.

Appendix B

Summary of voting over the period

The managers in the below table provided details of their voting behaviour and significant votes over the period, in line with the Pensions and Lifetime Savings Association's Vote Reporting Template. Their responses are summarised in the table below. The information is sourced directly from the managers unless otherwise stated and corresponds to the MRC Section and the Universities Section, respectively.

MRC Section:

Holding	Number of resolutions eligible to vote	% of resolutions voted	% of resolutions voted against management	Proxy adviser*	% of resolutions voted contrary to the recommendation of the proxy adviser
Ninety One Global Environment Fund	431	100.0%	8.8%	ISS	3.5%
First Sentier Asia Pacific Select Strategy	443	100.0%	4.3%	Glass Lewis	12.4%
Invesco Global Equity Income Strategy	720	98.1%	4.4%	ISS / Glass Lewis	3.8%
Morgan Stanley Offshore Emerging Markets Equity Fund	1,225	100.0%	10.2%	ISS	4.2%

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2023 (forming part of the Trustee's Report) (CONTINUED)

MRC section (Continued)

Holding	Number of resolutions eligible to vote	% of resolutions voted	% of resolutions voted against management	Proxy adviser*	% of resolutions voted contrary to the recommendation of the proxy adviser
State Street FTSE All Share Ex Tobacco	10,011	99.6%	6.4%	ISS	5.9%
State Street North America (100% Hedged) ESG Screened Index Equity Sub-Fund	8,987	99.0%	11.6%	ISS	11.3%
State Street Japan (100% Hedged) ESG Screened Index Equity Sub-Fund	6,050	100.0%	7.3%	ISS	6.2%
State Street Europe ex UK (100% Hedged) ESG Screened Index Equity Sub-Fund	9,060	97.6%	11.7%	ISS	7.3%

Universities Section:

Holding	Number of resolutions eligible to vote	% of resolutions voted	% of resolutions voted against management	Proxy adviser*	% of resolutions voted contrary to the recommendation of the proxy adviser
State Street All World ESG Screened Index Equity Sub-Fund	63,679	95.6%	15.6%	ISS	8.5%

*Managers employ proxy advisers to recommend ways in which to vote on particular resolutions.

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2023 (forming part of the Trustee's Report) (CONTINUED)

Significant votes

The following tables provide a significant vote example for each relevant manager. In practice, the managers vote on a wider range of topics than the examples listed below. The Trustee has asked managers to provide examples that are in line with the Trustee's definition of what constitutes a significant vote as outlined in the Stewardship Policy.

	Ninety One	First Sentier	Invesco
Company name	Schneider Electric S.A.	AIA Group Limited	Canadian Pacific Kansas City Limited
Date of vote	04/05/2023	10/05/2023	15/06/2023
Size of holding at date of vote	5.04%	3.29%	1.31%
Summary of the resolution	Approve Company's Climate Transition Plan	Adoption of Amended restricted Share Unit Scheme	Report on Climate Transition Plan
Manager's vote	For	Against	For
If a vote against management, was this intent communicated ahead of the vote?	N/A	No	N/A
Outcome of the vote	Pass	Pass	Pass
Rationale for the voting decision	Voted for as the company has set targets by 2030 and 2050 to achieve Net-Zero on a 1.5C trajectory validated by SBTi with intermediary checkpoints and as the disclosure framework and content are in line with market practices.	Voted against amendment to incentives. Despite some positive changes being made, such as extending the vesting period. Overall, the investment manager was not comfortable with the changes in vesting conditions.	This was the company's first Say-on-Climate Resolution. Over the last 2 years they have set SBTi targets and made progress towards their 2021 Climate Strategy.
Implications of the outcome	Going forward, Ninety One will monitor the progress of Schneider's execution of their net zero transition plan. The company has set 2025, 2030, 2040 and 2050 goals with a clear plan to achieve their targets at every stage and have committed to disclosing their progress against the targets on an annual basis.	Unable to provide owing to the sensitive nature of renumeration discussions.	There was subsequent engagement by the ESG team to discuss their alignment with the 1.5-degree ambition and how they plan to achieve net zero by 2050. In addition the methodology around how they set their targets and monitor for progress was discussed in further detail.
How does this vote relate to the Scheme's stewardship policy?	Related to the Trustee's stewardship priority of Climate Change.	Relatively large holding whereby First Sentier voted against management.	Related to the Trustee's stewardship priority of Climate Change.

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2023 (forming part of the Trustee's Report) (CONTINUED)

Significant votes (Continued)

	Morgan Stanley	State Street
Company name	China Mengniu Dairy Company Limited	BP Plc
Date of vote	06/06/2023	27/04/2023
Size of holding at date of vote	0.72%	3.41%
Summary of the resolution	Election of the director	Approve shareholder resolution on Climate Change targets
Manager's vote	Against	Against
If a vote against management, was this intent communicated ahead of the vote?	No	No
Outcome of the vote	Pass	Did not pass
Rationale for the voting decision	Voted against the election due to the company's high exposure to GHG emissions and lack of public commitment to emissions reduction. *The Trustee understands that in this instance, voting against the election of the director is intended to be a form of escalation against a director who they deem responsible for the Company's stance on climate change, as discussed above.*	Voted against the proposal as BP has already adopted Scope 3 targets and provided disclosure in line with expectations.
Implications of the outcome	MSIM to continue to engage on the topic.	Where appropriate State Street will contact the company to explain their voting rationale and conduct further engagement.
How does this vote relate to the Scheme's stewardship policy?	Related to the Scheme's stewardship priority of Climate Change.	Related to the Scheme's stewardship priority of Climate Change.

ACTUARIAL CERTIFICATES

MRC Section

Certification of schedule of contributions

Name of scheme: Medical Research Council Pension Scheme – MRC Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 7 March 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Group's liabilities by the purchase of annuities, if the Group were to be wound up.

Signature	DocuSigned by: John Coulthard EC5C4CABE875443...	Date	7 March 2024
Name	John Coulthard	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	Verulam Point Station Way St. Albans AL1 5HE	Name of employer	Aon Solutions UK Limited

ACTUARIAL CERTIFICATES (CONTINUED)

Universities Section

Certification of schedule of contributions

Name of scheme: Medical Research Council Pension Scheme – Universities Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 7 March 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Group's liabilities by the purchase of annuities, if the Group were to be wound up.

Signature	DocuSigned by: John Coulthard EC5C4CABE875443...	Date	13 March 2024
Name	John Coulthard	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	Verulam Point Station Way St. Albans AL1 5HE	Name of employer	Aon Solutions UK Limited